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, 2016

FINANCIAL HIGHLIGHTS

— Achieved contracted sales for the six months ended June 30, 2016 (the "**Reporting Period**") was RMB6,919.3 million with corresponding gross floor area ("**GFA**") of approximately 723,950 sq.m., representing a period-on-period increase of 127.7% and 156.7%, respectively;

— Revenue for the Reporting Period was RMB3,655.6 million, of which the revenue from property development was RMB3,415.7 million;

— Gross profit for the Reporting Period was RMB1,500.7 million, of which the gross profit from property development was RMB1,376.3 million;

— Net profit for the Reporting Period was RMB1,000.4 million, of which RMB863.6 million was attributable to the equity holders of the Company;

— Basic earnings per share for the Reporting Period were RMB19.6 cents;

— Land reserves reached a total GFA of 7,672,908 sq.m. and the average cost of land reserves was RMB2,592.7 per sq.m. for the Reporting Period. Newly acquired land reserves amounted to a total GFA of 596,782 sq.m. and the average cost of land acquisition was RMB7,271.1 per sq.m. for the Reporting Period;

— Contracted average selling price ("**ASP**") for the Reporting Period was RMB 9,557.7 per sq.m.. The average cost of land reserves accounted for 27.1% of the ASP for the Reporting Period.

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2016

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, 2016, together with comparative figures for the corresponding period in 2015. 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, 2016

	NOTES	**Six months ended June 30,** **2016** *RMB'000* *(Unaudited)*	**2015** *RMB'000* *(Unaudited)*
Revenue	3	3,655,621	2,589,664
Cost of sales and services		(2,154,919)	(1,261,629)
Gross profit		1,500,702	1,328,035
Other gains and losses		(8,536)	(464)
Other income		7,722	4,984
Change in fair value of investment properties		465,557	615,793
Share of (loss) profit of an associate		(726)	1,585
Distribution and selling expenses		(130,227)	(126,628)
Administrative expenses		(142,217)	(158,960)
Other expenses		(1,484)	(13,075)
Finance costs	4	(75,780)	(85,500)
Profit before tax		1,615,011	1,565,770
Income tax expense	5	(614,598)	(597,028)
Profit and total comprehensive income for the period		1,000,413	968,742
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		863,614	773,111
Non-controlling interests		136,799	195,631
		1,000,413	968,742
EARNINGS PER SHARE	6		
- Basic (RMB cents)		19.6	17.6
- Diluted (RMB cents)		19.4	17.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2016

	NOTES	**As at June 30, 2016** *RMB'000* *(Unaudited)*	**As at December 31, 2015** *RMB'000* *(Audited)*
Non-current Assets			
Investment properties		15,879,850	15,065,850
Property, plant and equipment		148,629	130,248
Intangible assets		4,175	3,490
Interests in associates		31,470	32,196
Available-for-sale investments		165,192	165,192
Prepaid lease payments		290,571	3,013
Deposit paid for acquisition of a subsidiary		—	70,000
Deferred tax assets		248,066	160,336
Restricted bank deposits		131,835	38,686
		16,899,788	15,669,011
Current Assets			
Inventories		93	73
Prepayment/deposits paid for land acquisition		2,090,426	2,929,848
Properties under development for sale		13,682,807	9,667,914
Properties held for sale		2,903,358	2,719,459
Trade and other receivables, deposits and prepayments	8	782,325	870,875
Amounts due from customers for contract work		1,264,331	1,222,245
Tax recoverable		138,859	39,270
Amount due from a related party		—	1,063
Financial assets at fair value through profit or loss		97	70,097
Restricted bank deposits		15,961	80,898
Cash and bank balances		1,350,560	1,956,263
		22,228,817	19,558,005

	NOTES	As at June 30, 2016 RMB'000 (Unaudited)	As at December 31, 2015 RMB'000 (Audited)
Current Liabilities			
Trade and other payables	9	4,902,918	4,910,116
Deposits received from pre-sale of properties		3,054,761	1,611,699
Amounts due to related parties		322,296	55,057
Tax liabilities		1,629,779	1,477,701
Bank and other borrowings - due within one year		2,968,622	3,718,997
		12,878,376	11,773,570
Net Current Assets		9,350,441	7,784,435
Total Assets Less Current Liabilities		26,250,229	23,453,446
Non-current Liabilities			
Other payables	9	72,591	65,970
Bank and other borrowings - due after one year		10,515,153	8,579,128
Corporate bonds		2,981,006	2,977,127
Deferred tax liabilities		2,020,444	1,903,251
		15,589,194	13,525,476
Net Assets		10,661,035	9,927,970
Capital and Reserves			
Share capital		3,512	3,511
Share premium and reserves		8,782,091	8,115,985
Equity attributable to owners of the Company		8,785,603	8,119,496
Non-controlling interests		1,875,432	1,808,474
Total Equity		10,661,035	9,927,970

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 certain financial instruments and investment properties, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs").

