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 (國瑞置業有限公司)" and carrying on business in Hong Kong as Guorui Properties Limited)

(Stock Code: 2329)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

2017 ANNUAL RESULTS HIGHLIGHTS

- Achieved contracted sales for the year ended December 31, 2017 (the "**Reporting Period**") of RMB14,876.7 million with corresponding gross floor area ("**GFA**") of approximately 914,877.0 sq.m.;
- Revenue for the Reporting Period was RMB6,787.4 million, of which the revenue from property development was RMB6,381.7 million;
- Gross profit for the Reporting Period was RMB3,168.9 million, of which the gross profit from property development was RMB2,910.2 million;
- Net profit for the Reporting Period was RMB2,039.5 million, of which RMB1,749.8 million was attributable to the owners of the Company;
- Total comprehensive income for the Reporting Period was RMB2,283.2 million, of which RMB1,944.8 million was attributable to the owners of the Company;
- Basic earnings per share for the Reporting Period were RMB39.46 cents;
- The Board recommended the payment of final dividends of HK8.07 cents per share.

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 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 Company's shareholders (the "**Shareholders**") the following audited consolidated results of the Group for the Reporting Period, together with the comparative figures for the year ended December 31, 2016. The results were extracted from the audited consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

		Year ended December 31,	
	Notes	**2017**	**2016**
		RMB'000	*RMB'000*
Revenue	3	6,787,415	8,034,581
Cost of sales and services		(3,618,543)	(4,916,491)
Gross profit		3,168,872	3,118,090
Other gains and losses		161,185	(23,671)
Other income		88,241	20,227
Gain on fair value change of investment properties		955,743	851,934
Selling expenses		(194,915)	(260,817)
Administrative expenses		(360,684)	(329,129)
Other expenses		(45,676)	(18,656)
Finance costs	4	(198,683)	(126,824)
Share of result of a joint venture		(936)	—
Share of result of associates		(6,014)	(727)
Profit before tax		3,567,133	3,230,427
Income tax expenses	5	(1,527,622)	(1,274,739)
Profit for the year		2,039,511	1,955,688

	Notes	Year ended December 31, 2017 RMB'000	2016 RMB'000
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties		324,949	—
Related income tax		(81,237)	—
Other comprehensive income for the year		243,712	—
Total comprehensive income for the year		2,283,223	1,955,688
Profit for the year attributable to:			
Owners of the Company		1,749,841	1,562,956
Non-controlling interests		289,670	392,732
		2,039,511	1,955,688
Total comprehensive income for the year attributable to:			
Owners of the Company		1,944,811	1,562,956
Non-controlling interests		338,412	392,732
		2,283,223	1,955,688
Earnings per share, in Renminbi cents:	6		
Basic		39.46	35.38
Diluted		39.20	35.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At DECEMBER 31, 2017

	Notes	**At December 31,** **2017** *RMB'000*	**2016** *RMB'000*
Non-current assets			
Investment properties		18,308,269	16,674,500
Property, plant and equipment		850,258	198,468
Other non-current assets		1,053,778	794,099
Interest in a joint venture		9,064	—
Interest in associates		269,246	—
Available-for-sale investments		165,192	165,192
Prepaid lease payments		281,438	287,473
Deferred tax assets		404,235	290,533
Deposit paid for acquisition of projects under construction		120,000	—
VAT and taxation recoverable		1,422,585	—
Restricted bank deposits		105,720	135,167
		22,989,785	18,545,432
Current assets			
Inventories		61	105
Deposits paid for land acquisition		605,010	365,010
Properties under development		23,626,222	19,005,089
Properties held for sale		3,408,156	3,118,955
Trade and other receivables, deposits and prepayments	8	1,082,946	803,477
Amounts due from customers for contract work		1,191,139	1,363,512
VAT and taxation recoverable		500,477	125,267
Amounts due from related parties		2,928,197	5,000
Financial assets at fair value through profit or loss		97	97
Restricted bank deposits		620,761	151,499
Cash and bank balances		1,591,506	1,234,250
		35,554,572	26,172,261

		At December 31,	
	Notes	**2017**	**2016**
		RMB'000	*RMB'000*
Current liabilities			
Trade and other payables	9	5,585,713	6,029,313
Deposits received from sale of properties		3,308,339	2,680,425
Amounts due to related parties		893,229	225,513
Taxation payable		2,492,186	1,894,475
Bank and other borrowings - due within one year		11,625,399	2,877,489
Corporate bonds		2,992,645	—
		26,897,511	13,707,215
Net current assets		8,657,061	12,465,046
Total assets less current liabilities		31,646,846	31,010,478
Non-current liabilities			
Other payables		89,393	77,794
Bank and other borrowings - due after one year		12,601,665	13,030,378
Corporate bonds		997,006	3,980,214
Deferred tax liabilities		2,425,425	2,111,242
Senior notes		1,940,948	—
		18,054,437	19,199,628
Net assets		13,592,409	11,810,850
Capital and reserves			
Share capital		3,519	3,513
Reserves		10,898,692	9,480,344
Equity attributable to owners of the Company		10,902,211	9,483,857
Non-controlling interests		2,690,198	2,326,993
Total equity		13,592,409	11,810,850

NOTES

1. GENERAL

The Company was incorporated in the Cayman Islands under the name of "Glory Land Company Limited (國瑞置業有限公司)" as an exempted company with limited liability under the Company Laws (2012 Revision) of the Cayman Islands on July 16, 2012 which carries on business in Hong Kong as "Guorui Properties Limited". 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. Mr. Zhang Zhangsun, who hold 100% equity interests of Alltogether Land Company Limited, is the ultimate shareholder of the Company. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at East Block, Hademen Plaza, 8-1# Chongwenmenwai Street, Dongcheng District, Beijing, the PRC.

On July 7, 2014, the Company completed the global offering and its shares were listed on the mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The 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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year.

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 IFRS Standards 2014-2016 Cycle

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

3. REVENUE AND 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. 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 and related services. Currently the Group's activities are carried out in the PRC.

