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KWG GROUP HOLDINGS LIMITED

合景泰富集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1813)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

- Proportionate revenue for the six months ended 30 June 2021 amounted to RMB22,222.1 million, an increase of 10.8% as compared with the corresponding period in 2020.
- Core profit of the Company from continuing operations for the period amounted to RMB3,324.9 million, representing an increase of 4.6% as compared with such core profit in the corresponding period in 2020.
- Proportionate core gross profit margin and core profit margin for the period were 32.8% and 25.6%, respectively.
- Basic earnings per share attributable to owners of the Company for the period amounted to RMB86.6 cents.
- Interim dividend of RMB37 cents per share.

INTERIM RESULTS

The board of directors (the “Board”) of KWG Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 together with audited comparative figures as at 31 December 2020. The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 June	
		2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited) (Restated)
CONTINUING OPERATIONS			
REVENUE	4	12,973,848	12,936,028
Cost of sales		<u>(9,074,104)</u>	<u>(8,757,762)</u>
Gross profit		3,899,744	4,178,266
Other income and gains, net	4	885,433	1,219,163
Selling and marketing expenses		(782,853)	(418,806)
Administrative expenses		(888,236)	(715,725)
Other operating expenses, net		—	(664)
Fair value (losses)/gains on investment properties, net		(60,118)	352,174
Finance costs	5	(762,747)	(546,299)
Share of profits and losses of:			
Associates		278,032	65,505
Joint ventures		1,224,034	1,064,074
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	3,793,289	5,197,688
Income tax expenses	7	<u>(939,840)</u>	<u>(1,662,050)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		<u>2,853,449</u>	<u>3,535,638</u>

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		—	124,477
Profit for the period		<u>2,853,449</u>	<u>3,660,115</u>
Attributable to:			
Owners of the Company		<u>2,752,572</u>	<u>3,515,813</u>
Non-controlling interests		<u>100,877</u>	<u>144,302</u>
		<u>2,853,449</u>	<u>3,660,115</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
	9		
Basic			
— For profit for the period		<u>RMB86.6 cents</u>	<u>RMB110.7 cents</u>
— For profit from continuing operations		<u>RMB86.6 cents</u>	<u>RMB106.8 cents</u>
Diluted			
— For profit for the period		<u>RMB86.5 cents</u>	<u>RMB110.6 cents</u>
— For profit from continuing operations		<u>RMB86.5 cents</u>	<u>RMB106.7 cents</u>

Details of the dividends declared for the reporting period are disclosed in note 8.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
PROFIT FOR THE PERIOD	2,853,449	3,660,115
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	170,196	(395,229)
Share of exchange differences on translation of joint ventures	13,771	(25,872)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	183,967	(421,101)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	149,326	(201,841)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	149,326	(201,841)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	333,293	(622,942)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,186,742	3,037,173
Attributable to:		
Owners of the Company	3,085,865	2,892,871
Non-controlling interests	100,877	144,302
	3,186,742	3,037,173

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	
	30 June 2021	31 December 2020
<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	8,467,731	7,780,054
Investment properties	28,118,830	29,320,849
Land use rights	2,651,489	2,651,855
Interests in associates	9,834,368	5,338,823
Interests in joint ventures	45,408,015	46,872,043
Deferred tax assets	2,796,471	2,432,853
	<u>97,276,904</u>	<u>94,396,477</u>
CURRENT ASSETS		
Properties under development	64,251,670	65,613,320
Completed properties held for sale	16,382,515	15,000,367
Trade receivables	10 2,374,987	1,914,579
Prepayments, other receivables and other assets	14,469,052	9,814,732
Due from a joint venture	30,004	30,004
Tax recoverables	1,036,462	848,419
Restricted cash	4,685,050	3,944,716
Cash and cash equivalents	42,614,904	40,635,765
	<u>145,844,644</u>	<u>137,801,902</u>
CURRENT LIABILITIES		
Trade and bills payables	11 12,750,869	13,165,515
Lease liabilities	212,756	209,341
Other payables and accruals	35,205,391	31,746,296
Due to joint ventures	32,020,690	35,207,964
Due to associates	3,415,479	3,244,654
Interest-bearing bank and other borrowings	23,500,812	25,255,339
Tax payables	12,705,129	12,284,787
	<u>119,811,126</u>	<u>121,113,896</u>
NET CURRENT ASSETS	<u>26,033,518</u>	<u>16,688,006</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>123,310,422</u>	<u>111,084,483</u>

	As at	
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Lease liabilities	1,308,261	1,567,291
Interest-bearing bank and other borrowings	57,292,845	52,605,276
Deferred tax liabilities	2,789,469	2,993,183
Deferred revenue	2,042	2,042
	<hr/>	<hr/>
Total non-current liabilities	61,392,617	57,167,792
	<hr/>	<hr/>
NET ASSETS	61,917,805	53,916,691
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	304,475	304,474
Treasury shares	(7)	(1,723)
Reserves	44,454,667	43,232,126
	<hr/>	<hr/>
Non-controlling interests	44,759,135	43,534,877
	17,158,670	10,381,814
	<hr/>	<hr/>
TOTAL EQUITY	61,917,805	53,916,691
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Notes:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the period, the Group was involved in the following principal activities in Mainland China and Hong Kong:

- Property development
- Property investment
- Hotel operation

The discontinued operation of the Group was involved in the provision of property management services through KWG Living Group Holdings Limited (“KWG Living”) which was spun off by the Group for separate listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 October 2020.

In the opinion of the directors, the immediate and ultimate holding company of the Company is Plus Earn Consultants Limited, which is incorporated in the British Virgin Islands.

The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company and approved by the Board for issue on 27 August 2021.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”).

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations).

3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform — Phase 2

*Covid-19-Related Rent Concessions beyond 30 June
2021 (early adopted)*

The adoption of the above revised standards has had no significant financial effect on the Group's unaudited interim condensed consolidated financial information and there have been no significant changes to the accounting policies applied in the unaudited interim condensed consolidated financial information.

4. REVENUE, OTHER INCOME AND GAINS, NET AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the gross proceeds from the sale of properties, gross rental income received and receivable from investment properties and gross revenue from hotel operation during the period.

An analysis of revenue, other income and gains, net is as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Revenue:		
Revenue from contracts with customers		
Sale of properties	12,188,806	12,449,085
Hotel operation income	339,966	134,824
Revenue from other sources		
Gross rental income	445,076	352,119
	<u>12,973,848</u>	<u>12,936,028</u>
Other income and gains, net:		
Interest income	289,658	385,783
Project management fee income	447,071	188,979
Others	148,704	644,401
	<u>885,433</u>	<u>1,219,163</u>

For management purposes, the Group is organised into three reportable operating segments as follows:

- (a) Property development: Sale of properties
- (b) Property investment: Leasing of properties
- (c) Hotel operation: Operation of hotels

Upon the spin-off of KWG Living on 30 October 2020, which was previously the reportable segment of property management, the Group has the remaining three reportable segments of property development, property investment and hotel operation.

The property development projects undertaken by the Group during the period are mainly located in Mainland China and Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

The Group's revenue from contracts with customers is derived solely from its operations in Mainland China.