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of the above amendments to IFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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 (loss) profit of an associate, changes in fair value of investment properties, finance costs, certain depreciation, auditor's remuneration, directors' remunerations and income tax 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, 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
Six months ended June 30, 2015					
Revenue from external customers	2,333,034	86,897	141,541	28,192	2,589,664
Inter-segment revenue	—	—	—	2,731	2,731
Segment revenue	2,333,034	86,897	141,541	30,923	2,592,395
Segment profit	939,015	1,131	112,520	684	1,053,350

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

	Six months ended June 30, 2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue		
Segment revenue	3,662,352	2,592,395
Elimination of inter-segment revenue	(6,731)	(2,731)
Consolidated revenue	3,655,621	2,589,664
Profit		
Segment profit	1,239,171	1,053,350
Other gains and losses	(8,536)	(464)
Other income	7,722	4,984
Other expenses	(1,484)	(13,075)
Share of (loss) profit of an associate	(726)	1,585
Change in fair value of investment properties	465,557	615,793
Finance costs	(75,780)	(85,500)
Depreciation	(1,942)	(1,942)
Auditor's remuneration	(2,986)	(3,219)
Directors' remunerations	(5,985)	(5,742)
Consolidated profit before taxation	1,615,011	1,565,770

4. FINANCE COSTS

	Six months ended June 30, 2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest on bank loans	418,511	270,915
Interest on other loans	52,763	127,987
Interest on corporate bonds	113,729	—
Other finance costs	—	3,950
Total	585,003	402,852
Less: Amounts capitalized to properties under development	(509,223)	(317,352)
	75,780	85,500

Interests capitalized arose from borrowings made specifically for the purpose of constructing the qualifying assets, which bore annual interest at rates from 4.9% to 12.2% (six months ended June 30, 2015: 6.0% to 12.2%) and general borrowings pool calculated by applying a capitalization rate of 7.5% (six months ended June 30, 2015: 8.5%) per annum on expenditure on the qualifying assets.

5. INCOME TAX EXPENSE

	Six months ended June 30,	
	2016	**2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current tax		
PRC Enterprise Income Tax	312,566	240,517
Under provision in prior year	17	—
Land appreciation tax ("LAT")	272,316	247,615
	584,899	488,132
Deferred tax	29,699	108,896
Income tax expense	614,598	597,028

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,	
	2016	**2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	863,614	773,111

	Six months ended June 30,	
	2016	**2015**
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,411,571	4,398,016
Effect of dilutive potential ordinary shares		
Share options	28,799	28,795
Share awards	18,806	19,174
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,459,176	4,445,985

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 of HK5.55 cents (six months ended June 30, 2015: HK6.05 cents) per ordinary share totalling HK$245,882,000 (equivalent to RMB206,000,000) (six months ended June 30, 2015: HK$266,080,000, equivalent to RMB209,914,000) in respect of the year ended December 31, 2015 was declared, and part of the dividend amounting to HK$45,390,000 (equivalent to RMB38,348,000) was paid.

The directors of the Company have determined that no dividend will be paid in respect of the interim period.

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, 2016 *RMB'000* *(Unaudited)*	**As at December 31, 2015** *RMB'000* *(Audited)*
Trade receivables, net of allowance	354,154	475,587
Advances to contractors and suppliers	245,480	205,953
Other receivables from independent third parties (note)	17,261	17,261
Other receivables and prepayment, net of allowance	87,976	87,165
Prepaid lease payment - current portion	6,035	107
Deposits	71,419	84,802
	782,325	870,875

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 June 30, 2016 and December 31, 2015:

	As at June 30, 2016 *RMB'000* *(Unaudited)*	**As at December 31, 2015** *RMB'000* *(Audited)*
0 to 60 days	141,922	350,660
61 to 180 days	11,970	28,618
181 to 365 days	125,479	28,302
1-2 years	22,953	64,274
Over 2 years	51,830	3,733
	354,154	475,587

Trade receivables with an amount of approximately RMB69,490,000 and RMB49,112,000 as at June 30, 2016 and December 31, 2015, 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, 2016	**As at December 31, 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables	3,192,367	3,223,172
Rental received in advance	31,585	51,782
Deposits received	654,402	399,886
Payable for acquisition of subsidiaries (note (a))	391,860	504,360
Other payables to connected person (note (b))	—	200,000
Accrued payroll	21,167	45,578
Business and other tax payable	139,615	212,170
Other payables and accruals	544,513	339,138
	4,975,509	4,976,086
Analyzed for reporting purposes as:		
Non-current (note (c))	72,591	65,970
Current	4,902,918	4,910,116
	4,975,509	4,976,086

Notes:

(a) The balance as at June 30, 2016 comprised the outstanding balance of consideration amounted to RMB346,860,000 (December 31, 2015: RMB346,860,000) for the acquisition of equity interests in Hainan Junhe Industrial Co., Ltd. ("Hainan Junhe") during 2014 and the outstanding balance of consideration amounted to RMB45,000,000 (December 31, 2015: RMB57,500,000) in relation to the equity interests in Shaanxi Huawei Shida Industrial Co., Ltd. acquired in 2013. These amounts are unsecured, interest free and repayable on demand.

In June 2015, the Group acquried 87.5% equity interest in Shenzhen Wanji at a cash consideration of RMB500,000,000. The outstanding balance as at December 31, 2015 was RMB100,000,000.

(b) The amount is related to the cancellation of a sale contract with a connected person as defined under the Listing Rules, which is unsecured and repayable on demand as at December 31, 2015. The amount was paid during the current interim period.