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 profit represents the profit earned by each segment without allocation of unallocated other gains and losses (excluding reversal of allowance for doubtful receivables), other income, other expenses, share of result of associates, share of result of a joint venture, gain on fair value change of investment properties, finance costs and unallocated administrative expenses, including auditor's remuneration and directors' emoluments. This is the measure reported to the Group's chief operating decision maker for the purpose of resource 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 purpose of resource 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*
Year ended December 31, 2017					
Revenue from external customers	6,381,746	75,095	310,293	20,281	6,787,415
Inter-segment revenue	—	—	—	—	—
Segment revenue	6,381,746	75,095	310,293	20,281	6,787,415
Segment profit	2,452,311	1,164	180,073	9,544	2,643,092
Year ended December 31, 2016					
Revenue from external customers	7,513,208	137,616	292,679	91,078	8,034,581
Inter-segment revenue	—	—	—	20,986	20,986
Segment revenue	7,513,208	137,616	292,679	112,064	8,055,567
Segment profit	2,353,161	3,077	188,707	10,747	2,555,692

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

	Year ended December 31, 2017 RMB'000	Year ended December 31, 2016 RMB'000
Revenue		
Segment revenue	6,787,415	8,055,567
Elimination of inter-segment revenue	—	(20,986)
Consolidated revenue	6,787,415	8,034,581
Profit		
Segment profit	2,643,092	2,555,692
Unallocated other gains and losses	161,185	(24,295)
Other income	88,241	20,227
Other expenses	(45,676)	(18,656)
Share of result of associates	(6,014)	(727)
Share of result of a joint venture	(936)	—
Gain on fair value change of investment properties	955,743	851,934
Finance costs	(198,683)	(126,824)
Unallocated administrative expenses	(29,819)	(26,924)
Consolidated profit before tax	3,567,133	3,230,427

(c) ***Other segment information***

Amounts included in the measurement of segment profit or loss:

	Property development RMB'000	Primary land construction and development services RMB'000	Property investment RMB'000	Property management and related services RMB'000	Unallocated amount RMB'000	Total RMB'000
Year ended December 31, 2017						
Depreciation and amortization	16,164	—	5,254	7,905	3,884	33,207
Release of prepaid lease payment	—	—	81	26	5,928	6,035
Year ended December 31, 2016						
Depreciation and amortization	11,664	—	5,245	12,262	3,884	33,055
Release of prepaid lease payment	—	—	81	26	5,928	6,035
Reversal of allowance for doubtful receivables	—	—	(624)	—	—	(624)

(d) Revenue from major products and services

The following is an analysis of the Group's revenue from external customers:

	Year ended December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
Sales of properties	6,381,746	7,513,208
Primary land construction and development services	75,095	137,616
Rental income	310,293	292,679
Property management and related services	20,281	91,078
	6,787,415	8,034,581

(e) 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 (other than financial instruments, and deferred tax assets of the Group) amounting to RMB22,314,638,000 (2016: RMB17,954,540,000) at December 31, 2017 are located in the PRC based on geographical location of the assets or the associates' and joint venture's operation, as appropriate.

(f) 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 years ended December 31, 2017 and 2016.

4. FINANCE COSTS

	Year ended December 31, 2017	2016
	RMB'000	*RMB'000*
Interest on bank loans	1,102,090	860,458
Interest on corporate bonds	282,137	241,011
Interest on senior notes	121,210	—
Interest on other loans	210,589	63,364
Total interest expenses	1,716,026	1,164,833
Less: Amounts capitalised to properties under development and investment properties	(1,517,343)	(1,038,009)
	198,683	126,824

Interests capitalized arose from borrowings made specifically for the purpose of constructing the qualifying assets, which bore annual interest at rates from 4.75% to 9.80% (2016: 4.75% to 12.20%) and general borrowings pool calculated by applying a capitalization rate of 7.01% (2016: 6.40%) per annum on expenditure on the qualifying assets.

5. INCOME TAX EXPENSES

	Year ended December 31, 2017 *RMB'000*	2016 *RMB'000*
Current tax		
PRC enterprise income tax	611,243	647,054
Under provision in prior year	—	7,349
LAT	797,135	542,306
	1,408,378	1,196,709
Deferred tax	119,244	78,030
Income tax expenses	1,527,622	1,274,739

6. EARNINGS PER SHARE

	Year ended December 31, 2017 *RMB'000*	2016 *RMB'000*
Earnings:		
Profit for the year attributable to the owners of the Company for the purposes of basic and diluted earnings per share	1,749,841	1,562,956

	Year ended December 31, 2017 *'000*	2016 *'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,434,150	4,417,841
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	23,492	28,186
Share awards issued by the Company	5,772	14,968
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,463,414	4,460,995

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

Dividends recognised as distribution by the Company during the current year amounted to HK$267,994,000 (equivalent to RMB240,000,000) in respect of final dividend for the year ended December 31, 2016 and HK$333,849,000 (equivalent to RMB300,000,000) in respect of interim dividend for the year ended December 31, 2017 in aggregate, representing HK6.04 cents per share and HK7.52 cents per share declared. Part of the dividends amounting to HK$127,134,000 (equivalent to RMB108,966,000) was paid during the current year.

Dividend recognised as distribution by the Company during the year ended December 31, 2016 amounted to HK$245,882,000 (equivalent to RMB206,000,000) in aggregate, representing HK5.55 cents per share declared. Part of the dividend amounting to HK$45,390,000 (equivalent to RMB38,348,000) was paid during 2016.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2017 of HK8.07 cents per share, totalling HK$358,578,000 (equivalent to RMB300,000,000) has been proposed by the board of directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

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 required to be settled in advance with no credit period being granted to the tenants. In respect of sales of properties, a credit period of six to twelve months may be granted to specific customers on a case-by-case basis.