The Group's revenue from contracts with customers for the six months ended 30 June 2021 as follows:

	Property development RMB'000 (Unaudited)	Hotel operation RMB'000 (Unaudited)	Total continuing operations RMB'000 (Unaudited)
<i>Type of revenue recognition:</i>			
Sales of properties	12,188,806	—	12,188,806
Provision of services	—	339,966	339,966
	<u>12,188,806</u>	<u>339,966</u>	<u>12,528,772</u>
Total revenue from contracts with customers	<u>12,188,806</u>	<u>339,966</u>	<u>12,528,772</u>
<i>Timing of revenue recognition:</i>			
Recognised at a point in time	9,678,068	—	9,678,068
Recognised over time	2,510,738	339,966	2,850,704
	<u>12,188,806</u>	<u>339,966</u>	<u>12,528,772</u>
Total revenue from contracts with customers	<u>12,188,806</u>	<u>339,966</u>	<u>12,528,772</u>

The Group's revenue from contracts with customers for the six months ended 30 June 2020 (restated) as follows:

	Property development <i>RMB'000</i> (Unaudited)	Hotel operation <i>RMB'000</i> (Unaudited)	Total continuing operations <i>RMB'000</i> (Unaudited)
<i>Type of revenue recognition:</i>			
Sales of properties	12,449,085	—	12,449,085
Provision of services	—	134,824	134,824
Total revenue from contracts with customers	<u>12,449,085</u>	<u>134,824</u>	<u>12,583,909</u>
<i>Timing of revenue recognition:</i>			
Recognised at a point in time	10,798,139	—	10,798,139
Recognised over time	<u>1,650,946</u>	<u>134,824</u>	<u>1,785,770</u>
Total revenue from contracts with customers	<u>12,449,085</u>	<u>134,824</u>	<u>12,583,909</u>

The segment results for the six months ended 30 June 2021 are as follows:

	Property development <i>(Note)</i> <i>RMB'000</i> (Unaudited)	Property investment <i>RMB'000</i> (Unaudited)	Hotel operation <i>RMB'000</i> (Unaudited)	Total continuing operations <i>RMB'000</i> (Unaudited)
Segment revenue:				
Sales to external customers and revenue from continuing operations	<u>12,188,806</u>	<u>445,076</u>	<u>339,966</u>	<u>12,973,848</u>
Segment results	4,182,033	275,309	71,682	4,529,024
<i>Reconciliation:</i>				
Interest income and unallocated income				885,433
Unallocated expenses				(858,421)
Finance costs				<u>(762,747)</u>
Profit before tax				3,793,289
Income tax expenses				<u>(939,840)</u>
Profit for the period from continuing operations				<u>2,853,449</u>

The segment results for the six months ended 30 June 2020 (restated) are as follows:

	Property development (Note) RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Hotel operation RMB'000 (Unaudited)	Total continuing operations RMB'000 (Unaudited)
Segment revenue:				
Sales to external customers and revenue from continuing operations	<u>12,449,085</u>	<u>352,119</u>	<u>134,824</u>	<u>12,936,028</u>
Segment results	4,611,500	652,034	1,553	5,265,087
<i>Reconciliation:</i>				
Interest income and unallocated income				1,219,163
Unallocated expenses				(740,263)
Finance costs				<u>(546,299)</u>
Profit before tax				5,197,688
Income tax expenses				<u>(1,662,050)</u>
Profit for the period from continuing operations				<u>3,535,638</u>

Note: The segment results include share of profits and losses of joint ventures and associates.

5. FINANCE COSTS

An analysis of the Group's finance costs from continuing operations is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Interest on bank and other borrowings	2,612,076	2,949,687
Interest on lease liabilities	46,898	57,112
Less: Interest capitalised	<u>(1,896,227)</u>	<u>(2,460,500)</u>
	<u>762,747</u>	<u>546,299</u>

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Cost of properties sold	8,871,602	8,625,982
Less: Government grant released	(84)	(9)
	8,871,518	8,625,973
Depreciation	144,674	127,920
Amortisation of land use rights	43,503	17,182
Less: Amount capitalised in assets under construction	(25,007)	(11,490)
	18,496	5,692
Loss/(gain) on disposal of items of property, plant and equipment	4,496	(60)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	726,093	630,746
Share based compensation expenses	5,435	8,622
Pension scheme contributions (defined benefit plans)	34,391	6,317
	765,919	645,685
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	(293,012)	(271,353)
	472,907	374,332

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Current – in the People's Republic of China (“PRC”)		
Corporate income tax (“CIT”)	930,925	1,050,790
Land appreciation tax (“LAT”)	577,084	800,883
	<u>1,508,009</u>	<u>1,851,673</u>
Deferred	(568,169)	(189,623)
	<u>939,840</u>	<u>1,662,050</u>

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2021 and 2020.

PRC CIT

PRC CIT in respect of operations in the PRC have been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2021 and 2020, based on existing legislation, interpretations and practices in respect thereof.

PRC LAT

PRC LAT are levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

8. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interim dividend of RMB37 cents (2020: RMB40 cents) per ordinary share	<u>1,176,793</u>	<u>1,271,220</u>

Subsequent to the end of the reporting period, the Board declared the payment of an interim dividend of approximately RMB1,176,793,000 (2020: approximately RMB1,271,220,000) representing RMB37 cents (2020: RMB40 cents) per share, based on the number of shares in issue as at 30 June 2021, in respect of the six months ended 30 June 2021. The interim dividend for the period shall be made out of the reserves of the Company.

10. TRADE RECEIVABLES

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and hotel operation. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements. An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Within 3 months	2,145,045	1,139,192
7 to 12 months	76,066	433,279
Over 1 year	153,876	342,108
	<u>2,374,987</u>	<u>1,914,579</u>

11. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period is as follows:

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Within one year	<u>12,750,869</u>	<u>13,165,515</u>

The trade and bills payables are non-interest-bearing and are normally settled on demand.

12. SUBSEQUENT EVENTS

On 30 July 2021, Guangzhou Hejing Holdings Group Limited, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,000,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties and (iii) gross revenue from hotel room rentals, food and beverage sales and other ancillary services when the services are rendered. The revenue is primarily generated from its three business segments: property development, property investment and hotel operation.

The revenue amounted to approximately RMB12,973.8 million in the first half of 2021, representing an increase of 0.3% from approximately RMB12,936.0 million (restated) for the corresponding period in 2020.

The revenue generated from property development, property investment and hotel operation were approximately RMB12,188.8 million, RMB445.0 million and RMB340.0 million, respectively, during the six months ended 30 June 2021.

Proportionate revenue amounted to approximately RMB22,222.1 million in the first half of 2021, representing an increase of 10.8% from approximately RMB20,055.6 million (restated) for the corresponding period in 2020.

Property development

Revenue generated from property development decreased by 2.1% to approximately RMB12,188.8 million for the six months ended 30 June 2021 from approximately RMB12,449.1 million for the corresponding period in 2020, primarily due to a decrease in the total gross floor area (“GFA”) delivered to 770,971 sq.m. in the first half of 2021 from 1,001,696 sq.m. for the corresponding period in 2020. Despite the decrease in GFA delivered, the average selling price (“ASP”) increased from RMB12,428 per sq.m. for the corresponding period in 2020 to RMB15,810 per sq.m. for the six months ended 30 June 2021, reflecting a change in delivery portfolio with different city mix and product mix as compared with that for the corresponding period in 2020.

Proportionate revenue generated from property development increased by 8.7% to approximately RMB21,184.8 million for the six months ended 30 June 2021 from approximately RMB19,493.8 million for the corresponding period in 2020, primarily due to an increase in the proportionate ASP recognised to RMB16,800 per sq.m. in the first half of 2021 from RMB12,949 per sq.m. for the corresponding period in 2020. The proportionate total GFA delivered decreased to 1,261,032 sq.m. in the first half of 2021 from 1,505,381 sq.m. in the corresponding period in 2020.