(c) Pursuant to the relevant rental agreements, rental deposits of approximately RMB72,591,000 (December 31, 2015: RMB65,970,000) as at June 30, 2016 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 aged analysis of trade payables based on invoice date at June 30, 2016 and December 31, 2015:

	As at June 30, 2016 *RMB'000* *(Unaudited)*	**As at December 31, 2015** *RMB'000* *(Audited)*
0 to 60 days	1,996,695	2,577,407
61-365 days	761,480	386,298
1-2 years	390,265	227,801
Over 2 years	43,927	31,666
	3,192,367	3,223,172

10. CONTINGENT LIABILITIES

	As at June 30, 2016 *RMB'000* *(Unaudited)*	**As at December 31, 2015** *RMB'000* *(Audited)*
Guarantees provided by the Group in respect of loan facilities utilized by		
- individual property buyers	5,790,101	3,997,153
- corporate property buyers	30,890	—
	5,820,991	3,997,153

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the interim results of the Group for the six months ended June 30, 2016.

For the Reporting Period, the Group achieved contracted sales of RMB6,919.3 million, representing an increase of 127.7% as compared to the same period last year. Total contracted GFA was 723,950 sq.m., representing an increase of 156.7% as compared to the same period last year. The Group realized a revenue of RMB3,655.6 million, representing an increase of 41.2% as compared to the same period last year, of which the revenue from property development was RMB3,415.7 million, representing an increase of 46.4% as compared to the same period last year; that from property investment was RMB145.7 million, representing an increase of 2.9% as compared to the same period last year; that from primary land construction and development services was RMB41.6 million, representing a decrease of 52.1% as compared to the same period last year; that from property management and related services was RMB52.7 million, representing an increase of 86.8% as compared to the same period last year; and the profit attributable to owners of the Group was RMB863.6 million, representing an increase of 11.7% as compared to the same period last year.

REVIEW OF THE FIRST HALF OF 2016

Market Review

In the first half of 2016, China has achieved stable performance in its economic development. The overall monetary policy remained lenient and supply for mortgage loans in the real estate market has increased. Started from the first-tier and second-tier hot-spot cities, the demand in the national real estate market has sharply increased, continuing the favorable trend at the end of last year. Yet, as the policies adopted by the local government varied for different cities, the differentiation in cities has also increased.

Based on the data from China Index Academy, during the first half of 2016, the price performance of the core and the neighboring areas of the first-tier and second-tier cities was impressive; the ASP of residential housing in the first-tier cities increased in total by 12.79% and the ASP of residential housing in the second-tier cities increased in total by 5.33%. Comparing the price performance of cities in different tiers, the first-tier cities and some of the popular second-tier cities were still more attractive to purchasers due to the housing supply shortage and the complete urban facilities in these cities. As such, despite the policies in these cities continued to tighten, the real estate developers seemed to remain optimistic about these cities.

Furthermore, whilst the profit margins for real estate developers have gradually become narrower due to increase in land costs in hot-spot cities, the consolidation of resources from different industries intensified. As such, developers still aimed to implement a diversified strategic plan, optimize its management and innovate its business so as to achieve a high degree of integration between real estate and other diversified industries such as tourism, recreation and sports, healthcare, medical and retirement-related industries.

Diversified Strategy

Based on the market and industry trend, the Group would adhere to its established strategy of diversified development. It will continue to position property development as its principal business and conduct both residential property development and property investment. While expanding its business scale, the Group is committed to maintain its profit margin and competitive advantage. At the same time, the Group would gradually explore diversified development. With innovative businesses "Themed Real Estate" (主題地產) and "Medical and Healthcare" (醫療健康) serving as its "two wings", the Group could continue to explore opportunities at the relevant upstream and downstream industires with a view to achieving improvement and innovation in both its principal business and innovative businesses and establishing a diversified strategic pattern.

Business Review

Deepening the regional strategic layout

With respect to both "sales" and "land reserves", the Group would place its core resources in the first-tier and second-tier cities as well as certain hot-spot cities and deepen its regional strategic layout. From the contracted sales data of the Company for the first half of the year, the sales performance was greatly supported by major regional projects, including the good sales performance of Yongqing Glory City, Haikou Glory City (海口國瑞城), Foshan Guohua New Capital (佛山國華新都) and Shantou Glory • Guanhaiju (汕頭國瑞 • 觀海居). For the second half of the year, the Group plans to launch projects in about 10 cities, including Beijing, Langfang, Haikou, Xi'an, Zhengzhou and Shantou.

Furthermore, in April this year, the Group successfully won the bid for a prime land parcel in Wuzhong District, Suzhou and started establishing a presence in the "Yangtze River Delta" region. Currently, the Group has already formed strategic layouts in the "Beijing, Tianjin and Hebei" region, the "Pearl River Delta" region and the "Yangtze River Delta" region, which are centered around Beijing, Shenzhen and Suzhou respectively. As of June 30, 2016, the total land reserves of the Group was approximately 7,672,908 square meters, of which those in first-tier and second-tier cities acounted for approximately 69% which should be able to meet the rapid development over the next three to five years.