	At December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
Trade receivables, net of allowance	480,394	185,849
Advances to contractors and suppliers	274,537	376,959
Other receivables from independent third parties (note)	17,261	17,261
Other receivables and prepayment, net of allowance	183,746	152,430
Prepaid lease payment - current portion	6,035	6,035
Deposits	120,973	64,943
	1,082,946	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 aged analysis of trade receivables based on the date of recognition of revenue at the end of the reporting period:

	At December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
0 to 60 days	281,666	28,168
61 to 180 days	66,121	12,623
181 to 365 days	59,737	26,890
1-2 years	21,715	94,541
Over 2 years	51,155	23,627
	480,394	185,849

Trade receivables with an amount of approximately RMB59,743,000 (2016: RMB102,184,000) as at December 31, 2017, were overdue receivables but not impaired at the end of each of the reporting period. The Group does not hold any collateral over these balances. The following is an aged analysis of overdue receivables based on due date:

	At December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
Less than 1 year	25,756	94,065
1-2 years	27,669	2,864
Over 2 years	6,318	5,255
	59,743	102,184

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

All the receivables that are neither past due nor impaired are due from customers with good settlement history.

Movements in the allowance for doubtful debts on trade receivables are set out as follows:

	Year ended December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
Balance at the beginning of the year	3,027	3,651
Reversed during the year	—	(624)
Balance at the end of the year	3,027	3,027

Included in allowance for doubtful debts are trade receivables individually impaired which are due from debtors under financial difficulties. In addition, the Group assessed impairment on a collective basis. No further allowance for doubtful debts was recognised.

9. TRADE AND OTHER PAYABLES

	At December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
Trade payable	4,099,193	3,943,878
Deposits received	431,967	622,806
Rental received in advance	49,361	26,696
Payable for acquisition of subsidiaries	—	786,868
Accrued payroll	56,076	45,833
Business and other tax payable	386,111	243,709
Other payables and accruals	637,398	437,317
Dividends	15,000	—
	5,675,106	6,107,107
Analyzed for reporting purposes as:		
Non-current	89,393	77,794
Current	5,585,713	6,029,313
	5,675,106	6,107,107

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

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

	At December 31, 2017 *RMB'000*	At December 31, 2016 *RMB'000*
0 to 60 days	2,196,999	2,551,084
61-365 days	458,745	478,604
1-2 years	975,541	772,986
Over 2 years	467,908	141,204
	4,099,193	3,943,878

10. CONTINGENT LIABILITIES

	At December 31, 2017 *RMB'000*	At December 31, 2016 *RMB'000*
Guarantees provided by the Group in respect of loan facilities utilised by		
– individual property buyers	7,607,905	6,563,622
– corporate property buyers	54,640	45,420
	7,662,545	6,609,042

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of the Group for the Reporting Period.

RESULTS AND REVIEW FOR 2017

Results and Dividends

Maintaining a leading position in the industry with gross profit margin of 46.7%

During the Reporting Period, the Group achieved operation revenue of RMB6,787.4 million, gross profit of RMB3,168.9 million, and net profit of RMB2,039.5 million. Profit attributable to the owners of the Company was RMB1,749.8 million, representing an increase of 12.0% as compared to the corresponding period of the previous year. During the Reporting Period, the gross profit margin and core net profit margin of the Group amounted to 46.7% and 19.5% respectively, both being in a leading position in the industry.

On the one hand, the Group was committed to the improvement in profitability; on the other hand, a flexible dividend distribution policy were adopted to reward shareholders for their strong supports. During the year, the Board declared and distributed an interim dividend of HK7.52 cents per share amounting to HK$333,849,000 (equivalent to RMB300,000,000) in aggregate, and proposed to declare and distribute a final dividend of HK8.07 cents per share amounting to HK$358,578,000 (equivalent to RMB300,000,000) in aggregate.

Market Review

Deepening of policy regulation and tightening from core cities to third- and fourth-tier cities

In 2017, regulation and control are still the keynote of the real estate industry. Investment speculation was fully restrained from all aspects including demand side of house purchase, supply and financial side of property, which reinforced the nature of housing properties is for accommodation. By closely following the pace of central government, the city-specific regulatory policies were implemented in the real estate industry where the policies have been shifting from regulating on a single city to tightening up through the synergy among city agglomerations and the interconnections among regions. From market performance perspective, first- and second-tier cities saw a decline in trading volume amidst focused-regulation, while the significant effect of properties destocking turned up in third- and fourth-tier cities under the impact of spillover. Given the intensified differentiation in the industry, accelerated paces of industry leaders and diverging of rise and fall among medium-sized enterprises, the competitive pattern has been presented with radical changes.

Property development

Contracted sales increased by 34%, hitting a new high with the implementation of city-specific strategies

Responding to changes in the situation, the Group adopted flexible strategies to promote rapid growth in sales, with an aim to lay a solid foundation for the future profitability of the Company. During the Reporting Period, the Group achieved contracted sales of RMB14,876.7 million, representing an increase of 34% as compared to the corresponding period of the previous year. The contracted GFA was 914,877.0 sq.m. and the contracted average selling price was RMB16,260.7 per sq.m. Beijing made a great contribution in the contracted sales by accounting for 32.6% while first-tier cities and their surrounding core cities contributed 45.3% in aggregate.

In terms of regional and city layout, the Group continued to leverage on the incremental market space, entrench in major metropolitan areas and city agglomerations, focus on "Beijing Tianjin Hebei" region, "Pearl River Delta" region, "Yangtze River Delta" region and economic circle of "One Belt, One Road" and follow the market trend, so as to strengthen and expand the business of the Group. In the meanwhile, it proactively planned its business in first- and second-tier core cities and third- and fourth-tier cities with potentiality and optimised product structure with implementation of city-specific strategies, for the purpose of catering for different levels of market demand and increasing market share. In Beijing and Suzhou, the Group centered on the improvement in Glory Villa (國瑞熙墅); in Xi'an, the Group completed the topping out of Guorui Finance Center (國瑞金融中心), the landmark project of Xi'an; in Chongming Island, the Group launched an ecological high-end residential project, namely Guorui Yingtai (國瑞 • 瀛台) project to undertake the spillover demand in Shanghai; in Shantou, the Group launched Siji Garden (四季園), Guorui Garden (國瑞園) and Guan Haiju (觀海居) projects; in Foshan, the Group stepped up its efforts in the sales of Foshan Guorui New Capital (佛山國瑞新都) project, covering the rigid demand and first-time house buyers.

