

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 (國瑞置業有限公司)”
and carrying on business in Hong Kong as “Guorui Properties Limited”)
(Stock Code: 2329)*

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

FINANCIAL HIGHLIGHTS

- Achieved contracted sales for the six months ended June 30, 2021 (the “**Reporting Period**”) was RMB7,007.2 million with corresponding contracted gross floor area (“**GFA**”) of approximately 338,249 sq.m.;
- Revenue for the Reporting Period was RMB6,574.6 million, of which the revenue from property development was RMB6,176.7 million;
- Gross profit for the Reporting Period was RMB1,047.9 million;
- Net profit for the Reporting Period was RMB370.6 million;
- Basic earnings per share for the Reporting Period were RMB6.0 cents;
- Land reserves reached a total GFA of 8,545,084 sq.m. and the average cost of land reserves was RMB4,097.67 per sq.m. as at June 30, 2021;
- Contracted average selling price (“**ASP**”) for the Reporting Period was RMB20,716 per sq.m. The average cost of land reserves accounted for 19.8% of the ASP for the Reporting Period.

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

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, 2021, together with comparative figures for the corresponding period in 2020. The Group’s interim results have not been audited but have been reviewed by the Company’s audit committee and the Company’s auditors, Moore Stephens CPA Limited. The auditor’s review report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	NOTES	Six months ended June 30,	
		2021	2020
		RMB’000	RMB’000
		(Unaudited)	(Unaudited)
Revenue			
Contract with customers		6,319,675	3,043,548
Leases		254,878	278,817
Total revenue	3	6,574,553	3,322,365
Cost of sales and services		(5,526,682)	(2,450,965)
Gross profit		1,047,871	871,400
Other gains and (losses)		10,003	(43,687)
Other income		77,213	111,855
Change in fair value of investment properties		94,620	238,363
Impairment losses under expected credit loss model, net		(2,694)	(5,178)
Distribution and selling expenses		(100,204)	(128,337)
Administrative expenses		(190,150)	(243,894)
Other expenses		(10,016)	(5,666)
Share of losses of associates		(4,437)	(1,247)
Share of losses of joint ventures		(4,909)	(8,088)
Finance costs	5	(92,622)	(220,466)
Profit before tax		824,675	565,055
Income tax expense	6	(454,112)	(284,032)
Profit and other comprehensive income for the period		370,563	281,023
Total comprehensive income for the period attributable to:			
Owners of the Company		266,546	71,306
Non-controlling interests		104,017	209,717
		370,563	281,023
EARNINGS PER SHARE	7		
– Basic and diluted (RMB cents)		6.0	1.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	<i>NOTE</i>	As at June 30, 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at December 31, 2020 <i>RMB'000</i> <i>(Audited)</i>
Non-current assets			
Investment properties		20,598,800	20,375,500
Property, plant and equipment		2,296,269	2,146,902
Right-of-use assets		265,730	270,581
Other non-current assets		1,338,208	1,302,897
Interests in joint ventures		23,165	28,074
Interests in associates		–	–
Equity instruments at fair value through other comprehensive income (“FVTOCI”)		31,300	31,300
Deferred tax assets		281,764	321,149
Restricted bank deposits		121,239	3,592
Value added tax and tax recoverable		600,578	1,229,807
		25,557,053	25,709,802
Current assets			
Inventories		1,417	1,106
Deposits paid for land acquisition		400,889	400,889
Properties under development for sale		23,957,850	28,157,258
Properties held for sale		4,362,987	3,972,620
Trade and other receivables, deposits and prepayments	9	2,078,227	2,085,715
Contract assets		1,732,078	1,646,159
Contract cost		104,480	101,026
Value added tax and tax recoverable		889,532	832,285
Amounts due from related parties		3,427,592	2,556,867
Restricted bank deposits		414,660	307,606
Bank balances and cash		1,682,412	1,584,950
		39,052,124	41,646,481
Total assets classified as held for sale		158,940	158,940
		39,211,064	41,805,421

		As at	As at
	<i>NOTES</i>	June 30,	December 31,
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
Current liabilities			
Trade and other payables	<i>10</i>	4,498,774	4,982,510
Lease liabilities		1,734	1,734
Contract liability		10,182,727	12,662,331
Amounts due to related parties		7,143,025	5,815,404
Tax payable		2,592,313	2,597,866
Bank and trust borrowings		2,786,100	3,786,075
Corporate bonds		500,414	510,829
Senior notes		2,571,129	3,755,745
		<u>30,276,216</u>	<u>34,112,494</u>
Net current assets		<u>8,934,848</u>	<u>7,692,927</u>
Total assets less current liabilities		<u>34,491,901</u>	<u>33,402,729</u>
Non-current liabilities			
Rental deposits received	<i>10</i>	78,671	135,942
Lease liabilities		678	1,475
Bank and trust borrowings – due after one year		16,260,212	15,465,905
Deferred tax liabilities		2,673,250	2,690,880
		<u>19,012,811</u>	<u>18,294,202</u>
Net assets		<u>15,479,090</u>	<u>15,108,527</u>
Capital and reserves			
Share capital		3,520	3,520
Reserves		12,756,044	12,489,498
		<u>12,759,564</u>	<u>12,493,018</u>
Equity attributable to owners of the Company		2,719,526	2,615,509
Non-controlling interests		<u>2,719,526</u>	<u>2,615,509</u>
Total equity		<u>15,479,090</u>	<u>15,108,527</u>

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 (通和置業有限公司) (“**Alltogether Land**”), a company incorporated in the British Virgin Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at East Block, Hademen Plaza, 8-1#Chongwenmenwai Street, Dongcheng District, Beijing, the PRC.

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

The Company and its subsidiaries (collectively referred to the “**Group**”) are principally engaged in the business of property development, provision of primary land construction and development services, property investment, and provision of property management and related services.

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

Other than application of amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the amendments to IFRSs issued by the IASB for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2021 for the preparation of the Group’s condensed consolidated financial statements.