Advancing innovative businesses

With respect to the "Themed Real Estate" sector, the Group aims to realize the value of market segmentation through a differentiation strategy. Culture and tourism are deemed as important expression of the "soft power" (軟實力) of a city. As the integration of cutlture and tourism would provide a "solid support" (硬支撐) for future urban development, the Group would aim to create new urban complexes with cultural and tourism features by leveraging from its resources and advantages as well as its expertise gained from property development business. The Group has already established a culture and tourism innovation business division to enhance its research and development and operational capabilities in the innovative property business sector and support the layout and implementation of its "Real Estate +" (房地產＋) business in China. In April 2016, the Group reached an intention for strategic cooperation with the Zhengzhou Municipal Government in respect of a cultural industry park. In May 2016, the Group signed an agreement with the Yongqing County Government of Hebei Province in respect of an internet finance town project with a view to contructing a gathering place for internet finance enterprises. Going forward, the Group aims to explore opportunities and expand into "Beijing, Tianjing and Hebei" region, the "Peral River Delta" region and hot-spot cities such as Wuhan and Suzhou, with a view to supporting the development of the innovative property business.

With respect to the healthcare sector, the Shantou Guorui Hospital acquired at the beginning of the year has been planned and positioned as a general 3A hospital and the relevant preparation and construction work is in steady progress. The project is planned to be constructed in two phases. It is planned to provide 2,000 beds and is expected to be put into operation by the end of 2018. The 13th Five-year Plan advances the implementation of the "Healthy China" strategy. The healthcare industry will lead the new round of economic development wave. The Group will further build the healthcare industry platform to open new space for the growth of results in future.

Improvement of operational management

To adapt to the development of the industry under the "new normal conditions" and the positioning of diversified development, the Group has carried out necessary reforms on the original management approach and systems to enhance the standardization and modular management of products and improve the capacity to respond to changes in the market. With respect to costs and expenses control, the Group will continue to comprehensively implement product upgrade and optimization and the standardization management so as to ensure the rapid replication and fast advancement of projects, shorten the development cycle and minimize the financial costs, thereby achieving better product pricing.

Winning recognition from the market

The Group has been widely recognized from the market for the enhancement of its overall strength. In March 2016, the Group was named 2016 China Real Estate Top 100 Enterprise by an authoritative institution. In May 2016, it was awarded the prize of "China Mainland Real Estate Company Top 10 listed in Hong Kong in terms of Investment Value Ranking". Meanwhile, it was included in the constituent stocks of MSCI China Small Cap Index. In June 2016, it was included in the Top 100 of "Sales Results List of Branded Real Estate Enterprises for the First Half of 2016".

OUTLOOK FOR THE SECOND HALF OF 2016

On July 26, 2016, the CPC Politburo set the tone to stabilize market expectations using the stable macroeconomic policy. In the second half of the year, the PRC real estate market is expected to continue to show a situation of the coexistence of overall easing and local tightening. So far as the real estate industry is concerned, the era of "small investment, short cycle and fast effect" (投資少、週期短、見效快) has ended. To capture the new round of market opportunities and development potential, real estate enterprises should reinforce their "craftsman spirit" to constantly enhance the market competitiveness of products and the enterprises.

The Group will continue to practice its strategy of diversified development, constantly improve and innovate its principal business and innovative businesses, enhance the soft power of the enterprise, develop proficient skills and create a quality, sustainable and robust development pattern.

Winning by quality

The Group aims to enhance customer positioning and product research, strive to achieve excellence in products. The Group intends to launch a high-end product series in Changping, Beijing and Mudu, Suzhou. Under the demand for improving housing conditions and rising land costs, the Group seeks to expand its competitive edge through innovating core products to stabilize its market position and increase the revenue level.

Talent strategy

The Group aims to support nationwide expansion and diversified development by adhering to the "talent strategy" and strive to be one of the most competitive enterprises with the greatest development potential in each locality it establishes presence in. In 2016, the Group will exert itself to provide human resources support for the advancement and realization of the diversified strategy through continuously attracting, nurturing and motivating outstanding talents representing the advance standard of each industry. Meanwhile, the Group will constantly improve performance management, enhance systematic training and implement mechanisms such as equity incentive to promote the harmonious development of the enterprise and achieve the common growth of the enterprise and employees.

Corporate governance

The Group aims to raise the standard of corporate governance to ensure effective operation of the Group's business as well as protection of assets and shareholders' interests. Secondly, the Group will continue to make substantial improvement in the overall transparency of the Company and the improvement of corporate internal control and risk management.

Sustainable development

The Group aims to raise the development and management standard of its properties and facilitate the sustainable development of the environment and the community through a series of measures such as green and environmental-friendly architectural planning, design, construction and operation. The Group's Hademen Center (哈德門中心) project, a landmark on the Second Ring in Beijing, has obtained the LEED Gold pre-certification granted by U.S. Green Building Council, not only which exhibits the quality of a high-end commercial complex and also reflects the commitment of the development enterprise towards the environment and the community.

Going forward, the Group will strive to continue to uphold the mission of being a responsible property developer and join hands with the shareholders to achieve the next stage of leap-forward growth. The Group will embark on a new journey at a new starting point!