Land reserves

Focusing on core city circles and making progress via speeding up mergers and acquisitions

Insisting on quality growth, the Group ensured profitability while proactively expanded land reserves through multiple channels such as participating in government bidding, cooperation and acquisitions. During the Reporting Period, the Group obtained six high-quality land parcels with planned GFA of approximately 813,790 sq.m., among which Beijing accounted for 44.4%. Particularly important, the Company won the bid for the land parcels of Fengtai Xitieying (豐台西鐵營) and Haidian Chuihu (海淀翠湖) in Beijing in the form of consortium, which improved the competitive advantages of acquiring the parcels of land and enabled the Company to target on high-quality projects in core cities and prime locations with lesser funds.

In addition, the Company also sustained the growth momentum of future sales by the mergers and acquisitions of mature projects within the strategic layout of the Company. As at August 31, 2017, the Company added seven new projects for cooperation in the Beijing-Tianjin-Hebei region, southern

China and the areas under "The Belt and Road Initiative". In the future, the Company will also seize the opportunities to increase quality land resources through various channels such as cooperation and mergers and acquisitions with a view to quickly achieve a leap-forward sales growth.

The Group believes that first-tier cities will witness strong demand of properties for a long term in view of its outstanding advantages in resource concentration due to constant population inflow and advanced level of economic development, as well as the low stock of properties and shortage of land supply. As at December 31, 2017, the planned GFA for land reserves of the Group was 8,506,372 sq.m., and the average land cost was approximately RMB4,692.1 per sq.m.. As for planned area, first-tier cities and surrounding core cities accounted for 45.7%, which is expected to bring an momentum for the future sales of the Group.

Investment properties

Rental income increased by 6% year-on-year with promising prospects for high-quality properties

During the Reparting Period, the Group's total rental income was RMB310.3 million, representing a year-on-year increase of 6%. The steady growth in rental income was due to nine investment properties owned by the Group in the core areas of five major cities, with a planned GFA of approximately 799,037 sq.m.. The operating area of Beijing accounts for approximately 65.3% among the operating area of 495,754 sq.m.. The offices of Hademen Plaza (哈德門廣場) in Beijing has partially commenced operation in December 2017, Shenyang Glory Shopping Mall (瀋陽國瑞購物中心) has grandly opened in October 2017. In 2018, offices and its ancillary commercial facilities in the East Tower of Hademen Plaza in Beijing, as well as the commercial district in Foshan Glory Shengping Commercial Centre (佛山國瑞升平商業中心) Phase I will put into operation in the second half of the year. As the investment properties in major cities and core areas will gradually commence operation, the Group believes the rental income is expecting a substantial increase.

Financing channels

Proactively expanding financing channels and continuously optimizing debt structure

The Group focused its efforts on expanding financing channels, optimizing debt structure and lowering financing costs while supporting the Group's sustainable steady development in diversified financing methods. 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 credit rating agencies, Fitch Ratings and Stardard & Poor, and set the record of the lowest interest rate for the first issue of bonds with such rating in recent years. In March 2018, the Group successfully issued senior notes of US$250 million under the market situation where the stock market fluctuates dramatically and the bond market is in a severe hardship, which is a further step towards the Company's "Structural Adjustment" objectives to optimized the sources of funds and currency allocation.

The Group's average financing cost was 6.5% during the Reporting Period, which was basically the same as 2016.

OUTLOOK FOR 2018

Keeping houses for living in, not for speculation and realizing living in peace and contentment

In 2018, the central government continued to insist on the position of "houses for living in, not for speculation" and "city-specific regulatory policies, differentiated regulation and control" remains the key tone of the real estate industry. The government reports of the National People's Congress and the Chinese Political Consultative Conference puts forward "Cultivate the leasing market and develop shared property rights for housing. Accelerate the establishment of housing system such as "multi-agent supply", "multi-channel protection" and "lease/purchase option" to enable the broad masses of the people to live in peace and contentment ASAP". The Group believes that the development goals of China's economy have shifted from high-speed growth to high-quality growth. The development of real estate companies in the new era must closely follow the guidelines of the national policies to proactively adapt to the development challenges of the new economy and expand the playground for future development.

The Group is of the view that the demands of China's real estate will mainly arise from in three aspects for a certain period in the future: (1) The living environment and housing demand of peasants will be solved by implementing the strategy of village rejuvenation and the construction of a beautiful new rural village in the new era proposed by General Secretary Xi Jinping. (2) The housing demand of low- and middle-income people in the first- and second-tier cities will be satisfied by social housing and public rental housing. (3) The demand for house purchase in one's hometown is increasingly prominent as the new urbanization is developing rapidly and the rural population is relocating to third- and fourth-tier cities; the city value will be more obvious as third- and fourth-tier cities around metropolitan areas will share urbanization dividends. Therefore, it can be predicted that the real estate market in China will still have much room for development in the next decade.

In this new stage, the Group believes that there are promising prospects for industrial models such as the construction of a beautiful rural new village and the cultural tourism and cultural innovation of integrated development for industries and cities. As for districts and counties outside the first- and second-tier cities, the Group will explore the cooperative development model with the rural collectives and participate in the construction of beautiful rural new village to help the development of rural rejuvenating industries. Secondly the Group will be in line with the policy of "lease/purchase option" and focus on the first-tier cities like Beijing and Shenzhen to explore and experiment rental housing business. In addition, the Group will take the existing regions as the leading factor to expand the potential cities under the national strategy of the Belt and Road and the Guangdong-Hong Kong-Macao Great Bay Area, developing innovative industrial models such as cultural tourism and cultural innovation and smart new city.

In the future, the Group will uphold the strategy of deeper regional exploitation, adopt proactive and flexible sales policies and attract more customers with continuously improved product structure and excellent product quality. The Group will step up efforts to promote sales while strengthening the collection of sales payment. Moverover, besides, the Group will also focus on adjusting the debt structure and endeavor to reduce financing costs, thus enhancing our core competitiveness and ensuring the sustainable growth in future performance.