Property investment

Revenue generated from property investment increased by 26.4% to approximately RMB445.0 million for the six months ended 30 June 2021 from approximately RMB352.1 million for the corresponding period in 2020, primarily attributable to an increase in leased investment properties.

Hotel operation

Revenue generated from hotel operation increased by 152.2% to approximately RMB340.0 million for the six months ended 30 June 2021 from approximately RMB134.8 million for the corresponding period in 2020, primarily due to the increased occupancy rate benefitting from the control of the COVID-19 pandemic.

Cost of Sales

Cost of sales of the Group primarily represents the costs incurred directly for the Group's property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct costs of construction, costs of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the period of construction.

Cost of sales increased by 3.6% to approximately RMB9,074.1 million for the six months ended 30 June 2021 from approximately RMB8,757.8 million (restated) for the corresponding period in 2020. Included in cost of sales was the accumulated fair value changes of approximately RMB568.5 million related to an office building disposed of during the period, as this property was classified as an investment property in prior periods.

Land cost per sq.m. increased from RMB3,852 for the corresponding period in 2020 to RMB5,995 for the six months ended 30 June 2021, due to the change in delivery portfolio with different city mix as compared with that for the corresponding period in 2020.

Construction cost per sq.m. increased from RMB3,447 for the corresponding period in 2020 to RMB4,452 for the six months ended 30 June 2021, primarily attributable to an increase in delivery of mid-end properties with relatively higher construction cost.

Proportionate cost of sales increased by 14.3% to approximately RMB15,507.5 million for the six months ended 30 June 2021 from approximately RMB13,568.3 million (restated) for the corresponding period in 2020, primarily due to an increase of the proportionate cost per sq.m. incurred in sales of properties.

Gross Profit

Gross profit of the Group decreased by 6.7% to approximately RMB3,899.7 million for the six months ended 30 June 2021 from approximately RMB4,178.3 million (restated) for the corresponding period in 2020. The decrease of gross profit was principally due to the increase in the total cost of sales in the first half of 2021. The Group reported gross profit margin of 30.1% for the six months ended 30 June 2021 (2020: 32.3% (restated)).

Proportionate core gross profit of the Group increased by 12.3% to approximately RMB7,283.1 million for the six months ended 30 June 2021 from approximately RMB6,487.3 million (restated) for the corresponding period in 2020. The increase of proportionate core gross profit was principally due to the increase in the proportionate revenue in the first half of 2021. The Group reported proportionate core gross profit margin of 32.8% for the six months ended 30 June 2021 (2020: 32.3% (restated)).

Other Income and Gains, Net

Other income and gains decreased by 27.4% to approximately RMB885.4 million for the six months ended 30 June 2021 from approximately RMB1,219.2 million (restated) for the corresponding period in 2020, and mainly comprised interest income and project management fee income related to our joint venture projects of approximately RMB289.7 million and RMB447.1 million respectively.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 86.9% to approximately RMB782.9 million for the six months ended 30 June 2021 from approximately RMB418.8 million (restated) for the corresponding period in 2020, mainly due to an increase in service fee which cannot be offset after the spin-off of KWG Living.

Administrative Expenses

Administrative expenses of the Group increased by 24.1% to approximately RMB888.2 million for the six months ended 30 June 2021 from approximately RMB715.7 million (restated) for the corresponding period in 2020. The increase was primarily attributable to the increased salaries.

Fair Value (Losses)/Gains on Investment Properties, Net

The Group reported fair value losses on investment properties of approximately RMB60.1 million for the six months ended 30 June 2021 (2020 fair value gains: approximately RMB352.2 million), mainly related to various leasable commercial properties in various regions.

Finance Costs

Finance costs of the Group being approximately RMB762.7 million for the six months ended 30 June 2021 (2020: approximately RMB546.3 million (restated)), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, they have not been capitalised.

Income Tax Expenses

Income tax expenses decreased by 43.5% to approximately RMB939.8 million for the six months ended 30 June 2021 from approximately RMB1,662.1 million (restated) for the corresponding period in 2020, primarily due to a decrease on profit before tax as a result of the decrease in fair value gains on investment properties in the first half of 2021.

Profit for the Period

The Group reported profit for the period of approximately RMB2,853.4 million for the six months ended 30 June 2021 (2020: approximately RMB3,535.6 million (restated)). For the six months ended 30 June 2021, proportionate net profit margin was 12.8% (2020: 17.6% (restated)).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2021, the carrying amounts of the Group's cash and bank balances were approximately RMB47,300.0 million (31 December 2020: approximately RMB44,580.5 million), representing an increase of 6.1% as compared to that as at 31 December 2020.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 30 June 2021, the carrying amount of the restricted cash was approximately RMB4,685.1 million (31 December 2020: approximately RMB3,944.7 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2021, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB36,153.5 million, RMB28,883.6 million and RMB15,756.6 million respectively. Amongst the bank and other loans, approximately RMB8,283.6 million will be repayable within 1 year, approximately RMB18,696.9 million will be repayable between 2 and 5 years and approximately RMB9,173.0 million will be repayable over 5 years. Amongst the senior notes, approximately RMB4,509.3 million will be repayable within 1 year, approximately RMB20,012.8 million will be repayable between 2 and 5 years and approximately RMB4,361.5 million will be repayable over 5 years. Amongst the domestic corporate bonds, approximately RMB10,707.9 million will be repayable within 1 year, approximately RMB5,048.7 million will be repayable between 2 and 5 years.

As at 30 June 2021, the Group's bank and other loans of approximately RMB31,430.7 million were secured by buildings, land use rights, investment properties, properties under development, completed properties held for sale and time deposits of the Group with total carrying value of approximately RMB32,472.3 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares. The Group's domestic corporate bonds were guaranteed by the Company.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately RMB2,179.0 million and RMB2,854.9 million as at 30 June 2021 which were denominated in Hong Kong dollar and U.S. dollar respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of approximately RMB7,455.6 million which were charged at fixed interest rates as at 30 June 2021. The Group's senior notes and domestic corporate bonds were denominated in U.S. dollar and RMB respectively and charged at fixed interest rates as at 30 June 2021.

Gearing Ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 30 June 2021, the gearing ratio was 54.1% (31 December 2020: 61.7%).

Risk of Exchange Rate Fluctuation

The Group mainly operates in the PRC, so most of its revenue and expenses are measured in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in PRC's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

In the first half of 2021, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar increased and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operations of the Group.

Contingent Liabilities

- (i) As at 30 June 2021, the Group had the contingent liabilities relating to guarantees given to banks in respect of mortgage facilities for certain purchasers amounting to approximately RMB21,057.0 million (31 December 2020: approximately RMB20,271.7 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments by the purchasers, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provisions have been made in the financial information as at 30 June 2021 and the financial statements as at 31 December 2020 for the guarantees.

- (ii) As at 30 June 2021 and 31 December 2020, the Group had provided guarantees in respect of certain bank loans for its joint ventures and associates.