ACKNOWLEDGEMENT

Finally, on behalf of the Board, I would like to express our 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 29, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the first half of 2016, the Group's total contracted sales were approximately RMB6,919.3 million, representing an increase of 127.7% as compared to the corresponding period of last year. For the six months ended June 30, 2016, the Group's revenue was RMB3,655.6 million, representing an increase of 41.2% as compared to the corresponding period of last year. This increase was primarily due to the increase in revenue from property development. Revenue from property development was RMB3,415.7 million, representing an increase of 46.4% as compared to the corresponding period of last year. For the six months ended June 30, 2016, the Group's gross profit was RMB1,500.7 million, representing an increase of 13.0% as compared to the same period last year; the net profit was RMB1,000.4 million, representing an increase of 3.3% as compared to the same period last year, of which RMB863.6 million was attributable to the equity holders of the Company, representing an increase of 11.7% as compared to the same period last year.

Contracted Sales

The contracted sales of the Group for the first half of 2016 and 2015 amounted to approximately RMB6,919.3 million and RMB3,039.2 million, respectively, representing an increase of 127.7%. Total GFA sold was approximately 723,950 sq.m. and 282,009 sq.m., representing an increase of 156.7%. Contracted sales of the Group, by geographical location, were mainly from Langfang, Haikou, and Shantou amounted to approximately RMB 3,596.6 million, RMB 835.8 million and RMB 820.0 million, respectively, representing 52.0%, 12.0% and 11.9% 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, 2016 and 2015:

	For the Six Months Ended June 30,					
	2016 Contracted Sales *(RMB million)*	**2015 Contracted Sales** *(RMB million)*	**2016 GFA Sold** *(sq.m.)*	**2015 GFA Sold** *(sq.m.)*	**2016 Contracted ASP** *(RMB/sq.m.)*	**2015 Contracted ASP** *(RMB/sq.m.)*
Beijing						
Beijing Glory City (Phases I and II)	243.9	676.0	6,356	10,644	38,365.3	63,510.0
Beijing Fugui Garden	—	—	—	—	—	—
Eudemonia Palace	—	9.3	—	220	—	42,454.5
Haikou						
Haikuotiankong Glory City (Phases I to V)	788.2	736.9	53,982	53,885	14,601.5	13,674.5
Glory Riverview Garden	47.6	—	2,495	—	19,066.1	—
Haidian Island Glory Garden	—	2.2	—	279	—	7,992.8
Wanning						
Wanning Glory City (Phase I)	226.7	186.6	33,105	26,950	6,847.3	6,922.4
Langfang						
Yongqing Glory City (Phases III to V)	3,596.6	273.5	389,080	28,090	9,243.9	9,735.8
Zhengzhou						
Zhengzhou Glory City (Phases I to VII)	482.6	422.1	78,138	62,009	6,176.8	6,807.6
Shenyang						
Shenyang Glory City (Phases II to IV)	278.7	404.1	42,722	58,856	6,522.4	6,865.2
Foshan						
Foshan Guohua New Capital (Phase I)	435.0	327.1	50,863	40,909	8,553.2	7,995.8
Shantou						
Glory Garden	—	1.4	—	167	—	8,503.0
Yashi Garden	—	—	—	—	—	—
Guan Haiju	820.0	—	67,209	—	12,201.2	—
Total	**6,919.3**	**3,039.2**	**723,950**	**282,009**	**9,557.7**	**10,776.9**

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, 2016, the Group had completed a total GFA of 4,622,877 sq.m. and had land reserves with a total GFA of 7,672,908 sq.m., comprising (a) a total GFA of 826,716 sq.m. completed but remaining unsold, (b) a total GFA of 1,602,367 sq.m. under development, and (c) a total planned GFA of 5,243,825 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 June 30, 2016, the Group had investment properties with a total GFA of 810,507 sq.m. in Beijing Fugui Garden, Beijing Glory City, Shenyang Glory City, Shantou Glory City, Eudemonia Palace, Beijing Hademen Center, Shenzhen•Nanshan and Foshan•South Levee Bay.

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 June 30, 2016:

			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 Center	Mixed-use	12,738	140,021	140,021	—	—	—	80.0
2. Beiqijia East	Residential	94,199	—	—	—	308,093	—	80.0
3. Beiqijia West	Residential	73,294	—	—	—	238,288	—	80.0
Haikou								
1. Haikuotiankong Glory City (Phase V (partial))	Mixed-use	16,610	161,817	144,006	6,032	—	—	80.0
2. Glory Riverview Garden	Residential	36,634	21,659	20,574	3,063	—	—	80.0
3. Haikou West Coast Glory	Residential	34,121	22,023	20,743	—	—	—	80.0
4. Hainan Yunlong	Mixed-use	1,084,162	—	—	—	1,084,162	—	40.8