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

3. REVENUE

Disaggregation of revenue from contracts with customers and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

	For the six months ended June 30, 2021				
	Property development RMB'000 (Unaudited)	Primary land construction and development services RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Property management and related services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Timing of revenue recognition					
At a point in time	6,176,650	-	-	-	6,176,650
Over time	-	131,651	-	11,374	143,025
Revenue from contracts with customers	6,176,650	131,651	-	11,374	6,319,675
Leases	-	-	254,878	-	254,878
Total revenue	6,176,650	131,651	254,878	11,374	6,574,553
	For the six months ended June 30, 2020				
	Property development RMB'000 (Unaudited)	Primary land construction and development services RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Property management and related services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Timing of revenue recognition					
At a point in time	2,915,435	-	-	-	2,915,435
Over time	-	116,418	-	11,695	128,113
Revenue from contracts with customers	2,915,435	116,418	-	11,695	3,043,548
Leases	-	-	278,817	-	278,817
Total revenue	2,915,435	116,418	278,817	11,695	3,322,365

4. SEGMENT INFORMATION

The Group is organised into business units based on their types of activities. These business units are the basis of information that is prepared and reported to the Group's chief operating decision maker (i.e. the executive directors of the Company) for the purposes of resource allocation and assessment of performance. The Group's operating segments under IFRS 8 *Operating Segments* are identified as the following four business units:

Property development: This segment develops and sells commercial and residential properties.

Primary land construction and development services: This segment derives revenue from primary land development, including services for resettlement, construction of land infrastructure and ancillary public facilities on land owned by the local governments.

Property investment: This segment derives rental income from investment properties.

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

Segment revenue and results

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

	Property development RMB'000 (Unaudited)	Primary land construction and development services RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Property management and related services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended June 30, 2021					
Revenue from external customers and segment revenue	<u>6,176,650</u>	<u>131,651</u>	<u>254,878</u>	<u>11,374</u>	<u>6,574,553</u>
Segment profit	<u>657,714</u>	<u>2,606</u>	<u>152,279</u>	<u>3,122</u>	<u>815,721</u>
Six months ended June 30, 2020					
Revenue from external customers and segment revenue	<u>2,915,435</u>	<u>116,418</u>	<u>278,817</u>	<u>11,695</u>	<u>3,322,365</u>
Segment profit	<u>358,419</u>	<u>2,218</u>	<u>168,294</u>	<u>3,243</u>	<u>532,174</u>

The segment profits can be reconciled to the profit before taxation as follows:

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Segment profit	815,721	532,174
Other gains and (losses)	10,003	(43,687)
Other income	77,213	111,855
Change in fair value of investment properties	94,620	238,363
Unallocated administrative expenses	(60,898)	(38,183)
Other expenses	(10,016)	(5,666)
Share of losses of associates	(4,437)	(1,247)
Share of losses of joint ventures	(4,909)	(8,088)
Finance costs	(92,622)	(220,466)
Profit before tax	<u>824,675</u>	<u>565,055</u>

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 other gains and losses, other income, change in fair value of investment properties, other expenses, share of losses of joint ventures, share of losses of associates, finance costs and unallocated administrative expenses, including auditor's remuneration and directors' emoluments etc.. This is the measure reported to the Group's chief operating decision maker for the purpose of resources allocation and performance assessment.

Other segment information

Amounts included in the measurement of segment profit:

	Property development	Primary land construction and development service	Property investment	Property management and related services	Unallocated amount	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Six months ended June 30, 2021						
Depreciation and amortisation	(8,336)	-	(1,579)	(4,091)	(16,219)	(30,225)
Depreciation of right-of-use assets	-	-	-	-	(4,851)	(4,851)
Impairment losses under expected credit loss model	(2,694)	-	-	-	-	(2,694)
Six months ended June 30, 2020						
Depreciation and amortisation	(11,012)	-	(2,086)	(5,404)	(19,930)	(38,432)
Depreciation of right-of-use assets	(701)	-	(24)	(13)	(2,964)	(3,702)
Impairment losses under expected credit loss model	(5,178)	-	-	-	-	(5,178)

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

Geographical information

All the revenue and operating results of the Group is derived from the PRC based on location of the operations. All the Group's non-current assets (excluding financial instruments and deferred tax assets) are located in the PRC based on geographical location of the assets or the associates' and joint ventures' operation, as appropriate.

Revenue from major customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue during the six months ended June 30, 2021 and 2020.

5. FINANCE COSTS

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest on bank borrowings	522,444	757,920
Interest on trust borrowings	33,395	82,113
Interest on loans from financial institutions	154,056	78,146
Interest on corporate bonds	26,500	22,936
Interest on senior notes	197,603	393,161
Interest on contract liabilities	384,459	595,424
Interest on lease liabilities	77	170
	<hr/>	<hr/>
Total	1,318,534	1,929,870
Less: Amounts capitalised in the cost of qualifying assets	(1,225,912)	(1,709,404)
	<hr/>	<hr/>
	92,622	220,466
	<hr/>	<hr/>

Interests capitalised arose from borrowings made specifically for the purpose of construction of the qualifying assets, which bore annual interest at rates from 4.75% to 13% (six months ended June 30, 2020: 4.75% to 13.65%) and general borrowings pool calculated by applying a capitalisation rate of 9.34% (six months ended June 30, 2020: 10.83%) per annum.

6. INCOME TAX EXPENSE

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current tax		
PRC Enterprise Income Tax	210,030	276,084
Under provision in prior years	–	81
Land appreciation tax (“LAT”)	222,327	194,365
	<hr/>	<hr/>
	432,357	470,530
Deferred tax	21,755	(186,498)
	<hr/>	<hr/>
Income tax expense	454,112	284,032
	<hr/>	<hr/>

Pursuant to the PRC Enterprise Income Tax Law promulgated on 16 March 2007, the PRC enterprise income tax for both domestic and foreign-invested enterprises has been unified at the income tax rate of 25% effective from 1 January 2008 onwards. The PRC enterprise income tax has been calculated on the estimated assessable profit derived from the PRC at the rate of 25% for both periods.

The provision of 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.

7. 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,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>266,546</u>	<u>71,306</u>
	Six months ended June 30,	
	2021	2020
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,444,418	4,444,418
Effect of dilutive potential ordinary shares:		
Share options	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,444,418</u>	<u>4,444,418</u>

8. DIVIDENDS

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends for ordinary shareholders of the Company recognised as distribution during the reporting period:		
2021: Nil (2020: 2019 Final dividend HK\$3.76 cents) per share	<u>–</u>	<u>150,000</u>

During the interim period for the six-month ended 30 June 2020, a final dividend of HK3.76 cents per share in respect of the year ended 31 December 2019 was declared to owners of the Company. No dividends were paid during the current interim period (2020: Nil).