Market Review

Year 2021 is the commencing year of the “14th Five-Year Plan” of China and the centenary of the Chinese Communist Party. During the first half of 2021, the Chinese economy was generally stable compared to fluctuations in the overseas market. Under the central government’s principal policy tone of “housing properties are for accommodation, not for speculation”, which was reiterated by MOHURD, at the NPC and CPPCC, in the “14th Five-Year Plan” and at the Political Bureau Central Committee in an ongoing reinforcement of the position, while establishing a mechanism for long-term efficiency in the real estate market in persistent adherence to the principle against the employment of properties as a short-term stimulus for the economy. In terms of government policy, the “three red lines” curbing the investment and expansion of property enterprises in relation to financing, the “policy on the management of housing loan concentration” and “five-type categorization” controlling capital inflow into the property sector in relation to bank funds and the “centralized land supply policy” in relation to land supply were announced. Local cities implemented these policies according to their respective conditions, while mortgage limits were generally tightened, as a wide range of measures were implemented centrally as well as locally to further realize the goal of “keeping the prices of land and housing as well as market expectations stable” and procure the stable and healthy development of the real estate market. According to the data of the National Bureau of Statistics of China on the investment in and sales of nationwide property development for the period from January to June 2021, for the first 6 months, nationwide property development investment increased 15.0% year-on-year to approximately RMB7,217.9 billion; commodity properties sales increased 27.7% year-on-year to 886.35 million sq.m. Realized investment made by property development enterprises amounted to RMB10,289.8 billion, representing year-on-year growth of 23.5%. The property sector continued to play a stabilizing role in the economy.

Amidst new market demands and policy regulation, the real estate industry will face new challenges which will call for high requirements in terms of financing channel, land acquisition channel and operational management standards of property enterprises. Property companies with stronger liquidity, diverse land acquisition channels, advanced digital transformation and highly efficient operational ability will command a more advantageous position.

Business Review

Facing a complicated and volatile market environment, KWG Group has persisted in the strategic direction of stable operation and coordinated development. In the main battle ground of corporate operation, the Group employed solid measures to seek effective outcomes. In connection with innovative development, the Group has set sight on long-term development on the back of its existing foundation, resolutely driving digital transformation and deepening diversification, while improving its organizational ability to steadily improve its operational and management standard.

In the first half of 2021, the Group's gross pre-sales amounted to RMB56.2 billion, representing a year-on-year increase of 53%. ASP stood at approximately RMB19,600 per sq.m., improving by 17% over the corresponding period of 2020. Among the 130 projects currently for sale, analyzed by contribution to pre-sales amount, 43% were from Greater-Bay-Area and 31% were from Yangtze-River-Delta Area; analyzed by the ranking of cities, 93% were from tier-one and tier-two cities.

During the first half of 2021, the Group launched brand new projects such as Guangzhou The Beryl, Chongqing The Riviera, Chengdu The Jadeite, Tianjin Jin Yue Fu and Yancheng KWG Haya City, many of which were high-end luxury properties. The new projects excelled with their prestigious locations, premium quality and design, enjoying extensive exposure in the market.

KWG Group's forward-looking development strategy, solidly positive business indicators, comprehensive strengths for diversification and coordination in operations and outstanding product crafting ability have continued to drive the enhancement of its brand value and won the recognition of numerous authoritative institutions. In 2021, the Group won a number of awards on the back of its robust comprehensive strengths in the nomination activities organized by well-known organizations such as China Index Academy, China Real Estate Association, Enterprise Asia, CSCEC City Construction Development Centre, The Time Weekly and Time Finance: 2021 Top 100 PRC Property Enterprises, TOP 10 of China's Top 100 Property Companies by Profitability, 5th ranking in 2021 China's Top 10 Property Development Companies by Comprehensive Development, 2021 Top 5 Listed Real Estate Companies in China by Development Speed, Top 10 PRC Property Companies Listed in Hong Kong by Comprehensive Strength, "2021 City Operator" in the 14th Time Weekly China Properties Oscar and 2021 APEA Corporate Excellence Award.

During the first half of 2021, the Group continued to replenish premium land reserve in tier-one and top tier-two cities with a prudent land acquisition strategy. New projects with a total GFA of 510,000 sq.m. at a total land cost of RMB1.3 billion, and attributable GFA of 370,000 sq.m. at an attributable land cost of RMB900 million were added during the first half of 2021. The new acquisition attributable ratio and consolidation ratio were 72% and 100%, respectively.

In future, the Group will continue to deepen its strategy of diversified land acquisition. In terms of regional layout, the Group will continue to focus on Greater-Bay-Area and Yangtze-River-Delta Area. We will also establish our presence in key cities in the Pan Bohai Rim Region focused on Beijing and Tianjin and core cities in Central and Western regions including mainly Chengdu, Chongqing and Nanning.

As at 30 June 2021, the Group owned 177 projects in 41 cities across Mainland China and Hong Kong with an attributable land bank of approximately 15.94 million sq.m., total GFA of approximately 23.17 million sq.m. and an attributable ratio at approximately 69%.

The “14th Five-Year Plan” has clearly put forward the implementation of urban redevelopment initiatives. Urban redevelopment will drive optimization and quality enhancement of the city structure, thereby transforming the mode of urban development and construction. Against the backdrop of limited scale in urban development, major cities in China have moved from a quantity-driven development stage to an inventory-centric stage, and urban redevelopment will therefore become the new growth model. In 2021, KWG continued to make strong efforts in urban redevelopment to achieve breakthrough and transformation. The Group accurately seized opportunities presented by the times and favorable factors afforded by the urban redevelopment policies of Greater-Bay-Area to deeply engage in urban redevelopment in Greater-Bay-Area with deployments in core urban areas in Guangzhou, Foshan, Shenzhen, and Dongguan, making new breakthrough in a number of urban redevelopment projects in ongoing advancement of “Three Old Transformation”. Currently, the Group has successfully won the bids for three old villages, namely, Jishan Village in Tianhe District in Guangzhou, Shuangsha Village in Huangpu District in Guangzhou and Shixia Village in Zengcheng District in Guangzhou, and is striving to convert them to sellable resources in an orderly manner. Among them, the consortium led by KWG was selected as the entity for the Shuangsha Community project in Huangpu District in Guangzhou with a high vote of 96.51% on 30 April 2021. Currently, the Shuangsha old village project has achieved a sign-up ratio of over 95% with the official commencement of construction of the first phase of the sellable area. The continuing pace of the Group’s urban redevelopment projects will create a coupling effect in future to facilitate expansion of the Group’s premium land reserve and lay a solid foundation for the Group’s sustained high profitability in future.

Investment Properties

The Group started to roll out its commercial projects in 2008. After more than ten years of development, its commercial portfolio is thriving with projects distributed in core locations and new economic zones in tier-one and tier-two cities such as Greater-Bay-Area, Yangtze-River-Delta Area, Bohai-Rim Region, Chengdu, Chongqing and Nanning. Currently, the Group has a total of 41 commercial projects in operation, including 10 shopping malls, 9 office buildings and 22 hotels. In future, 25 new shopping malls and 11 new office complexes will become operational successively. The self-owned brand hotel will seek scalable development through a combination of asset-light and asset-heavy approaches. Investment properties will generate stable cash inflow and profit to the Group on an ongoing basis and serve as part of the Group’s double-driver alongside its property business to steer through the economic cycles. KWG is proficient in the planning of business form diversification and the building of commercial complexes that blend with the locations to form a complementary and

organically integrated commercial ecosystem. By constantly identifying the commercial potential of cities, the Group has consistently delivered long-term commercial value and injected momentum for development into the cities.

(1) Shopping Mall

In adherence to the philosophy of “art, ecology and LOHAS”, KWG Group has successfully developed three product lines of shopping mall under the brands “M · Cube”, “U Fun” and “Ufun Walk” that meets the needs for leisure and entertainment of different customer groups by claiming the city heritage with the benefit of deep cooperation with KWG Living with accurate, differentiated positioning, delicacy operation and a premium brand portfolio.