			UNDER DEVELOPMENT			HELD FOR FUTURE DEVELOPMENT		
Project	**Project Type**	**Site Area** *(sq.m.)*	**GFA Under Development** *(sq.m.)*	**Saleable/ Rentable GFA** *(sq.m.)*	**GFA Pre-sold** *(sq.m.)*	**Planned GFA** *(sq.m.)*	**GFA of Land Use Rights Certificates Not Yet Obtained** *(sq.m.)*	**Ownership Interest** *(%)*
Wanning								
1. Wanning Glory City (Phases II to III)	Residential	143,560	—	—	—	204,057	—	80.0
Langfang								
1. Yongqing Glory City (Phases I (partial) to II, Phases IV (partial) to V)	Residential	942,760	304,888	223,837	186,885	1,256,351	—	80.0/100.0
Zhengzhou								
1. Zhengzhou Glory City (Phase VIII, School)	Mixed-use	50,434	25,522	—	—	28,324	—	80.0
Shenyang								
1. Shenyang Glory City (Phase III (partial), Phases V to VII)	Mixed-use	352,440	143,235	138,730	2,324	852,598	349,902	80.0
Foshan								
1. Foshan Guohua New Capital (Phases I (partial) to II)	Residential	65,501	279,740	264,953	13,390	—	—	44.0
2. Foshan•South Levee Bay	Mixed-use	90,231	—	—	—	356,490	—	80.0
Xi'an								
1. Guorui•Xi'an Financial Center	Mixed-use	19,162	289,978	211,371	—	—	—	72.0
Shantou								
1. Shantou Glory City (Phases I to II)	Mixed-use	54,431	170,721	169,763	67,209	186,442	—	100.0
2. Shantou Glory Hospital	Hospital	100,001	—	—	—	359,528	—	100.0
Shenzhen								
1. Shenzhen•Nanshan	Commercial	20,163	42,763	42,763	—	132,237	—	75.0
Suzhou								
1. Suzhou Mudu	Mixed-use	74,196	—	—	—	237,255	237,255	80.0
Total		**3,264,637**	**1,602,367**	**1,376,761**	**278,903**	**5,243,825**	**587,157**	
Total Attributable GFA			**1,189,995**	**1,020,930**	**231,744**	**4,035,223**	**469,725**	

The following table sets out a summary of information of the Group's investment properties as at June 30, 2016:

Project	Types of Properties	Total GFA Held for Investment *(sq.m.)*	Leasable GFA *(sq.m.)*	Effective Leased GFA *(sq.m.)*	Total Rental Income For the Six Months Ended June 30, 2016 *(RMB'000)*	2015 *(RMB'000)*
Beijing Glory City	Shopping mall	84,904	46,366	32,456		
	Offices	8,520	8,520	6,871		
	Car parking spaces	26,324	26,324	22,103	115,191	114,327
	Retail outlets	34,759	31,273	24,080		
	Siheyuan	7,219	7,219	1,723		
Eudemonia Palace	Car parking spaces	3,950	3,950	3,318		
Beijing Fugui Garden	Shopping mall	26,146	26,146	24,839	19,795	16,769
	Retail outlets	3,170	3,170	2,868		
Shenyang Glory City	Specialized markets	50,841	50,841	—	—	111
	Retail outlets	58,972	58,972	—		
Shantou Glory City	Specialized markets	62,398	62,398	42,053	10,678	10,334
Beijing Hademen Center*	Offices Shopping mall Car parking spaces	140,021				
Foshan•South Levee Bay*	Retail outlets Car parking spaces	260,520				
Shenzhen•Nanshan*	Offices	42,763				
Total		**810,507**	**325,179**	**160,311**	**145,664**	**141,541**

* 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 June 30, 2016:

Project	Project Type	Site Area	Completed GFA	GFA Available for Sale or use by us	GFA Available for Sale	GFA Held for Investment	GFA Sold	Other GFA	Ownership Interest
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(%)*
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 (Phases I and II)	Mixed-use	117,473	881,590	62,799	15,355	161,725	638,886	18,180	80.0
3. Eudemonia Palace	Residential	14,464	33,102	2,912	—	3,950	24,931	1,309	80.0
Haikou									
1. Haikuotiankong Glory City (Phases I to IV, Phase V (partial))	Mixed-use	124,765	638,661	202,255	82,014	—	418,137	18,269	80.0
2. Haidian Island Glory Garden	Residential	65,643	71,863	15,059	788	—	56,222	581	80.0
Wanning									
1. Wanning Glory City (phase I)	Residential	100,780	161,988	47,504	40,152	—	110,910	3,574	80.0
Langfang									
1. Yongqing Glory City (Phase I (partial), Phase III, Phase IV (partial))	Residential	370,606	414,807	88,851	40,053	—	314,364	11,592	80.0/100.0
Zhengzhou									
1. Zhengzhou Glory City (Phases I to VII)	Mixed-use	433,793	778,240	149,169	72,702	—	609,544	19,527	80.0
Shenyang									
1. Shenyang Glory City (Phases I to II, Phase III (partial), Phase IV)	Mixed-use	275,145	716,398	177,171	58,469	109,813	419,694	9,720	80.0
Foshan									
1. Foshan Guohua New Capital (Phase I (partial))	Mixed-use	55,312	236,224	208,611	144,146	—	23,328	4,285	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	—	31,518	—	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	48,055	94	94	—	47,185	776	100.0
Total		**1,731,569**	**4,622,877**	**1,004,745**	**459,514**	**367,202**	**3,153,992**	**96,938**	
Total Attributable GFA		**1,415,343**	**3,761,581**	**750,254**	**322,614**	**303,226**	**2,628,618**	**79,483**	

Land Reserves

The following table sets out a summary of the Group's land reserves by geographic location as at June 30, 2016:

	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	213,809	140,021	546,382	900,212	11.7	8,797.7
Haikou	82,802	205,499	1,084,162	1,372,463	17.9	1,466.0
Wanning	40,152	—	204,057	244,209	3.2	351.2
Langfang	40,054	304,888	1,256,351	1,601,293	20.8	373.9
Zhengzhou	72,702	25,522	28,324	126,548	1.6	406.5
Shenyang	168,282	143,235	852,598	1,164,115	15.2	888.4
Foshan	144,146	279,740	356,490	780,376	10.2	2,702.0
Xi'an	—	289,978	—	289,978	3.8	1,551.8
Shantou	64,769	170,721	545,970	781,460	10.2	1,154.2
Shenzhen	—	42,763	132,237	175,000	2.3	3,428.6
Suzhou	—	—	237,254	237,254	3.1	17,411.6
Total	**826,716**	**1,602,367**	**5,243,825**	**7,672,908**	**100.0**	**2,592.7**

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, 2016:

	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	338,324	644,223	2,815,401	3,797,948	49.4
Commercial for sale	108,483	484,719	909,220	1,502,422	19.6
Commercial held or intended to be held for investment	367,202	182,784	260,519	810,505	10.6
Hotel	—	—	190,355	190,355	2.5
Car parking spaces	12,707	190,117	487,610	690,434	9.0
Ancillary	—	71,027	196,495	267,522	3.5
Hospital	—	—	359,528	359,528	4.7
Others	—	29,497	24,697	54,194	0.7
Total	**826,716**	**1,602,367**	**5,243,825**	**7,672,908**	**100.0**

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.

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 and under the "Urban Redevelopment" policy projects in Beijing, Shantou and Chaozhou.

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, 2016, the Group incurred development costs of approximately RMB1,167.3 million and has completed the primary land development of one of the five land parcels. Another land parcel is under check for acceptance. 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. The application for relevant certificates is advancing in an orderly way. As at June 30, 2016, the Group incurred aggregate development costs of approximately RMB244.5 million and planned to develop residential properties on these land parcels.

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 pre-proclamation of approximately 4,419 mu of land. As at June 30, 2016, the Group incurred preliminary development costs of RMB9.3 million for this project to cover preliminary planning, design and surveying expenses. The Meilin Lake project is still currently under development.

Financial Review

Revenue

For the six months ended June 30, 2016, the Group's revenue was RMB3,655.6 million, representing an increase of 41.2% as compared to the corresponding period of last year. This increase was primarily due to the increased revenue from property development.

Revenue from property development for the six months ended June 30, 2016 was RMB3,415.7 million, representing an increase of 46.4% as compared to the corresponding period of last year. This increase was primarily due to completion and delivery of Foshan Guohua New Capital (Phase I) (佛山國華新都（一期）) and Yongqing Glory City (Phase IV) (永清國瑞城（四期）) during the six months ended June 30, 2016.

Gross Profit

For the six months ended June 30, 2016, the Group's gross profit was RMB1,500.7 million, representing an increase of 13.0% as compared to the corresponding period of last year.

Gross profit of property development was RMB1,376.3 million, representing an increase of 14.4% as compared to the corresponding period of last year. The increase in the Group's gross profit of property development was primarily due to the changes in project mix and geographic breakdown of properties the Group delivered in the six months ended June 30, 2016. The gross profit margin of property development decreased from 51.6% for the six months ended June 30, 2015 to 40.3% for the six months ended June 30, 2016.

Changes in Fair Value Gains on Investment Properties

The fair value gains on investment properties at the Group's level decreased by 24.4% from RMB615.8 million for six months ended June 30, 2015 to RMB465.6 million for six months ended June 30, 2016, mainly due to the increase in the investment properties held by the Group in Beijing in the first half of last year.

Other Gains and Losses

Other losses were RMB0.5 million for the six months ended June 30, 2015, while other losses were RMB8.5 million for the six months ended June 30, 2016, primarily due to foreign exchange losses.

Other Income

Other income increased by 54.9% from RMB5.0 million for the six months ended June 30, 2015 to RMB7.7 million for the six months ended June 30, 2016.

Distribution and Selling Expenses

Distribution and selling expenses increased by 2.8% from RMB126.6 million for the six months ended June 30, 2015 to RMB130.2 million for the six months ended June 30, 2016.

Administrative Expenses

Administrative expenses decreased by 10.5% from RMB159.0 million for the six months ended June 30, 2015 to RMB142.2 million for the six months ended June 30, 2016, primarily due to the Group's stringent management and control of administrative expenses.

Finance Costs

Finance costs decreased by 11.4% from RMB85.5 million for the six months ended June 30, 2015 to RMB75.8 million for the six months ended June 30, 2016, mainly due to part of borrowings were settled.

Income Tax Expenses

Income tax expenses increased by 2.9% from RMB597.0 million for the six months ended June 30, 2015 to RMB614.6 million for the six months ended June 30, 2016, primarily due to the increase of the profit before taxation. The PRC corporate income tax and land appreciation tax of the Group for the six months ended June 30, 2016 were RMB342.3 million and RMB272.3 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 increased from RMB968.7 million for the six months ended June 30, 2015 to RMB1,000.4 million for the six months ended June 30, 2016. The increase in the Group's profit and total comprehensive income for the period was primarily due to the increase in revenue from property development.

Liquidity, Financial and Capital Resources

Cash Position

As at June 30, 2016, the Group's cash, restricted bank deposits and bank balances were approximately RMB1,498.4 million, representing a decrease of 27.8%, compared to RMB2,075.8 million as at December 31, 2015.