ACKNOWLEDGEMENT

Finally, on behalf of the Board, I would like to express our sincere gratitude to all of 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
March 28, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the Reporting Period, the Group's total contracted sales were approximately RMB14,876.7 million, representing an increase of 34.0% as compared to the year ended December 31, 2016. The Group's revenue was RMB6,787.4 million, representing a decrease of 15.5% as compared to the year ended December 31, 2016. This decrease was primarily due to the decreased revenue from property development. Revenue from property development was RMB6,381.7 million, representing a decrease of 15.1% as compared to the year ended December 31, 2016. For the Reporting Period, the Group's gross profit was RMB3,168.9 million, net profit was RMB2,039.5 million, of which RMB1,749.8 million was attributable to the owners of the Company, representing an increase of 12.0% from RMB1,563.0 million for the year ended December 31, 2016.

Contracted Sales

For the Reporting Period, the contracted sales of the Group amounted to approximately RMB14,876.7 million, representing an increase of 34.0% from RMB11,099.0 million for the year ended December 31, 2016. Total GFA sold was approximately 914,877.0 sq.m., representing a decrease of 14.0% from 1,063,817.0 sq.m. for the year ended December 31, 2016. Average selling price was around RMB16,260.7 per sqm, representing an increase of 55.9% from RMB10,433.1 per sqm for the year ended December 31, 2016.

The following table sets out the geographic breakdown of the Group's contracted sales for the years ended December 31, 2017 and 2016:

	2017		2016	
City	Contracted Sales *(RMB million)*	Percentage of Total Contracted Sales *(%)*	Contracted Sales *(RMB million)*	Percentage of Total Contracted Sales *(%)*
Beijing	4,829.2	32.6	1,940.8	17.5
Haikou	1,432.0	9.6	1,709.3	15.4
Wanning	92.7	0.6	395.5	3.6
Langfang	1,421.6	9.6	4,170.1	37.6
Zhengzhou	244.4	1.6	636.2	5.7
Shenyang	750.1	5.0	563.9	5.1
Foshan	861.6	5.8	680.9	6.1
Shantou	1,161.1	7.8	1,002.3	9.0
Suzhou	655.4	4.4	—	—
Chongming	463.8	3.1	—	—
Cooperation project	2,964.8	19.9	—	—
Total	14,876.7	100.0	11,099.0	100.0

The following table sets out the project breakdown of the Group's contracted sales for the years ended December 31, 2017 and 2016:

	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	57.0	257.0	1,294	6,479	44,097.8	39,666.0
Beijing Fugui Garden	121.8	—	1,740	—	70,000.0	—
Beijing Glory Villa East	115.6	937.1	9,182	78,086	12,591.7	12,000.0
Beijing Glory Villa West	1,701.8	746.7	55,779	62,198	30,508.9	12,000.0
Beijing Daxing Yinghai	2,833.0	—	97,691	—	29,000.0	—
Haikou						
Haikuotiankong Glory City	898.8	1,522.1	50,175	103,433	17,913.4	14,715.3
Glory Riverview Garden	247.2	91.5	10,092	4,355	24,490.3	21,009.5
Haikou West Coast Glory	286.0	95.7	12,022	4,474	23,789.7	21,379.4
Wanning						
Wanning Glory City	92.7	395.5	10,459	54,211	8,860.8	7,295.8
Langfang						
Yongqing Glory City	1,421.6	4,170.1	91,349	415,438	15,562.3	10,037.9
Zhengzhou						
Zhengzhou Glory City	244.4	636.2	16,796	98,732	14,549.3	6,443.6
Shenyang						
Shenyang Glory City	750.1	563.9	110,739	80,589	6,773.1	6,997.0
Foshan						
Foshan Guohua New Capital	803.7	680.9	57,511	74,410	13,974.7	9,150.4
Foshan Glory Shengping Commercial Centre	57.9	—	1,276	—	45,395.9	—
Shantou						
Guan Haiju	450.8	—	28,294	—	15,933.1	—
Siji Garden	277.9	1,002.3	35,476	81,412	7,833.8	12,311.7
Glory Garden (Phase II)	432.4	—	53,592	—	8,067.6	—

	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.)*
Suzhou						
Suzhou Glory Villa	655.4	—	19,991	—	32,783.0	—
Qidong						
Guorui Yingtai	463.8	—	39,851	—	11,639.1	—
Cooperation project	2,964.8	—	211,568.0	—	14,013.3	—
Total	14,876.7	11,099.0	914,877.0	1,063,817	16,260.7	10,433.1

Property Projects

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

As at December 31, 2017, the Group had completed a total GFA of 6,034,162 sq.m. and had land reserves with a total GFA of 8,506,372 sq.m., comprising (a) a total GFA of 903,900 sq.m. completed but remaining unsold, (b) a total GFA of 3,205,681 sq.m. under development, and (c) a total planned GFA of 4,396,791 sq.m. held for future development.

The Group selectively retains the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring income. As at December 31, 2017, the Group had investment properties with a total GFA of 799,038 sq.m. in core locations in 5 cities, namaly, Beijing, Shenzhen, Shengyang, Shantou and Foshan.

Properties Under Development and Properties Held for Future Development

The following table sets out a summary of information on the Group's projects and project phases under development and properties held for future development as at December 31, 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 Glory Villa East	Residential	94,199	315,167	227,557	87,268	—	—	80.0%
2. Beijing Glory Villa West	Residential	73,294	239,805	179,823	117,977	18,415	—	80.0%
3. Daxing Yinghai	Residential	63,030	206,989	160,603	97,691	—	—	80.0%
4. Fengtai Xitieying	Residential	65,650	—	—	—	294,514	294,514	16.0%
5. Haibin Green Lake	Residential	82,336	—	—	—	273,288	273,288	28.0%
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%
Langfang								
1. Yongqing Glory City (Phases I (partial) to II)	Residential	410,568	70,934	70,934	5,598	375,155	—	80.0%
2. Yongqing Glory City (Phases IV (partial))	Residential	217,726	266,638	206,302	—	350,442	—	100%
Zhengzhou								
1. Zhengzhou Glory City (Phase VIII)	Mixed-use	11,235	—	—	—	30,772	—	80.0%
Shenyang								
1. Shenyang Glory City (Phase III (partial), Phases V (partial) to VII)	Mixed-use	270,402	94,511	92,832	—	623,604	273,322	80.0%