Currently, the Group has 10 shopping malls in operation, which are in Guangzhou, Beijing, Shanghai, Chengdu, Suzhou and Foshan respectively. With the normalization of anti-epidemic measures, the Group’s shopping malls expanded the horizon for retail spending by introducing new retail businesses, innovative offline activities and digital empowerment. The Group’s shopping malls delivered stellar performance in the first half of 2021: the overall occupancy rate of the shopping malls which have been in operation for more than half a year reached 89%. The overall foot traffic increased by 88% year-on-year and 33% over the same period of 2019; retail sales grew by more than 82% year-on-year and 65% over the same period of 2019. In 2021, Suzhou U Fun and Chengdu U Fun organized grand anniversary celebrations to mark the 3rd anniversary of their opening in the second quarter. Suzhou U Fun reported record-high retail sales and foot traffic for the anniversary month, while Chengdu U Fun reported record-high daily retail sales and monthly retail sales for the anniversary date and anniversary month, respectively. The first half of the year also saw the opening of Guangzhou The Summit Ufun Walk Phase II and Chengdu The Cosmos Commercial. Chengdu The Cosmos Commercial, together with Chengdu M · Cube Shopping Mall, U Fun Shopping Mall, U8 Pub Street, The Mulian Hotel, MUSTEL Hotel, W Hotel, International Commerce Place office buildings and high-end The Cosmos series of residences and apartments, formed a multi-format business supporting one another, entwining a huge integrated commercial cluster, and collaborating with a diverse ecology to create a landmark destination in southern Chengdu integrating shopping, cultural and artistic experience, leisure and socializing under one roof and a fashionable new signature project blending an ecological park and a business circle.

Looking to the second half of the year, Chongqing U Fun, Guangzhou Knowledge City U Fun, Shanghai Ufun Walk and Beijing Tongzhou Ufun Walk will come into operation successively. As the first commercial project of KWG in Chongqing, Chongqing U Fun will draw on the city heritage and bring in the landscape of the mountainous city afforded by the central park in northern Chongqing to create an immersive shopping facility that perfectly blends the ecology with artistic and

commercial elements. The project received the “2021 Most Anticipated Commercial Project Award” presented by www.linkshop.com.cn in 2021. Centrally located in the brand-new business circle of Guangzhou Knowledge City in Huangpu District in Guangzhou, Guangzhou Knowledge City U Fun will create a “daily-living playground for all people” with an innovative commercial form of “park-like experience mall” in a renovation of the form of commercial projects in Greater-Bay-Area.

In future, KWG will continue to light up its nationwide commercial footprint on the back of the layout of its commercial complexes, connecting and seeking co-growth with more cities. With more than 20 projects currently in the preparatory stage coming into operation in the next few years, stable, considerable and recurring rental income will be generated for the Group in future.

(2) Office

KWG Group brings together commercial resources for cities. Its office properties in the core areas of Guangzhou, Shanghai, Chengdu, Suzhou, Nanning and other cities provide a comprehensive coverage of important national municipal economic circles, such as the Yangtze-River Delta city cluster and Greater-Bay-Area. Thanks to uniquely crafted designs and efforts in delicacy management, KWG has delivered numerous high-end office projects and industrial headquarters base. It has 9 office buildings in operation, providing stable cash inflow for the Group. KWG Flourishing Biotech Square in Guangzhou Biological Island came into operation during the first half of the year, which aims to introduce biomedical enterprises. Office buildings in operation in Guangzhou include International Finance Place and International Metropolitan Plaza in Pearl River New Town, International Commerce Place in Pazhou, KWG Flourishing Biotech Square in Guangzhou Biological Island and Colorland Centre in Nansha. The office building in Shanghai is International Metropolis Plaza in Pudong Bund and those in Chengdu, Suzhou and Nanning include Chengdu International Commerce Place in the Financial High-tech District in southern Chengdu, Leader Plaza in Suzhou Industrial Park and Guangxi International Finance Place at the headquarters base in Nanning Wuxiang New District, respectively.

As the Group’s office buildings are located in the CBDs of tier-one and top tier-two cities and the tenants are mainly well-known banks and top 500 multinational groups, the tenant mix is superior and stable and the occupancy rate is consistently high. During the first half of 2021, the overall occupancy rate of the Group’s office buildings which have been in operation for more than half a year was 87%. Leveraging its superior geographical location and high-end market positioning, the Group’s office segment has created an all-round, multifunctional business system and efficient and convenient office space with the adoption of an innovative integrated business model equipped with 5A intelligent hardware as standard facilities and implementation of comprehensive quality management.

Looking to the second half of the year, International Finance Place in Tongzhou, Beijing and Technology Commerce Centre in Guangzhou Development Zone will welcome their grand openings. International Finance Place in Tongzhou, Beijing has received the “Best Architectural Design Office Building Award” in the 2021 GBE Office Building Awards. As the only recipient of this award in Beijing, KWG Group has created a resourceful public space and premium office experience through meticulous handling of details and ergonomic-friendly measurements, distinguishing itself with the offer of the best architectural design in Tongzhou Canal Business District to the urban elites. In the next three years, more high-end modernized office buildings of the Group will come into operation, which will continue to contribute to the rapid and stable growth of the Group’s rental income.

(3) Hotels

At present, the Group has 22 hotels in operation, including hotels operated in co-operation with international hotel management groups and hotels operated under the Group’s proprietary brands.

Over the past 8 years, the Group’s own brand of The Mulian Hotel has accumulated experience in co-operating with many international five-star hotels, and has now fostered comprehensive and sophisticated ability in hotel design, development, investment and operation. The Mulian Hotel brand has won strong market recognition and approval of authoritative institutions on the back of its profound insight into market demands and accurate understanding of industry trends. The Hotel Group has won the “MBI Investment Value Brand Award” and “MBI Brand Influence Award — Annual Artistic Hotel” presented by Meadin Index and “Investors’ Preferred Hotel Management Group” in the China Hotel Gold Horse Awards. The Mulian Hotel Group has created a diverse range of hotel brand services for different consumer groups through in-depth analysis of different dimensions of consumer needs in culture and tourism. The Group has developed four major product lines, including the luxury five-star hotel “MORDIN”, light luxury business hotel “The Mulian Hotel”, high-end resort hotel “The Mulian Resort Hotel” and trendy design hotel “MUSTEL”. Currently, The Mulian Hotel Group has its layout in 8 tier-one and tier-two cities nationwide with a total of 17 hotels in operation.

In March, the first “MUSTEL” under The Mulian Hotel Group was opened in Chengdu as the first “modulized mixed space” hotel in China. With its insights into the younger generation, MUSTEL made a breakaway from the traditional idea of a hotel and integrated multi-cultural experience into physical space, affording infinite extension to imaginations of a “hotel” to create an unprecedented hotel experience for the creative and fashionable traveler-resident and a personalized community space that is inspiring, fun and autonomous. In the second half of the year, two more MUSTELs will be opened in Nansha and Knowledge City in Guangzhou

respectively to add a touch of the exclusive “Z” generation sense of fashion to Greater-Bay-Area. The unique style and design of MUSTEL has won it the “Best Avant Garde Hotel Brand in China” presented by the China Hotel Gold Horse Awards, while Chengdu MUSTEL has won the “GBE Hotel Design Award 2021 — Best Interior Design” presented by GBE Construction Business Forum.

In July, the brand new luxury hotel “MORDIN” was opened in Guangzhou Knowledge City as the first quasi-five-star hotel in the area in response to the absence of high-end hotels in the Knowledge City. Facing the brand-new challenges and opportunities in the post-pandemic era, The Mulian Hotel will continue to establish its footprints in major tier-one and tier-two cities nationwide and continue to “renovate” its brand value, meeting the travel and accommodation needs of business travelers through accurate positioning. Meanwhile, the Hotel Group will also implement digital transformation through the combination of the asset-heavy and asset-light approaches in a steady expansion of the nationwide web with “thousands of hotels in hundreds of cities” employing a diverse range of flexible models for cooperation. In the next five years, The Mulian Hotel Group will expand to other regions in China on the back of its foothold in Guangdong and strive to develop into a strongly competitive proprietary hotel brand in the domestic market.