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

	As at June 30, 2021	As at December 31, 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables		
– Contracts with customers	584,356	364,953
– Lease receivables	208,299	246,645
	792,655	611,598
Less: Allowance for credit losses	(6,351)	(4,812)
Trade receivables, net	786,304	606,786
Advances to contractors and suppliers	585,189	650,415
Other receivables from independent third parties (<i>Note</i>)	13,960	17,260
Other receivables and prepayment	717,430	796,279
Deposits	17,718	60,306
	1,334,297	1,524,260
Less: Allowance for credit losses	(42,374)	(45,331)
Other receivables	1,291,923	1,478,929
Total trade and other receivables	2,078,227	2,085,715

Note: Other receivables from independent third parties are of non-trade nature, unsecured, interest-free and repayable on demand. As at 31 December 2020 and under legal proceedings, the balance included carrying amount of RMB240,000,000, which was bearing interest at 10% per annum.

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

	As at June 30, 2021	As at December 31, 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 60 days	136,416	89,240
61 to 180 days	196,870	53,934
181 to 365 days	88,999	57,851
1 to 2 years	131,748	316,469
Over 2 years	238,622	94,104
	792,655	611,598

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB155,677,000 (31 December 2020: RMB284,715,000) which are past due as at the reporting date. The balances which has been past due over 90 days is not considered as default since the Directors considered such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer.

10. TRADE AND OTHER PAYABLES

	As at June 30, 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at December 31, 2020 <i>RMB'000</i> <i>(Audited)</i>
Trade payables	2,319,413	2,853,478
Deposits received	212,744	366,717
Rental received in advance	53,775	74,909
Refund liabilities	224,468	235,341
Accrued payroll	29,738	23,357
Value added tax and other tax payables	787,076	439,288
Other payables and accruals	814,731	985,862
Dividends to non-controlling interests	135,500	139,500
	<u>4,577,445</u>	<u>5,118,452</u>
Analysed for reporting purposes as:		
Non-current (<i>Note</i>)	78,671	135,942
Current	<u>4,498,774</u>	<u>4,982,510</u>
	<u>4,577,445</u>	<u>5,118,452</u>

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

Note:

Pursuant to the relevant rental agreements, rental deposits of approximately RMB78,671,000 as at 30 June 2021 (31 December 2020: RMB135,942,000) are to be settled after twelve months from the end of the reporting period and is therefore classified as non-current liability.

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

	As at June 30, 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at December 31, 2020 <i>RMB'000</i> <i>(Audited)</i>
0 to 60 days	995,389	1,717,265
61 to 365 days	861,441	505,422
1 to 2 years	224,313	383,478
Over 2 years	238,270	247,313
	<u>2,319,413</u>	<u>2,853,478</u>

11. FINANCIAL GUARANTEE

	As at June 30, 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at December 31, 2020 <i>RMB'000</i> <i>(Audited)</i>
Guarantees provided by the Group in respect of loan facilities	6,420,964	6,769,096

Note:

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

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

As at 30 June 2021, Garden Group has provided guarantee to a bank for a banking facility granted to the Beijing Ruida Properties Co., Ltd. 北京瑞達置業有限公司 (“**Ruida Zhiye**”), of which the bank borrowing guaranteed by the Group amounted to RMB385,000,000 (31 December 2020: RMB567,000,000). Ruida Zhiye had pledged the land use rights to secure such banking facility.

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, 2021.

RESULTS AND REVIEW FOR THE FIRST HALF OF 2021

Interim Results

During the Reporting Period, the revenue of the Group was RMB6,574.6 million. Revenue from property development was RMB6,176.7 million. For the six months ended June 30, 2021, the Group’s gross profit was RMB1,047.9 million, net profit was RMB370.6 million.

Market Review

2021 marks the first year of the “14th Five-Year Plan”, and also a year of significance in China’s modernization process. For real estate industry, under dual-circulation development featuring “the new development pattern with domestic macro-circulation as its core, and mutual promotion of international and domestic dual-circulation”, it is expected that the segregation of cities under different tiers would be intensifying, and the industry would witness the change of era from leverage dividend to management dividend.

As stated in the Proposals of the CPC Central Committee for Formulating the 14th Five-Year Plan for National Economic and Social Development and the Long-term Goals for 2035, “Housing is for people to live in, not for speculation. Emphasis is placed on both rental and purchase with differential policies across cities, so as to promote the long-term stable and sound development of the real estate market.” The tone of the overall property market regulation remains the same as in recent years. Besides, the Proposal specified “promoting the healthy development of residence consumption”. Reasonable housing consumption is still being encouraged and endorsed and support, and regulatory policies may be supplemented and optimized in related aspects. The Proposal also specified “promoting the balanced development of finance, real estate and the real economy”, indicating that real estate and finance will focus more on coordinated development and play a more important role in promoting the real economy.

Property Development

In the first half of 2021, under the macro environment of increasingly stringent regulatory policies and capital supervision, the Group is committed to promoting the high-quality corporate development by balancing the three driving forces, namely sales, investment and financing. During the Reporting Period, the contracted sales was approximately RMB7,007.2 million; the contracted GFA sold was 338,249 sq.m; the contracted average selling price was RMB20,716 per sq.m. In terms of contribution by cities, Beijing, Xi'an and Foshan recorded outstanding performances, with a month-by-month growth trend. The contracted sales for the first half of 2021 were approximately RMB4,177.8 million, RMB754.6 million and RMB710.6 million respectively, accounting for 59.6%, 10.8% and 10.1% of the Group's total contracted sales respectively. Through the implementation of policies in line with the conditions of cities and the optimization of its product mix, the Group met market demands at different levels, thus increasing its market share.