Net Operating Cash Flow

The Group recorded negative net operating cash flow in the amount of RMB710.4 million for the six months ended June 30, 2016, as compared to a positive operating cash flow of RMB489.9 million for the six months ended June 30, 2015. The Group's negative net cash flow from operating activities was primarily attributable to the increase of expenditure for land acquisitions as compared to the corresponding period of last year.

Borrowings

As at June 30, 2016, the Group had outstanding borrowings of RMB13,483.8 million, consisting of bank borrowings of RMB12,216.3 million and other borrowings which are trust financing arrangements of RMB1,267.5 million.

As at June 30, 2016, the outstanding amount of the Group's borrowings from trust financing arrangements accounted for 9.4% 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, 2016, the assets pledged to secure certain borrowings granted to the Group amounted to RMB23,651.9 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, 2016, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to RMB5,821.0 million.

Save as disclosed in this announcement, the Group had no other material contingent liabilities as at June 30, 2016.

Material Acquisition and Disposals and Significant Investments

Reference is made to the Company's announcement dated January 8, 2016 in connection with the connected transaction of acquisition of Guorui Hospital (the "**CT Announcement**") and unless otherwise stated, capitalized terms used in this paragraph have the same meanings as defined in the CT Announcement. On January 8, 2016, Garden Group, an indirect wholly-owned subsidiary of the Company, and Shantou Wujin entered into the Equity and Shareholder's Loan Transfer Agreements, pursuant to which (i) Shantou Wujin agreed to sell, and Garden Group agreed to acquire, 100% equity interest in Guorui Hospital and (ii) Garden Group agreed to assume the Shareholder's Loan owed by Guorui Hospital to Shantou Wujin for a total consideration of RMB306,000,000. Upon completion of the Transaction, Garden Group will hold 100% equity interest in Guorui Hospital and Guorui Hospital will become an indirect wholly-owned subsidiary of the Company. The Transaction is conditional upon the fulfillment of various conditions precedent within 12 months from the date of the Equity and Shareholder's Loan Transfer Agreements as stated in the CT Announcement.

Pursuant to a state-owned land use right grant contract dated May 17, 2016 between an indirect subsidiary of the Company, Beijing Glory Xinye Real Estate Holding Limited* (北京國瑞興業房地產控股有限公司) ("**New Beijing Glory**"), and the Bureau of Land and Resources of Suzhou City, New Beijing Glory acquired the land use right of a parcel of land in Mudu Town (木瀆鎮) of Wuzhong District (吳中區) in Suzhou City (蘇州市) measuring a total of 74,195.9 square meters for a total

* *For identification purpose only*

consideration of approximately RMB4.011 billion. The Company has obtained the construction land planning permit issued by the Suzhou Planning Bureau on July 15, 2016 and is currently in the process of obtaining the land use right certificate to such parcel of land. The Company plans to develop residential housing on such parcel of land.

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 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, 2016, the Group had approximately 1,735 employees. For the six months ended June 30, 2016, the Group incurred employee costs of approximately RMB150.2 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

The Board has resolved that no interim dividends be paid to the Shareholders.

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, 2016, 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 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, 2016. 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, 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUBSEQUENT EVENTS

On July 20, 2016, the Group entered into an agreement for an acquisition of a further 45% equity interest in one of the Group's associates, Shenzhen Dachaoshan Real Estate Development Ltd. (深圳市大潮汕建設有限公司)("**Dachaoshan Real Estate**") from certain of the shareholders, for a total cash consideration of RMB534,597,000. Upon completion, the Group's equity interest in Dachaoshan Real Estate will be increased from 30% to 75%, and thereafter, Dachaoshan Real Estate will become a subsidiary of the Group. The transaction is not yet completed as of the date of issuance of this announcement.

As disclosed in the Company's annual report 2015 published on April 26, 2016, the Group entered into an equity interest transfer and cooperation agreement dated June 7, 2015 (the "**Agreement**") with an independent third party (the "**Vendor**") to acquire 87.5% equity interest in Shenzhen Wanji for a cash consideration of RMB500,000,000 and an assignment of debts of RMB200,000,000. Shenzhen Wanji held two properties in a piece of land in Shenzhen, PRC. As at December 31, 2015, legal title of 75% of Shenzhen Wanji had been transferred to the Group. On May 30, 2016, the Group renegotiated and entered into an agreement with the Vendor, whereby the Group agreed not to proceed with the transfer of the legal title of the remaining 12.5% of Shenzhen Wanji and as a result, the Group is no longer required to pay the outstanding consideration of RMB100,000,000 to the Vendor under the Agreement.

On August 18, 2016, the Group entered into an agreement with another independent third party, which is also a shareholder of the Shenzhen Wanji, for the acquisition of 5% equity interest in Shenzhen Wanji for a total cash consideration of RMB50,000,000. Upon completion of the transaction, the Group's equity interest in Shenzhen Wanji will be increased from 75% to 80%. The transaction is not yet completed as of the date of issuance 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 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, 2016) of the Group. The Audit Committee considered that the interim results for the six months ended June 30, 2016 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, 2016 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, 2016 containing all the information about the Company set out in this announcement of results for the six months ended June 30, 2016 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 29, 2016

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.