Project	Project Type	Site Area	UNDER DEVELOPMENT GFA Under Development	Saleable/ Rentable GFA	GFA Pre-sold	HELD FOR FUTURE DEVELOPMENT 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.)*	*(%)*
Foshan								
1. Foshan Guohua New Capital (Phase II)	Residential	23,503	100,171	89,801	51,286	—	—	44.0%
2. Foshan Glory Shengping Commercial Centre	Mixed-use	90,231	352,974	92,349	1,725	—	—	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	—	—	—	80.0%
Shantou								
1. Convention Hotel	Mixed-use	28,439	186,799	135,924	—	—	—	100.0%
2. Shantou Glory Hospital	Hospital	100,001	360,154	—	—	—	—	100.0%
3. Glory Garden (Phase II) (1)	Residential	14,482	77,977	67,546	54,689	—	—	80.0%
4. Siji Garden(1)	Residential	42,155	205,008	152,163	55,028	—	—	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	240,294	182,656	19,991	—	—	80.0%
Chongming								
1. Chongming Island	Residential	1,211,544	101,863	101,863	39,851	929,974	—	72.0%
2. Butterfly Hotel	Hotel	64,000	53,656	—	—	—	—	100.0%
Hubei Ezhou								
1. Ezhou Huarong District Project	Specialized market	333,335	—	—	—	150,000	150,000	55.0%
Total		4,601,325	3,205,681	2,014,487	531,104	4,396,791	1,239,715	
Total Attributable GFA			2,693,784	1,639,559	403,232	3,083,519	623,674	

Note:

(1) Projects developed under the "Urban Redevelopment" Policy

The following table sets out a summary of information of the Group's investment properties as at December 31, 2017:

Project	Types of Properties	Total GFA Held for Investment	Leasable GFA	Effective Leased GFA	Total Rental Income	
					2017	2016
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(RMB'000)*	*(RMB'000)*
Beijing Glory City	Shopping mall	84,904	46,366	42,753	242,810	231,680
	Offices	8,520	8,520	6,566		
	Car parking spaces	26,324	26,324	21,779		
	Retail outlets	33,032	29,546	25,700		
	Siheyuan	7,219	7,219	3,437		
Eudemonia Palace	Car parking spaces	3,431	3,431	3,431		
Beijing Fugui Garden	Shopping mall	26,146	26,146	21,640	39,348	39,288
	Retail outlets	3,170	3,170	3,170		
Beijing Hademen Plaza	Commerical	15,671	14,703	—	4,285	—
	Offices	75,171	69,830	16,537		
	Car parking spaces	29,040	23,917	—		
Beijing Bei Wu Lou	Offices	10,916	10,916	—	—	—
Shenyang Glory City	Specialized markets	50,841	50,841	24,580	174	—
	Retail outlets	58,972	58,972	15,339		
Shantou Glory City	Specialized markets	62,398	62,398	59,773	23,676	21,711
Foshan Glory Shengping Commercial Centre*	Retail outlets	260,520	—	—	—	—
	Car parking spaces					
Shenzhen • Nanshan*	Offices	42,763	—	—	—	—
Total		799,038	442,299	244,705	310,293	292,679

* Projects currently under construction

Completed Properties

The following table sets out a summary of information on the Group's completed projects and project phases as at December 31, 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	63,159	15,715	159,999	640,252	18,180	80.0%
3.	Eudemonia Palace	Residential	14,464	33,102	3,431	–	3,431	24,931	1,309	80.0%
4.	Beijing Hademen Plaza	Commerical	12,738	140,057	14,817	–	119,881	–	–	
Haikou										
1.	Haikuotiankong Glory City (Phases I to V)	Mixed-use	141,375	800,154	236,146	91,196	–	526,650	37,358	80.0%
2.	Haidian Island Glory Garden	Residential	65,643	71,863	15,204	933	–	56,078	581	80.0%
3.	Glory Riverview Garden	Residential	36,634	21,658	7,464	7,464	–	13,109	1,085	80.0%
4.	Haikou West Coast Glory	Residential	34,121	21,971	5,647	5,647	–	15,043	1,281	80.0%
Wanning										
1.	Wanning Glory City (Phase I)	Residential	100,780	161,988	11,687	4,335	–	146,727	3,574	80.0%
Langfang										
1.	Yongqing Glory City (Phase I (partial), Phase III, PhaseV)	Residential	509,049	403,023	31,398	12,765	–	369,369	2,256	80%
2.	Yongqing Glory City (Phase IV (partial))	Residential	176,023	498,887	284,160	47,809	–	203,145	11,582	100%
Zhengzhou										
1.	Zhengzhou Glory City (Phases I to VII)	Mixed-use	472,992	803,762	95,891	19,423	–	663,027	44,844	80.0%

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 (%)
Shenyang									
1. Shenyang Glory City (Phases I and II, Phase III (partial), Phase IV and Phase V (partial))	Mixed-use	357,189	920,637	202,717	15,449	109,813	563,333	44,774	80.0%
Foshan									
1. Foshan Guohua New Capital (Phase I and Phase II (partial))	Residential	97,311	414,746	168,187	156,428	–	211,954	34,605	44.0%
Shantou									
1. Shantou Glory City (Phase I)	Mixed-use	50,999	62,398	–	–	62,398	–	–	90%
2. Glory Garden (Phase I)	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%
6. Guan Haiju	Residential	25,922	170,721	36,075	36,075	–	133,689	957	100.0%
Total		2,335,372	6,034,162	1,226,384	419,061	484,839	4,105,294	217,644	
Total Attributable GFA		1,895,449	4,897,996	990,363	296,565	397,336	3,344,974	165,324	