Under the keynotes of “promoting the stable and healthy development of the real estate market”, it is anticipated that the market would remain stable with continuing segregation of sales performance among different cities. In terms of demand, supported by the long-term economic development brought by the demand for housing and driven by factors such as net population inflows, the sales performance in first-tier cities and second-to third-tier core cities of metropolitan area would maintain great resilience. The Group will carry out delicacy management, be continuously and deeply engaged in markets of the Beijing-Tianjin-Hebei region, the Yangtze River Economic Zone and the Guangdong-Hong Kong-Macao Greater Bay Area, and actively explore investment property and urban renewal projects, so as to enhance the full-cycle competitiveness. In terms of contribution by regions, the Group insisted on deep development in regions, mainly in the Beijing-Tianjin-Hebei, Yangtze River Economic Zone and the Guangdong-Hong Kong-Macao Greater Bay Area, thus maintaining stable sales. Beijing Glory Villa (北京國瑞熙墅), Beijing Haidian Cuihu (北京海澱翠湖), Foshan Xiqiao Project (佛山西樵項目), Xi'an Financial Center (西安金融中心) and other projects saw satisfactory sales.

Investment Properties

During the Reporting Period, the total rental income of the Group was RMB254.9 million. Rental income is expected to maintain steady growth over the next 2 to 5 years, which is mainly benefited from the Group's 9 investment properties situated at the prime locations of 5 core cities including Beijing and Shenzhen with total planned GFA of approximately 769,379 sq.m. Based on the area under operation, the operating area in Beijing accounted for approximately 60%.

Land Reserves

During the Reporting Period, under the strategy of “quality improvement and pace control”, the Group adopted stricter requirements on profit margins and risk control of project investments, and paid more attention to operation quality and meticulous management. As at June 30, 2021, the total planned GFA of the land reserves of the Group was 8.55 million sq.m., with the average land cost of approximately RMB4,097.67 per sq.m.

Meanwhile, the Group actively undertook primary land development projects as strategic business to obtain potential land reserve. The Group has been undertaking primary land development projects, urban renewal and projects developed under the “urban redevelopment” policy in Beijing, Shenzhen and Shantou. During the Reporting Period, the development area of primary land development projects and urban redevelopment projects without affirmed ownership of the Group was 5.811 million sq.m., 51.6% of which was in Shenzhen.

Accelerating urban renewal and improving renovation and upgrade of available housing are new directions for inventory market. The urban renewal projects, which features small investment and high profit margin, are the important source for the Group to replenish the land reserve in the Greater Bay Area. In the next few years, the Group's urban redevelopment projects and urban renewal projects will turn into sales and become its new profit growth drivers.

CAPITAL STRUCTURE

In 2021, under the pressure from new financing rules of “Three Red Lines”, the financing environment became more challenging. Through comprehensive utilization of the diversified advantages of domestic and overseas financing channels, the Group has made full use of various financial means to continuously optimize fund management, reduce financing costs, optimize debt structure and effectively control exchange rate risks. At the same time, it will further strengthen the risk control function, improve the financial risk monitoring system, and properly give risk warning and carry out risk prevention.

In March of this year, the Company redeemed partial senior notes due in 2022, and paid a total of US\$159.6 million for principal and interest. Upon completion of the redemption, the principal of the outstanding notes due in 2022 is US\$4.9 million. Upon completion of the redemption of related senior notes, the Company’s short-term debt ratio will further decline.

During the Reporting Period, the Group’s interest-bearing liabilities due within one year decreased by 27.3% as compared to December 31, 2020.

As at June 30, 2021, the Group’s cash, restricted bank deposits and bank balances were approximately RMB2,218.3 million, as compared to RMB1,896.1 million as at December 31, 2020. During the Reporting Period, the Group’s net debt to equity ratio decreased by 9.6 percentage points year-on-year.

OUTLOOK FOR THE SECOND HALF OF 2021

Looking forward to “14th Five Year Plan”, the industry maintains strong resilience. Central government has set out the target of “Balanced development of real estate industry with financial and real economy”, which continuously releases favorable signal for construction of metropolitan areas.

The Group believes that, the real estate industry will enter a new long-term cycle, and the growth pattern of the industry will also experience changes. It will shift from relying on a model of financial leverage to drive growth in the past to a model of stable, balanced and high-quality growth. In line with the development needs of times, the Group will be committed to exploring the innovation of habitation business forms, continuously upgrading products of Guorui, and achieving product ecology construction. In the future, the Group will uphold the strategy of strengthening presences in regions and proactively adopt flexible sales policy, so as to attract more customers with continuous improvement of product structure and outstanding product quality. We will vigorously promote sales while strengthening our efforts on collection of receivables from sales. In addition, we will also continue to optimize the debt structure and endeavour to reduce finance costs in ways that enhance the core competitiveness of the Group, thus ensuring sustainable growth of future performance.

Under the complicated market environment, Guorui Properties will continue to improve its efficiency, carry out steady and sustainable development. It will make efforts to create differentiated products in a truthful and practical manner, so as to empower the creation of a better life in cities.

ACKNOWLEDGEMENT

On behalf of the Board, I take this opportunity to express my heartfelt gratitude to all our shareholders, investors, partners, customers, and the community for their support and trust. In the past half year, thanks to the guidance from the management of the Company, together with the efforts and contributions from all staff, the Group achieved stable development. In the future, the Company will continue to strive for maximized value and considerable returns for all of its shareholders.

Zhang Zhongsun

Chairman

Beijing, the PRC

August 31, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended June 30, 2021, the Group's revenue was RMB6,574.6 million. Revenue from property development was RMB6,176.7 million. For the six months ended June 30, 2021, the Group's gross profit was RMB1,047.9 million, the net profit was RMB370.6 million.

Contracted Sales

The contracted sales of the Group for the first half of 2021 amounted to approximately RMB7,007.2 million. The total contracted GFA was approximately 338,249 sq.m. Contracted sales of the Group in the first half of 2021, by geographical location, were mainly from Beijing, Xi'an and Foshan, and the contracted sales amounting to approximately RMB4,177.8 million, RMB754.6 million and RMB710.6 million, respectively, representing 59.6%, 10.8% and 10.1% of the Group's total contracted sales, respectively.