With the Group’s sophisticated commercial operation regime, premium operation platform, and experienced teams, KWG will continue to diversity its commercial business forms, seek simultaneous development in multiple race tracks and forge a full-scale business chain to deliver stable recurring income.

Firm Advancement of Digital Transformation and Deepening of Operational Model Reform

The real estate industry has entered the inventory-centric era. With increasing industry concentration in the property development sector and more rigorous policies in price restrictions, the overall profitability of the industry has declined. As the industry has entered a new cycle, digital transformation for the real estate industry is inevitable in order to address the trends of industry development and escalating market demands.

In consistent pursuit of qualitative growth, KWG started digital transformation in 2018. In 2020, the Group completed the comprehensive construction of the shared financial centre under the SAP system, successfully implementing a smart enterprise platform covering all modules, processes and business types of the Group that marked a brand new phase in its digitalization. The gradual advancement of digitalization has also contributed to our ascent to the RMB100 billion category of property companies. During the current year, the Group continued to engage in intensive cooperation with IBM, as it officially commenced the operation of its DHR (digital human resources) platform project. The in-depth advancement of digitalization will continue to empower lean management in human resources. The DHR platform will facilitate comprehensive

business process optimization in organization and planning, personnel recruitment, appraisal and remuneration, training performance and talent development with a scenario-based mentality and digital perspective, procuring in-depth business coordination and joint actions to implement the Company's business-finance integration strategy with the support of a new-generation digital human resources management platform.

In future, the Group will continue to pursue the advancement of digital transformation as a long-term strategy in corporate development. It will consistently strengthen its digital backbone and apply the digital management platform to further enhance its management control ability, deepen the reform of operational models and procure delicacy operation, so that it could achieve cost reduction and efficiency enhancement to support its qualitative stable growth in future.

Persistent Fulfilment of Corporate Social Responsibility and Enhanced ESG Layout on All Fronts

While seeking qualitative stable growth, KWG Group takes heed of its initial mission and actively participates in community welfare in fulfillment of its corporate social responsibility. As COVID-19 vaccination started to roll out across the nation in 2021, the Group's office buildings assisted in anti-epidemic work with full force and provided vaccination stations for the convenience of public. In full support of the anti-epidemic initiatives in Guangzhou, International Finance Place in Guangzhou provided the venue for a provisional vaccination station supported by people-friendly, convenient services, as close to 10,000 people received vaccination in two weeks in a highly efficient operation. KWG also consistently introduced innovation in community welfare, such as KWG Art Museum's "Operation Colorful Hat" organized in association with Guangzhou Charity Association and facilitated by innovative Internet models, an event to call for concern for the psychological health of children with serious illness and raise funds for them.

The Group has actively implemented the green philosophy and enhanced corporate governance through digital transformation and endogenous talent development, in order to consistently enhance its long-term ability to pursue qualitative sustainable development.

In the era of management dividend for the property sector, KWG has established a talent development regime emphasizing "stock-taking, training and application" in persistent adherence to the talent training philosophy underpinned by "endogenous development", forging the three talent development brands of Cultivation Plan (合鼎), Innovation Plan (合動力) and Management Trainee Plan (合新力) in an effort to groom talents required in future development. In the "2021 Forbes China • Best Employers" annual awards, KWG won the "2021 Forbes China's Best Employers" and "2021 Forbes China's Most Sustainable Employers" awards out of more than 100 companies and became the only real estate company winning both awards. Our performances in

corporate development, talent training, remuneration and benefits and sustainability have been highly recognized. In future, KWG will step up with its people-centric approach and generate cultural bonding to enhance its internal organizational ability and management competence and promote sustainable and qualitative development.

KWG ranked 32nd in the “2020 China Property Enterprises Green Credit Index TOP50” jointly published by the Investment Association of China and Green Ranking. In May, KWG officially announced its “Green Finance Framework” and took the first step in the Group’s practice of green finance with the successful issuance of its first green USD bonds, winning wide approval in the capital market.

In 2020, China stated the goal of “striving to achieve carbon peaking by 2030 and carbon neutrality by 2060”. Seizing this opportunity, KWG has been vigorously exploring a befitting and viable pathway for “carbon neutrality”, while increasing its effort in detailed adjustments in energy conservation and eco-friendliness. Externally, we have implemented the “green construction” layout. Internally, we advocated the green office to conserve energy and reduce emission. In future, the Group will further implement the green development philosophy and enhance its long-term ability to engage in sustainable qualitative development.

Outlook

In the second half of 2021, under the central government’s principal tones of “housing properties for accommodation, not for speculation” and “varying policy implementation for different cities”, the emphasis on stability will continue to prevail in the development of the real estate industry. The tightening trend of real estate industry policy is not expected to change in the second half of the year.

Facing an industry landscape subject to generally tightening policies, KWG Group will resolutely implement a balanced and stable asset management strategy and develop its business layout in tandem with the trends, underpinned by a rigorous and pragmatic land reserve strategy and coordinated development on diversified race tracks. In future, KWG will continue with its deep engagement in Greater-Bay-Area and Yangtze-River Delta Area with a strong focus on core tier-one and tier-two cities. Currently, the Group’s land bank and sellable resources in these two regions account for 62% and 77% of its total land bank and total sellable resources, respectively. In the second half of 2021, the Group will launch a number of high-end luxury properties in the “ZHEN” series, including Guangzhou Landmark Arte and Guangzhou Richmond Greenville. Prudent land banking, high-quality land reserve and transformation of urban redevelopment projects of the Group will combine to support stable growth in the Group’s future sales and sustain its high profit margin.

While pursuing qualitative stable development in its principal business of real estate development, the Group will also be engaged in simultaneous development of diversified real estate projects. Through many years of development, KWG has realized the synergistic coexistence of diversified businesses in terms of residential properties, shopping malls, office buildings, hotels, city-industry integration, and health industry. The Group will continue to expand its diversified real estate projects capitalizing on new opportunities presented by digital transformation to make breakthrough in new growth and achieve innovation in the real estate business.

Looking to the future, the Group will continue to enhance its brand value and craft products with meticulous effort to deliver value to customers on an ongoing basis in adherence to the philosophy of “Building Homes with Heart, Creating Future with Aspiration”. Alongside the transformation and upgrade of the property industry, we will firmly advance digital transformation and deepen the reform of operational models, in a resolute effort to implement the sustainability strategy and attain qualitative stable development.

Overview of the Group’s Property Development

As at 30 June 2021, the Group’s major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing, Foshan, Hefei, Wuhan, Xuzhou, Jiaxing, Taizhou, Jinan, Changshu, Lishui, Chongqing, Taicang, Wuxi, Zhaoqing, Zhongshan, Nantong, Liuzhou, Shenzhen, Shaoxing, Huizhou, Jiangmen, Wenzhou, Dongguan, Yangzhou, Ningbo, Meishan, Chenzhou, Wuzhou, Xi’an, Kunming, Yancheng and Hong Kong.