Land Reserves

The following table sets out a summary of the Group's land reserves by geographic location as at December 31, 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	331,806	761,961	586,217	1,679,984	19.7	15,565.2
Haikou	105,241	–	768,844	874,085	10.3	1,557.5
Wanning	4,335	–	200,955	205,290	2.4	354.2
Langfang	60,574	337,573	725,597	1,123,744	13.2	352.7
Zhengzhou	19,423	–	30,772	50,195	0.6	405.4
Shenyang	125,261	94,511	623,604	843,376	9.9	896.4
Foshan	156,428	453,145	248,591	858,164	10.1	4,100.0
Xi'an	–	289,978	–	289,978	3.4	1,551.8
Shantou	100,832	829,937	–	930,769	10.9	966.3
Shenzhen	–	42,763	132,237	175,000	2.1	3,428.6
Suzhou	–	240,294	–	240,294	2.8	17,191.3
Chongming	–	155,519	929,974	1,085,493	12.8	1,354.7
Hubei Ezhou	–	–	150,000	150,000	1.8	584.7
Total	**903,900**	**3,205,681**	**4,396,791**	**8,506,372**	**100.0**	**4,692.1**

Note:

(1) Includes 178,612 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 December 31, 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	230,441	1,412,721	3,150,351	4,793,513	56.3
Commercial for sale	115,473	494,056	266,747	876,276	10.3
Commercial held or intended to be held for investment	484,839	303,283	–	788,122	9.3
Hotel	–	88,092	104,536	192,628	2.3
Car parking spaces	73,147	367,085	359,230	799,462	9.4
Ancillary	–	164,436	294,416	458,852	5.4
Hospital	–	360,154	–	360,154	4.2
Specialised market	–	–	150,000	150,000	1.8
Others	–	15,854	71,511	87,365	1.0
Total	**903,900**	**3,205,681**	**4,396,791**	**8,506,372**	**100.0%**

Note:

(1) Includes 178,612 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, Redevelopment of shanty town 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 2017, the Group undertook primary land development, redevelopment of shanty town and projects under the "Urban Redevelopment" policy in Beijing, Chaozhou, Shenzhen and Shantou.

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 Tiananmen Square with a planned GFA of approximately 474,304 sq.m., comprising five land parcels. As at December 31, 2017, the Group has completed the primary land development of one of the five land parcels, and another land parcel is in the process of acceptance check by the Group. As at December 31, 2017, the projects under development of the Group incurred development costs of approximately RMB919.5 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 prior notice of the house demolition and relocation of approximately 4,419 mu of land. As at December 31, 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 December 31, 2017, the development costs paid by the Group at the early stage in relation to this project was approximately RMB416.1 million.

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 December 31, 2017, the Group incurred aggregate preliminary development costs of the remaining two projects of approximately RMB5.7 million.

Financial Review

Revenue

For the Reporting Period, the Group's revenue was RMB6,787.4 million, representing a decrease of 15.5% from RMB8,034.6 million for the year ended December 31, 2016. This decrease was primarily due to the decreased revenue from property development.

Revenue from property development for the Reporting Period was RMB6,381.7 million, representing a decrease of 15.1% as compared to the year ended December 31, 2016. This decrease was primarily due to the uneven progress of project delivery and settlement for the year ended December 31, 2017.

Cost of Sales and Services

The Group's cost of sales and services decreased by 26.4% from RMB4,916.5 million in 2016 to RMB3,618.5 million in 2017. This decrease was primarily due to the decreased cost of property development.

The Group's cost of property development decreased by 25.2% from RMB4,642.0 million in 2016 to RMB3,471.5 million in 2017. This decrease was primarily due to the uneven progress of project delivery and settlement for the year ended December 31, 2017.

Gross Profit

For the Reporting Period, the Group's gross profit was RMB3,168.9 million, representing an increase of 1.6% from RMB3,118.1 million for the year ended December 31, 2016. During the Reporting Period, the gross profit margin increased by 7.9% from 38.8% for the year ended December 31, 2016 to 46.7%.

Gross profit of property development was RMB2,910.2 million for the Reporting Period, representing an increase of 1.4% from RMB2,871.2 million for the year ended December 31, 2016. During the Reporting Period, the gross profit margin of property development increased by 7.4% from 38.2% for the year ended December 31, 2016 to 45.6%.

Net Profit Attributable to owners of the Company

For the Reporting Period, the net profit attributable to owners of the Company was RMB1,749.8 million, representing an increase of 12.0% from RMB1,563.0 million for the year ended December 31, 2016.

Gain on Fair Value Change of Investment Properties

Gain on fair value change of investment properties increased by 12.2% from RMB851.9 million in 2016 to RMB955.7 million in 2017.

Other Gains and Losses

Other gains were RMB161.2 million for the Reporting Period, while other losses were RMB23.7 million for the year ended December 31, 2016.

Other Income

Other income increased by 336.6% from RMB20.2 million for the year ended December 31, 2016 to RMB88.2 million for the Reporting Period, which was mainly due to the recognised return on capital employed with associates and joint ventures for the year.

Selling Expenses

Selling expenses decreased by 25.3% from RMB260.8 million for the year ended December 31, 2016 to RMB194.9 million for the Reporting Period, primarily due to the decreased marketing agency fees caused by the gradual adjustment of marketing policy by the Group of self-selling instead of sales agents.

Administrative Expenses

Administrative expenses increased by 9.6% from RMB329.1 million for the year ended December 31, 2016 to RMB360.7 million for the Reporting Period.

Finance Costs

Finance costs increased by 56.7% from RMB126.8 million for the year ended December 31, 2016 to RMB198.7 million for the Reporting Period, primarily due to the increase in borrowings of the Group for the year ended December 31, 2017.

Income Tax Expenses

Income tax expenses increased by 19.8% from RMB1,274.7 million for the year ended December 31, 2016 to RMB1,527.6 million for the Reporting Period, primarily due to the increase of profit before taxation. The PRC enterprise income tax and land appreciation tax of the Group for the Reporting Period were RMB730.5 million and RMB797.1 million, respectively.

Total Comprehensive Income

Due to the above, the Group's total comprehensive income increased by 16.7% from RMB1,955.7 million for the year ended December 31, 2016 to RMB2,283.2 million for the Reporting Period.