The following table sets out the Group's contracted sales by region for the six months ended June 30, 2021 and 2020:

City	For the Six Months Ended June 30, 2021		2020	
	Contracted Sales (RMB million)	Percentage of Total Contracted Sales (%)	Contracted Sales (RMB million)	Percentage of Total Contracted Sales (%)
Beijing	4,177.8	59.6	4,057.8	54.2
Haikou	133.3	1.9	102.8	1.4
Wanning	—	—	120.5	1.6
Langfang	280.4	4.0	91.2	1.2
Zhengzhou	14.9	0.2	45.1	0.6
Shenyang	239.3	3.4	194.4	2.6
Foshan	710.6	10.1	865.5	11.6
Shantou	44.6	0.6	253.0	3.4
Suzhou	445.7	6.4	556.5	7.4
Chongming Island	151.5	2.2	69.4	0.9
Xi'an	754.5	10.8	232.6	3.1
Guizhou	8.4	0.1	56.6	0.8
Wuxi	46.2	0.7	45.2	0.6
Chongqing	—	—	170.7	2.3
Shijiazhuang	—	—	40.8	0.6
Jiangmen	—	—	258.2	3.5
Tianjin	—	—	128.7	1.7
Sanya	—	—	149.1	2.0
Handan	—	—	40.7	0.5
Total	7,007.2	100.0	7,478.8	100.0

Note: Eight collaboration projects exited in November 2020. If the sales of these 8 projects were excluded, the sales in the first half of 2020 would be RMB6,384.81 million. The sales in the first half of 2021 were RMB7,007.2 million, representing a year-on-year increase of 10%.

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, 2021, the Group had completed a total GFA of 7,889,677 sq.m. and had land reserves with a total GFA of 8,545,084 sq.m., comprising (a) a total GFA of 1,093,992 sq.m. completed but remaining unsold and available-for-lease, (b) a total GFA of 3,528,766 sq.m. under development, and (c) a total planned GFA of 3,922,326 sq.m. held for future development.

The Group selectively retained the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and sustainable income. As at June 30, 2021, the Group had investment properties with a total GFA of 769,379 sq.m. in Beijing Fugui Garden, Beijing Glory City, Beijing Bei Wu Lou, Shenyang Glory City, Eudemonia Palace, Beijing Hademen Center, Shenzhen • Nanshan, Haikou Glory City and Foshan Glory Shengping Commercial Center.

Properties under development and properties held for future development

The following table sets out a summary of information on the Group's projects under development, project phases and properties held for future development as at June 30, 2021:

Project	Project Type	Site Area (sq.m.)	Under Development		Held for Future Development			Ownership Interest (%)	
			GFA Under Development (sq.m.)	Saleable/ Rentable GFA (sq.m.)	GFA Pre-sold (sq.m.)	Planned GFA (sq.m.)	GFA in Respect of Which Land Use Rights Certificates Have Not Been Obtained (sq.m.)		
Beijing									
1	Beijing Glory Villa East	Residential	35,590	137,219	94,277	–	–	–	100
2	Beijing Glory Villa West	Residential	18,555	44,254	41,601	–	–	–	80
3	Daxing Yinghai Project	Residential	13,848	44,610	41,984	12,558	–	–	80
4	Fengtai Xitieying	Residential	44,575	227,771	188,910	122,909	–	–	16
5	Haidian Cuihu (海澱翠湖)	Residential	82,336	271,381	264,854	187,736	–	–	28
6	Fengtai Xiaowayao (豐台小瓦窯)	Residential	27,200	149,196	148,866	109,669	–	–	40.8
Haikou									
1	Hainan Yunlong	Mixed-use	1,084,162	140,640	130,342	5,913	646,972	–	80
Wanning									
1	Wanning Glory City (phases II to III)	Residential	143,560	17,201	17,080	–	207,886	–	80
Langfang									
1	Yongqing Glory City (Phases I (partial) to II)	Residential	410,569	133,731	95,219	–	734,576	–	80
2	Yongqing Glory City (Phase IV (partial))	Residential	217,726	153,815	107,520	–	284,613	–	100
Zhengzhou									
1	Zhengzhou Glory City (Phases VIII, School)	Mixed-use	11,235	30,535	30,535	13,273	–	–	80
Shenyang									
1	Shenyang Glory City (Phase III (partial), Phases V to VII)	Mixed-use	148,186	325,598	287,615	51,477	73,342	–	80

Project	Project Type	Site Area (sq.m.)	Under Development		Held for Future Development			Ownership Interest (%)	
			GFA Under Development (sq.m.)	Saleable/ Rentable GFA (sq.m.)	GFA Pre-sold (sq.m.)	Planned GFA (sq.m.)	GFA in Respect of Which Land Use Rights Certificates Have Not Been Obtained (sq.m.)		
Foshan									
1	Foshan Guohua New Capital (Phase II)	Residential	16,237	18,033	16,413	-	-	-	44
2	Foshan Glory Shengping Commercial Center	Mixed-use	79,311	310,420	220,237	47,294	-	-	80
3	Foshan Xiqiao	Residential	63,952	225,067	255,965	118,400	-	-	80
Xi'an									
1	Glory • Xi'an Financial Center	Mixed-use	19,162	289,978	211,371	98,183	-	-	80
Shantou									
1	Convention Hotel	Mixed-use	28,439	186,799	136,357	55,615	-	-	100
2	Shantou Glory Hospital	Hospital	100,001	314,224	-	-	38,749	-	100
Shenzhen									
1	Shenzhen • Nanshan	Commercial	20,163	42,763	42,763	-	274,213	-	80
Suzhou									
1	Suzhou Glory Villa	Mixed-use	51,205	114,967	107,131	1,466	-	-	80
Qidong									
1	Chongming Island	Residential	986,071	73,024	71,917	71,917	761,358	-	72
2	Butterfly Hotel	Hotel	5,780	-	-	-	5,327	-	100
Wuxi									
1	Glory Luoshe Xincheng (國瑞洛社新城)	Residential	2,455	7,227	7,227	246	-	-	39
Tongren									
1	Guorui Intelligent Eco-town Project (國瑞智慧生態城項目)	Mixed-use	493,463	270,313	176,204	109,856	895,291	895,291	80
Total			4,103,781	3,528,766	2,694,388	1,006,512	3,922,327	895,291	
Total Attributable GFA			3,192,794	2,620,765	1,891,549	591,204	3,142,691	716,233	

Investment Properties

The following table sets out a summary of information of the Group's investment properties as of June 30, 2021:

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	
					2021 (RMB'000)	2020 (RMB'000)
Beijing Glory City	Shopping mall	84,904	46,366	41,248	71,738	108,132
	Offices	8,520	6,930	4,398		
	Car parking spaces	26,324	26,324	21,779		
	Retail outlets	33,032	29,546	11,361		
	Siheyuan	7,219	7,219	3,773		
Eudemonia Palace	Car parking spaces	3,431	3,431	3,431		
Beijing Fugui Garden	Shopping mall	26,146	26,146	18,291	20,301	20,207
	Retail outlets	3,170	3,170	2,594		
Beijing Hademen Center	Commercial Center	15,671	14,703	9,588	130,850	108,732
	Offices	75,171	69,830	66,736		
	Car parking spaces	29,040	23,917	5,056		
Beijing Bei Wu Lou	Offices	10,916	10,916	10,916	12,403	8,445
Shenyang Glory City	Specialized markets	50,841	50,841	19,083	2,090	337
	Retail outlets	58,972	58,972	11,936		
Foshan Glory Shengping Commercial Center	Retail outlets	24,267	24,267	8,688	129	-
	Car parking spaces	10,722	10,722	-		
Foshan Glory Shengping Commercial Center*	Retail outlets	225,531	-	-	-	-
	Car parking spaces					
Shenzhen • Nanshan*	Offices	42,763	-	-	-	-
Haikou Glory City	Offices	32,739	32,739	31,461	17,367	20,594
Shantou Glory City**	Specialized markets	-	-	-	-	12,370
Total		769,379	446,039	270,339	254,878	278,817

* Projects currently under construction

** Transferred in 2020, and not an investment property of the Company

Completed Properties

The following table sets out a summary of information on the Group's completed projects and project phases as at June 30, 2021:

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	47,314	4,489	29,316	421,779	9,447	91
2	Beijing Glory City	Mixed-use	117,473	881,590	62,466	15,433	159,999	641,027	18,099	80
3	Eudemonia Palace	Residential	14,464	33,102	3,431	–	3,431	24,931	1,309	80
4	Beijing Hademen Plaza	Commercial	12,738	140,057	14,817	–	119,882	–	5,358	80
5	Glory Villa West	Residential	54,739	195,611	93,071	60,150	–	84,125	18,415	80
6	Glory Villa East	Residential	58,609	174,804	73,591	57,064	–	83,229	17,984	100
7	Fengtai Xitieying	Residential	21,074	107,686	82,933	–	–	22,353	2,400	16
8	Daxing Yinghai Project	Residential	49,182	158,433	158,433	100,895	–	–	–	80
Haikou										
1	Haikuotiankong Glory City	Mixed-use	141,375	811,123	142,053	12,188	32,739	598,701	37,630	80
2	Haidian Island Glory Garden	Residential	65,643	71,863	14,930	659	–	56,352	581	80
3	Glory Riverview Garden	Residential	36,634	21,658	506	506	–	20,068	1,085	80
4	Haikou West Coast Glory	Residential	34,121	21,971	1,824	1,824	–	18,867	1,281	80
Wanning										
1	Wanning Glory City (Phase I)	Residential	100,780	161,988	8,175	823	–	150,240	3,574	80
Langfang										
1	Yongqing Glory City (Phase I (partial), Phases III, V)	Residential	509,049	450,622	65,158	38,406	–	382,207	3,257	80
2	Yongqing Glory City (Phase IV (partial))	Residential	176,023	667,852	110,913	21,730	–	556,939	–	100
Zhengzhou										
1	Zhengzhou Glory City	Mixed-use	472,992	803,762	77,860	1,289	–	681,058	44,844	80

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	390,417	1,015,405	75,719	10,431	109,813	813,381	16,493	80
Foshan										
1	Foshan Guohua New Capital (Phase I and Phase II (partial))	Residential	104,576	498,012	68,618	57,407	–	360,821	68,574	44
2	Foshan Glory Shengping Commercial Center	Mixed-use	10,920	41,847	376	376	34,989	1,505	4,977	80
3	Foshan Xiqiao (佛山西樵)	Residential	1,483	40,174	19,570	9,464	–	20,605	–	80
Shantou										
1	Glory Garden (Phase I)	Mixed-use	14,161	33,795	1,988	1,988	–	31,649	158	100
2	Yu Garden	Residential	8,292	25,767	–	–	–	25,767	–	100
3	Star Lake Residence	Residential	3,589	12,132	–	–	–	12,132	–	100
4	Yashi Garden	Residential	9,472	48,054	56	56	–	47,223	775	100
5	Guan Haiju	Residential	25,922	171,450	42,882	9,200	–	126,979	1,589	100
6	Siji Garden	Residential	42,155	203,549	31,932	5,059	–	151,917	19,700	80
7	Glory Garden (Phase II)	Residential	14,482	78,619	8,403	1,333	–	66,828	3,388	80
Suzhou										
1	Glory Villa	Mixed-use	22,991	126,601	59,792	59,638	–	66,313	496	80
Qidong										
1	Chongming Island	Residential	205,473	247,426	43,588	10,155	–	199,590	4,248	72
2	Butterfly Lake Hotel	Hotel	58,220	53,656	53,656	–	–	–	–	100
Wuxi										
1	Glory Luoshe Xincheng (國瑞洛社新城)	Residential	28,271	83,211	83,211	69,604	–	–	–	39
Total			2,892,395	7,889,677	1,447,266	550,167	490,169	5,666,586	285,662	
Total Attributable GFA			2,283,712	6,201,597	1,002,854	344,046	395,360	4,596,279	207,107	

Land Reserves

The following table sets out a summary of the Group's land reserves by geographic location as at June 30, 2021:

	Completed	Under Development	Future Development	Total Land Reserves	Of Total Land Reserves	Average Land Cost
	Saleable/ Rentable GFA Remaining Unsold (sq.m.)	GFA Under Development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	(%)	(RMB/sq.m.)
Beijing	550,659	874,431	–	1,425,090	16.7	16,096.5
Haikou	47,916	140,640	646,972	835,528	9.8	1,372.9
Wanning	823	17,201	207,886	225,910	2.6	332.1
Langfang	60,136	287,546	1,019,188	1,366,870	16.0	252.9
Zhengzhou	1,289	30,535	–	31,824	0.4	405.5
Shenyang	120,244	325,598	73,342	519,184	6.1	591.4
Foshan	102,236	553,520	–	655,756	7.7	4,683.8
Xi'an	–	289,978	–	289,978	3.4	1,551.8
Shantou	17,636	501,023	38,749	557,408	6.5	1,059.4
Shenzhen	–	42,763	274,213	316,976	3.7	2,673.7
Suzhou	59,638	114,967	–	174,605	2.0	17,100.6
Chongming Island	63,811	73,024	766,685	903,520	10.6	955.8
Wuxi	69,604	7,227	–	76,831	0.9	5,726.9
Tongren	–	270,313	895,291	1,165,604	13.6	805.9
Total	1,093,992	3,528,766	3,922,326	8,545,084⁽¹⁾	100.00	4,097.67
Total Attributable GFA	739,406	2,620,766	3,142,689	6,502,861		

Note:

- (1) Includes 895,291 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 use right grant contract.