No.	Project	District	Type of Product	Total GFA	Interest
				Attributable to the Group’s Interest	Attributable to the Group
				(’000 sq.m.)	(%)
1	The Summit	Guangzhou	Residential/villa/serviced apartment/office/commercial	1,143	100
2	International Metropolitan Plaza	Guangzhou	Office/commercial	40	50
3	Tian Hui Plaza (including The Riviera and Top Plaza)	Guangzhou	Serviced apartment/office/commercial/hotel	45	33.33
4	KWG Flourishing Biotech Square	Guangzhou	Office/commercial	84	100
5	Top of World	Guangzhou	Villa/serviced apartment/office/commercial/hotel	300	100
6	The Eden	Guangzhou	Residential/commercial	2	50
7	Paradise by Moony Sky	Guangzhou	Villa/hotel	30	70
8	Essence of City	Guangzhou	Residential/villa/commercial	54	100

No.	Project	District	Type of Product	Total GFA	
				Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
9	International Commerce Place	Guangzhou	Office/commercial	50	50
10	CFC (including Mayfair and International Finance East)	Guangzhou	Serviced apartment/office/commercial	68	33.33
11	The Horizon	Guangzhou	Residential/villa/serviced apartment/office/commercial/hotel	14	50
12	Blooming River	Guangzhou	Residential/villa/commercial	100	50
13	Nansha River Paradise	Guangzhou	Residential/commercial	7	40
14	The Jadeite	Guangzhou	Residential	6	40
15	V-city	Guangzhou	Serviced apartment/commercial	158	70
16	Montkam	Guangzhou	Residential/villa	22	30
17	E-city	Guangzhou	Serviced apartment/commercial	480	67
18	Guangzhou Luogang M • Cube	Guangzhou	Commercial/hotel	15	60
19	Technology Commerce Center (formerly known as Ke Xian Center)	Guangzhou	Office/commercial	8	50
20	The Beryl (Guangzhou Development Area Hotel A Project)	Guangzhou	Villa/serviced apartment/commercial/hotel	13	60
21	The Beryl (Guangzhou Development Area Hotel B Project)	Guangzhou	Villa/serviced apartment/office/commercial	16	60
22	Landmark Arte	Guangzhou	Residential/serviced apartment/commercial	79	80
23	Clover Shades	Guangzhou	Residential/commercial	54	43.75
24	The Emerald	Guangzhou	Residential	84	100
25	Guangzhou Biotech Park	Guangzhou	Villa/serviced apartment/office/commercial	192	80
26	Longyatt Mansion	Guangzhou	Residential/commercial	92	100
27	Dreams Garden	Guangzhou	Residential/commercial	283	100
28	Lakeside Mansion	Guangzhou	Residential/commercial	165	51
29	Richmond Greenville	Guangzhou	Residential	95	100
30	Guangzhou Nansha Project	Guangzhou	Educational	89	60
31	The Star Garden	Guangzhou	Residential/commercial	194	87.5
32	IFP	Guangzhou	Office/commercial	61	100
33	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100

No.	Project	District	Type of Product	Total GFA	
				Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
34	The Mulian Huadu	Guangzhou	Hotel	25	100
35	W Hotel/W Serviced Apartments	Guangzhou	Hotel/serviced apartment	80	100
36	The Mulian Guangzhou	Guangzhou	Hotel	8	100
37	The Sapphire	Suzhou	Residential/serviced apartment/office/commercial/hotel	22	100
38	Suzhou Apex	Suzhou	Residential/serviced apartment/commercial/hotel	110	100
39	Suzhou Emerald	Suzhou	Residential/commercial	2	100
40	Leader Plaza	Suzhou	Serviced apartment/office/commercial	24	100
41	Fortune Building	Suzhou	Office/commercial/hotel	32	100
42	Suzhou Jade Garden	Suzhou	Residential/commercial	2	100
43	Orient Aesthetics	Suzhou	Residential/commercial	3	16
44	Orient Moon Bay	Suzhou	Residential	12	50
45	Swan Harbor Park	Suzhou	Residential/serviced apartment/office/commercial	157	50
46	Lunar River	Suzhou	Residential/commercial	48	51
47	Blessedness Seasons	Suzhou	Residential/commercial	37	49
48	Moonlit River	Suzhou	Residential	48	50
49	The Vision of the World	Chengdu	Residential/serviced apartment/commercial	53	100
50	Chengdu Cosmos	Chengdu	Residential/serviced apartment/office/commercial/hotel	240	100
51	Chengdu Sky Ville	Chengdu	Residential/serviced apartment/office/commercial	128	50
52	Yunshang Retreat	Chengdu	Residential/villa/serviced apartment/commercial/hotel	586	55
53	The Jadeite	Chengdu	Residential/villa/commercial/hotel	51	100
54	Fragrant Seasons	Beijing	Residential/villa/serviced apartment/commercial	2	100
55	La Villa	Beijing	Residential/villa/commercial	7	50

No.	Project	District	Type of Product	Total GFA	Interest
				Attributable to the Group's Interest ('000 sq.m.)	Attributable to the Group (%)
56	Beijing Apex	Beijing	Residential/villa/serviced apartment/commercial	28	50
57	M • Cube	Beijing	Commercial	16	100
58	Summer Terrace	Beijing	Residential/commercial	16	100
59	Uptown Riverside I	Beijing	Serviced apartment/office/commercial	128	100
60	Uptown Riverside II	Beijing	Serviced apartment/office/commercial	68	100
61	Rose and Ginkgo Mansion	Beijing	Residential/villa/office/commercial	27	33
62	The Core of Center (Beijing Niulanshan Complex Project)	Beijing	Residential/villa/commercial/hotel	195	100
63	The Core of Center (Beijing Niulanshan 1107# Project)	Beijing	Residential	23	100
64	New Chang'an Mansion	Beijing	Residential/office/commercial/hotel	56	100
65	Pearl Coast	Hainan	Residential/villa/commercial/hotel	99	100
66	Villa Como	Hainan	Residential/villa/commercial/hotel	344	100
67	Egret Bay	Hainan	Residential/serviced apartment/commercial	31	20
68	Hainan Wenchang Changsa Project	Hainan	Serviced apartment/commercial	76	100
69	International Metropolis Plaza	Shanghai	Office/commercial	30	75.5
70	Shanghai Apex	Shanghai	Residential/serviced apartment/commercial/hotel	19	51
71	Shanghai Sapphire	Shanghai	Serviced apartment/commercial	26	51
72	Amazing Bay	Shanghai	Residential/serviced apartment/office/commercial/hotel	49	50
73	Vision of World	Shanghai	Residential/serviced apartment/commercial/hotel	56	51
74	Glory Palace	Shanghai	Residential	3	100

No.	Project	District	Type of Product	Total GFA	Interest
				Attributable to the Group's Interest ('000 sq.m.)	Attributable to the Group (%)
75	Shanghai Biotech Park	Shanghai	Office/commercial	121	90
76	Jinnan New Town	Tianjin	Residential/villa/serviced apartment/commercial	350	25
77	Tianjin The Cosmos	Tianjin	Residential/villa/commercial	262	100
78	Tianjin Apex	Tianjin	Residential/office/commercial	73	100
79	Jin Yue Fu	Tianjin	Residential/commercial	96	100
80	Haya City	Tianjin	Residential/commercial	173	60
81	The Core of Center	Nanning	Residential/villa/serviced apartment/commercial/hotel	259	100
82	International Finance Place	Nanning	Office/commercial	61	100
83	Top of World	Nanning	Residential/villa/serviced apartment/commercial/hotel	83	100
84	Fragrant Season	Nanning	Residential/villa/commercial	17	100
85	Impression Discovery Bay I	Nanning	Residential/commercial	16	34
86	Impression Discovery Bay II	Nanning	Residential/commercial	50	34
87	Emerald City	Nanning	Residential/serviced apartment/commercial	413	100
88	The Mulian Hangzhou	Hangzhou	Commercial/hotel	18	100
89	The Moon Mansion	Hangzhou	Residential/villa	2	51
90	Sky Ville	Hangzhou	Residential/villa	1	100
91	Puli Oriental	Hangzhou	Residential/commercial	8	50
92	Urban Artwork	Hangzhou	Serviced apartment/commercial	14	60
93	Malus Moon	Hangzhou	Residential/villa/commercial	39	100
94	Oriental Dawn	Hangzhou	Residential/commercial	55	50
95	Precious Mansion	Hangzhou	Residential/villa/office/commercial	85	88.27
96	Season Mix	Hangzhou	Residential/commercial/hotel	45	25
97	Shine City	Nanjing	Residential/office/commercial	8	50
98	South Bank Palace	Nanjing	Residential/commercial	3	19.75
99	Ruyi Palace	Nanjing	Residential/commercial	20	50