Liquidity, Financial and Capital Resources

Cash Position

As at December 31, 2017, the Group's cash, restricted bank deposits and bank balances were approximately RMB2,318.0 million, representing an increase of 52.4%, as compared to RMB1,520.9 million as at December 31, 2016.

Negative Net Operating Cash Flow

The Group recorded negative net operating cash flow in the amount of RMB3,240.4 million for the Reporting Period, as compared to a negative operating cash flow of RMB1,425.3 million for the year ended December 31, 2016. The Group's negative net cash flow from operating activities was primarily attributable to the increase of expenditure for land acquisition.

Borrowings

As at December 31, 2017, the Group had outstanding borrowings of RMB24,227.1 million, consisting of bank borrowings of RMB19,517.1 million and other borrowings which are trust financing arrangements of RMB4,710.0 million.

As at December 31, 2017, the outstanding amount of the Group's borrowings from trust financing arrangements accounted for 19.4% of the balance of the Group's total bank and other borrowings, compared to 1.9% as at December 31, 2016.

Charge over Assets

Some of the Group's borrowings are secured by properties held for/under development, properties held for sale, investment properties and prepaid lease payments as well as property, plant and equipment and restricted bank deposits, or combinations of the above. As at December 31, 2017, the assets pledged to secure certain borrowing granted to the Group amounted to RMB33,317.3 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 December 31, 2017, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to RMB7,662.5 million.

Save as disclosed in this announcement, the Group had no other material contingent liabilities as at December 31, 2017.

Foreign Exchange Risk

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in Renminbi. In March 2017, the Company successfully issued US$300.0 million 7% senior notes due 2020 listed on the Hong Kong Stock Exchange. As a result of the issuance of such senior notes, the Group became exposed to foreign currency risk arising from the exposure of Renminbi against U.S. dollars.

In addition, Renminbi is not freely convertible into foreign currencies and the conversion of Renminbi into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government. The Group does not have a foreign currency hedging policy. However, the Directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting significant foreign currency hedging policy in the future.

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.

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 selfoccupied 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 (海澱區) 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.

State Wealth Holdings Llimited ("State Wealth"), being the Company's wholly-owned subsidiary, signed the cooperation agreement with Chaotuan International Investment Limited* (潮團國際投資有限公司) on November 20, 2017, subscribing for 611,111,111 shares in aggregate of Chaotuan International Investment Limited* at a consideration of HK$716,847,920, which represented 55% of equity interest in Chaotuan International Investment Limited* are held by State Wealth. Upon completion of the subscription, Chaotuan International Investment Limited* will become a subsidiary of the Company. For details, please see the announcement dated November 20, 2017 of the Company.

Save as disclosed in this announcement, the Group did not have any other material acquisition and disposal and 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 this announcement and in the prospectus of the Company dated June 23, 2014 (the "Prospectus") 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 December 31, 2017, the Group had approximately 1,098 employees. For the Reporting Period, the Group incurred employee costs of approximately RMB347.2 million. Remuneration for the employees generally includes salary and performance-based quarterly 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.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from listing on the Stock Exchange (after deducting underwriting fees and related expenses) amounted to approximately HK$1,561.0 million. Since the date of listing and up to December 31, 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.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

As at January 30, 2018, Beijing Guorui Hengxiang Real Estate Co., Ltd. (北京國瑞恒祥置業有限公司) ("**Guorui Hengxiang**"), an indirect subsidiary of the Company, formed a consortium with another independent third-party real estate company and won the bid for a land use right of a total of 27,200 sq.m. of land in Xiaowayao Village Lugouqiao Township Fengtai District Beijing (北京市豐台區盧溝橋鄉小瓦窑村) with a planned GFA of 140,000 sq.m. at a total consideration of approximately RMB3.125 billion. Guorui Hengxiang holds a shareholding ratio of 51%.

On March 2, 2018, the Company successfully issued US$250.0 million 10.2% senior notes due 2019 listed on The Hong Kong Stock Exchange. Further details of the issue of senior notes were disclosed in the announcements of the Company dated February 2, 2018, February 28, 2018 and March 2, 2018.

FINAL DIVIDEND

The Board proposed the payment of a final dividend of HK8.07 cents per share, totalling HK$358,578,000 (equivalent to RMB300,000,000), for the Reporting Period to Shareholders whose names appear on the register of members of the Company on June 5, 2018. The proposed final dividend will be paid no later than June 20, 2018 after approval by Shareholders at annual general meeting of the Company.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on May 29, 2018 and the Notice of AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on May 29, 2018 ("**AGM**"), the register of members of the Company will be closed from May 23, 2018 to May 29, 2018, both days inclusive. In order to qualify for attending and voting at the AGM, 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 May 21, 2018.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed from June 2, 2018 to June 5, 2018. In order to qualify for the final 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 June 1, 2018.

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

The Company is committed to maintaining high standards of corporate governance with a view to assure 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 chairman and president in Chairman Zhang is beneficial to the business operations of the Group and will not have a negative impact 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 fairly strong independence in its composition. Save as disclosed herein, the Company has complied with the code provisions as set out in the CG Code for the Reporting Period. 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 Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange granted to the Company, at the time of its listing in 2014, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules (the "**Public Float Waiver**"). Pursuant to the Public Float Waiver, the Company's prescribed minimum percentage of shares which must be in the hands of the public must not be less than 15% of the total issued share capital of the Company. Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed amount of public float as required by the Public Float Waiver as at the date of this announcement.

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 Company's auditors, Deloitte Touche Tohmatsu, the accounting principles and policies adopted by the Group, as well as laws and regulations, and discussed, among other things, internal control and financial reporting matters of the Group, including review of the annual results for the year ended December 31, 2017.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2017 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.glorypty.com). In accordance with the requirements under the Listing Rules which are applicable to the Reporting Period, the annual report for the year ended December 31, 2017 containing all the information about the Company set out in this announcement of results for the year ended December 31, 2017 will be dispatched 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

Hong Kong, March 28, 2018

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.

** Denotes English translation or transliteration of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.*