The following table sets out a summary of the Group's land reserves by types of properties for the six months ended June 30, 2021:

	Completed	Under Development	Future Development	Total Land Reserves	Of Total Land Reserves
	Saleable/ Rentable GFA Remaining Unsold (sq.m.)	GFA Under Development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	(%)
Residential	391,304	1,791,729	3,128,669	5,311,702	62.2
Commercial properties for sale	72,420	524,153	369,968	966,541	11.3
Commercial properties held or intended to be held for investment	490,168	268,294	–	758,462	8.9
Hotel	53,656	72,948	5,327	131,931	1.5
Car parking spaces	63,409	365,252	117,974	546,635	6.4
Ancillary	23,035	192,166	261,639	476,840	5.6
Hospital	–	314,224	38,749	352,973	4.1
Total	<u>1,093,992</u>	<u>3,528,766</u>	<u>3,922,326</u>	<u>8,545,084⁽¹⁾</u>	<u>100</u>
Total Attributable GFA	<u>739,406</u>	<u>2,620,766</u>	<u>3,142,689</u>	<u>6,502,861</u>	

Note:

- (1) Includes 895,291 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 use right 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, urban renewal and projects under the “Urban Redevelopment” policy in places including Beijing and Shenzhen.

Urban Redevelopment Project in Beijing

Since September 2007, the Group has undertaken a primary land development project in Beijing, namely the West Qinian Street Project, which is located in the west side of Qinian Street and less than one kilometer from Tian’anmen Square with a planned GFA of approximately 474,304 sq.m., comprising five land parcels. As at June 30, 2021, the transfer of the Land No. 1 of the Qixi Project by agreement has been completed; currently, the demolition and relocation of the Land No. 4 has been completed and the relevant housing authority has confirmed its conclusion; the demolition and relocation of private properties on the Land No. 5 has been completed, and the remaining two enterprises and institutions are pending for demolition and relocation. At present, the remaining private properties, enterprises and institutions of Qixi Project to be demolished and relocated are mainly located on the Land No. 2 and the Land No. 3.

Urban Redevelopment Project in Shenzhen

In the first half of 2014, Shenzhen Dachaoshan Construction Co., Ltd.* (深圳市大潮汕建設有限公司), a subsidiary of the Group, entered into an urban renewal cooperation agreement with Shenzhen Longgang Xikeng Co., Ltd.* (深圳市龍崗區西坑股份合作公司) to carry out the urban renewal project of the Xikeng community. The planned GFA of the project was about 3 million sq.m. The Group has completed the survey for the land ownership, residential population and building information in the Xikeng community, industry research, the urban renewal planning research program and consultation. The Phase I Project with a site area of 530,000 sq.m. and a planned GFA of approximately 1.4 million sq.m. had been approved by the meeting of Longgan District Government Leadership Group (龍崗區政府領導小組會) on December 14, 2018 and had completed the planning announcement in respect of the inclusion into the “2018 Longgan District Urban Renewal Plan – the Ninth Plan” (《二零一八龍崗區城市更新計劃第九批計劃》) on December 30, 2018. A further approval has been obtained from relevant governmental authorities on the project at the end of February 2019. The special planning report documents for the first renewal were filed on May 30, 2019. In March 2020, the National Development and Reform Commission approved the construction plan for Metro Line 16 (Dayun-Xikeng Section) (Phase II). Xikeng Station of Metro Line 16 (Phase II) is located within the scope of the first renewal unit. The special plan has been adjusted by the Group in consideration of Xikeng Station and is being submitted to the review authority for review. Meanwhile, in consideration of the demolition and resettlement work arrangement of the government for the metro, the Group has fully started the demolition and resettlement negotiation for the first renewal unit. Subsequent thereto, the establishment of other projects will be commenced.

Financial Review

Revenue

For the six months ended June 30, 2021, the Group's revenue was RMB6,574.6 million, representing an increase of 97.9% from RMB3,322.4 million for the six months ended June 30, 2020.

Revenue from property development for the six months ended June 30, 2021 was RMB6,176.7 million, representing an increase of 111.9% as compared to the corresponding period of last year. The increase in revenue during the Reporting Period was primarily due to the increase in concentrated completion and delivery areas in the property development segment.

Cost of Sales and Services

For the six months ended June 30, 2021, the Group's cost of sales and services was RMB5,526.7 million, representing an increase of 125.5% as compared to the corresponding period of last year. The increase in cost of sales and services during the Reporting Period was primarily due to the increase in concentrated completion and delivery areas in the property development segment.

The Group's cost of property development increased by 116.4% from RMB2,310.4 million for the six months ended June 30, 2020 to RMB4,999.7 million for the six months ended June 30 2021.

Gross Profit

For the six months ended June 30, 2021, the Group's gross profit was RMB1,047.9 million, representing an increase of 20.3% as compared to the corresponding period of last year, which was primarily due to the increase in the revenue from properties delivered and carried forward during the Reporting Period as compared to the same period of last year.

Net Profit Attributable to Owners of the Company

For the six months ended June 30, 2021, the net profit attributable to owners of the Company was RMB266.5 million, representing an increase of 273.8% from RMB71.3 million for the six months ended June 30, 2020, which was primarily due to the increase in the revenue from properties delivered and carried forward during the Reporting Period as compared to the same period of last year.

Changes in Fair Value Gains on Investment Properties

The fair value gains on investment properties at the Group's level decreased from RMB238.4 million for the six months ended June 30, 2020 to RMB94.6 million for the six months ended June 30, 2021, which was mainly due to the slowdown of the appreciation of investment properties affected by the novel coronavirus pandemic.

Other Gains and Losses

Other losses were RMB43.7 million for the six months ended June 30, 2020, while other gains were RMB10.0 million for the six months ended June 30, 2021.

Other Income

Other income decreased from RMB111.9 million for the six months ended June 30, 2020 to RMB77.2 million for the six months ended June 30, 2021, which was mainly due to the decrease in the recognised royalty income from associates and joint ventures.

Selling Expenses

Selling expenses decreased by 21.9% from RMB128.3 million for the six months ended June 30, 2020 to RMB100.2 million for the six months ended June 30, 2021.

Administrative Expenses

Administrative expenses decreased by 22.0% from RMB243.9 million for the six months ended June 30, 2020 to RMB190.2 million for the six months ended June 30, 2021.

Finance Costs

Finance costs decreased by 58.0% from RMB220.5 million for the six months ended June 30, 2020 to RMB92.6 million for the six months ended June 30, 2021, which was primarily due to the decrease in interest-bearing debts of the Group as of the end of the Reporting Period.

Income Tax Expenses

Income tax expenses increased by 59.9% from RMB284.0 million for the six months ended June 30, 2020 to RMB454.1 million for the six months ended June 30, 2021. The PRC corporate income tax and land appreciation tax of the Group for the six months ended June 30, 2021 were RMB210.3 million and RMB222.3 million, respectively.

Total Comprehensive Income

As a result of the foregoing reasons, the Group's total comprehensive income increased from RMB281.0 million for the six months ended June 30, 2020 to RMB370.6 million for the six months ended June 30, 2021.

Liquidity, Financial and Capital Resources

Cash Position

As at June 30, 2021, the Group's cash, restricted bank deposits and bank balances were approximately RMB2,218.3 million, representing an increase of 17.0% as compared to RMB1,896.1 million as at December 31, 2020.

Net Operating Cash Flow

The Group recorded positive net operating cash flow in the amount of RMB2,938.7 million for the six months ended June 30, 2021, while we had recorded positive net operating cash flow of RMB2,427.9 million for the six months ended June 30, 2020.

Borrowings

As at June 30, 2021, the Group had outstanding borrowings of RMB22,117.8 million, consisting of bank borrowings of RMB16,973.3 million, other borrowings of RMB2,073.0 million, corporate bonds of RMB500.4 million and senior notes of RMB2,571.1 million.

As at June 30, 2021, the outstanding amount of the Group's other borrowings accounted for 9.4% of the balance of the Group's total outstanding 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, 2021, the assets pledged to secure certain borrowings granted to the Group amounted to RMB36,301.5 million.

Financial Guarantees and Contingent Liabilities

In line with market practice, the Group has entered into arrangements with various banks for the provision of mortgage financing to its customers. The Group does not conduct independent credit checks on its customers, but relies on credit checks conducted by relevant banks. As with other property developers in the PRC, the banks usually require the Group to guarantee its customers' obligation to repay the mortgage loans on the properties. The guarantee period normally lasts until the 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, 2021, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to RMB6,421.0 million.

Save as disclosed in this announcement, the Group had no other material contingent liabilities as at June 30, 2021.

Future Plans for Material Investments or Capital Assets

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities as it thinks fit. It is expected that internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed in this announcement, the Group did not have any future plans for material investments or capital assets as at the date of this announcement.

Employees and Remuneration Policies

As at June 30, 2021, the Group had approximately 646 employees. For the six months ended June 30, 2021, the Group incurred employee costs of approximately RMB131.9 million. Remuneration for the employees generally includes salaries and performance bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medication, maternity, occupational injury and unemployment benefit plans.

Interim Dividend

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

Issuance of Senior Notes

On January 26, 2021, the Company successfully issued US\$323,745,000 14.25% senior notes due 2024 on the Stock Exchange. Further details of the issuance of senior notes are disclosed in the announcements of the Company dated January 12, January 18, January 21, January 25 and January 26, 2021.

Partial redemption of 13.5% Senior Notes due 2022

On March 1, 2021, the Company completed the redemption of 13.5% senior notes due 2022 (the “**2022 Notes**”) in cash, at a price of US\$159,591,000 equal to the aggregate principal of the 2022 Notes of US\$149,500,000 for which part of holders have exercised their redemption options plus accrued interest to the redemption options date. Upon the completion of the redemption, the remaining outstanding principal amount of the 2022 Notes was US\$4,900,000. Further details of the redemption of part of the 2022 Notes were disclosed in the announcement of the Company dated March 1, 2021.

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

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

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Under the current organization structure of the Company, Mr. Zhang Zhangsun (“**Chairman Zhang**”) is the chairman of the Board and the president of the Company. The roles of both chairman and president being performed by the same person deviates from the CG Code. Chairman Zhang has been overseeing the Group’s strategic planning, development, operation and management since the Group was founded. The Company believes that the vesting of the roles of both chairman and president in Chairman Zhang is beneficial to the business operation of the Group and will not have negative influence on the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises six 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 six months ended June 30, 2021. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code for the six months ended June 30, 2021.

Purchase, Sale or Redemption of Listed Securities of the Company

For the six months ended June 30, 2021, save as disclosed in this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of 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 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, 2021) of the Group. The Audit Committee considered that the interim results for the six months ended June 30, 2021 are in compliance with the applicable accounting principles and policies, laws and regulations, and the Company has made appropriate disclosures thereof.

Subsequent Event – Change of Auditors

The terms of office of Deloitte Touche Tohmatsu as the auditors of the Company for the year 2020 expired at the conclusion of the annual general meeting convened on June 30, 2021. Moore Stephens CPA Limited was appointed as the auditors of the Company with the approval by Shareholders at the extraordinary general meeting held on July 30, 2021. Further details regarding the change of auditors were disclosed in the announcements issued by the Company on July 13, July 30, and June 17, 2021.

Save as disclosed in this announcement, there is no material post balance sheet event undertaken by the Group after June 30, 2021 up to the date of this announcement.

Publication of the Unaudited Condensed Consolidated Interim Results and Interim Report for the Six Months Ended June 30, 2021 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, 2021 containing all the information about the Company set out in this announcement of results for the six months ended June 30, 2021 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 31, 2021

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