No.	Project	District	Type of Product	Total GFA	Interest
				Attributable to the Group's Interest ('000 sq.m.)	Attributable to the Group (%)
100	Oriental Bund	Foshan	Residential/villa/serviced apartment/commercial	993	50
101	The Riviera	Foshan	Residential/commercial	75	51
102	One Palace	Foshan	Residential/serviced apartment/commercial	56	33.3
103	Foshan Apex	Foshan	Residential/serviced apartment/commercial	13	50
104	China Image	Foshan	Residential/commercial	36	34
105	Water Moon	Hefei	Residential/commercial	130	100
106	City Moon	Hefei	Residential/commercial	1	100
107	The One	Hefei	Residential/commercial	107	100
108	Park Mansion	Hefei	Residential	2	50
109	Joyful Season	Wuhan	Residential/villa/commercial	75	60
110	The Buttonwood Season I	Wuhan	Residential/villa/commercial	11	100
111	The Buttonwood Season II	Wuhan	Residential/villa/commercial	142	100
112	Exquisite Bay	Xuzhou	Residential/commercial	3	50
113	Fragrant Season	Xuzhou	Residential/commercial	13	50
114	Xuzhou Tongshan Project I	Xuzhou	Residential	6	33
115	Xuzhou Tongshan Project II	Xuzhou	Residential/commercial	27	33
116	Oriental Milestone	Xuzhou	Residential	142	100
117	Majestic Mansion	Jiaxing	Residential/commercial	6	100
118	Star City	Jiaxing	Residential	1	25
119	Noble Peak	Jiaxing	Residential	2	100
120	International Commercial Plaza (formerly known as Jiaxing CRH New Town Project)	Jiaxing	Residential/serviced apartment/office/commercial/hotel	383	100
121	Top of World Residence I	Taizhou	Residential	2	100
122	Top of World Residence II	Taizhou	Residential/commercial	6	100
123	Linhai Mansion	Taizhou	Residential/commercial	3	100
124	Star Mansion	Taizhou	Residential/commercial	1	33
125	Lead Peak Mansion	Taizhou	Residential/commercial	1	100
126	Jinan Zhangqiu Project	Jinan	Residential	46	49
127	Jinan Zhang Ma Tun C6# Project	Jinan	Residential/commercial	26	20
128	Jinan Zhang Ma Tun C8# Project	Jinan	Residential/commercial	26	20
129	Fragrant Season	Changshu	Residential	10	40
130	Brown Stone Life	Changshu	Residential	5	25
131	Liu Xiang Mansion	Lishui	Residential/commercial	8	49

No.	Project	District	Type of Product	Total GFA	Interest
				Attributable to the Group's Interest ('000 sq.m.)	Attributable to the Group (%)
132	The Riviera	Chongqing	Residential/commercial/hotel	28	100
133	The Cosmos	Chongqing	Residential/serviced apartment/office/commercial/hotel	256	100
134	The Moon Mansion	Chongqing	Residential/commercial	6	39
135	Splendid City	Chongqing	Residential/commercial	3	50
136	Mansion of Jasper	Chongqing	Residential/commercial	2	50
137	Jade Moon Villa	Chongqing	Residential/commercial	18	50
138	Jinzhū Tianyi Huayuan	Taicang	Residential	52	66.7
139	Oriental Mansion	Wuxi	Residential/commercial	1	20
140	Exquisite Palace	Wuxi	Residential/commercial	5	45
141	Star Mansion	Wuxi	Residential/commercial	7	50
142	Vision of the World	Zhaoqing	Residential/commercial	108	100
143	River View Mansion	Zhaoqing	Residential/commercial	33	33
144	The Moon Mansion	Zhongshan	Residential/commercial	50	50
145	Serenity in Prosperity	Nantong	Residential/villa/commercial	5	51
146	Oriental Beauty	Nantong	Residential	11	70
147	Central Mansion	Nantong	Residential	22	70
148	The Moon Mansion	Liuzhou	Residential/villa/commercial	79	100
149	Fortunes Season	Liuzhou	Residential/commercial/hotel	1,013	100
150	Shenzhen Bantian Project	Shenzhen	Serviced apartment/office/commercial	61	51
151	KWG Topchain City Center	Shenzhen	Serviced apartment/office/commercial	58	51
152	Grand Oasis	Shenzhen	Serviced apartment/office/commercial/hotel	44	55
153	Shenzhen Longhua Project	Shenzhen	Residential	90	50
154	Shaoxing Project	Shaoxing	Residential/villa	1	24.9
155	Skyline Seasons (formerly known as Life in Yueshan County)	Huizhou	Residential/commercial	260	100
156	Huizhou Longmen Project-Educational#[2019] 011	Huizhou	Educational	11	100
157	Huizhou Longmen Project-Educational#[2019] 014	Huizhou	Educational	61	100
158	The Horizon	Jiangmen	Residential	1	100

No.	Project	District	Type of Product	Total GFA	Interest
				Attributable to the Group's Interest ('000 sq.m.)	Attributable to the Group (%)
159	Jiangmen Apex International	Jiangmen	Residential/serviced apartment/commercial	73	100
160	Cullinan Mansion	Wenzhou	Residential/commercial	52	100
161	Art Wanderland	Dongguan	Residential/commercial	2	12.5
162	Dongguan Hengli Project	Dongguan	Residential/villa	24	20
163	Yangzhou Apex	Yangzhou	Residential/commercial	114	80
164	Ningbo Beilun Project	Ningbo	Residential	1	49
165	Parkview Palace	Ningbo	Residential	2	49
166	Cloud Mansion	Ningbo	Residential	37	50
167	Meishan Apex	Meishan	Residential/commercial	7	100
168	River State	Meishan	Residential/commercial	104	34
169	Chenzhou Wangxian Eco-tourism Project	Chenzhou	Residential/villa	72	50
170	KWG Tusholdings Ice Snow	Wuzhou	Residential/commercial	256	75
171	Meet	Xi'an	Serviced apartment/commercial/hotel	34	100
172	Salar de Uyuni	Kunming	Residential/commercial/hotel	257	51
173	Salar de Uyuni Guan Lake [Phase 2 — #17-28] (formerly known as Kunming Zhaotong Project #17-28)	Kunming	Residential/Commercial	68	55
174	Salar de Uyuni Guan Lake [Phase 1 — #17-29] (formerly known as Kunming Zhaotong Project #17-29)	Kunming	Residential/Commercial	88	55
175	KWG Haya City (formerly known as Yancheng High-tech District Project)	Yancheng	Residential/serviced apartment/commercial/hotel	680	100
176	Hong Kong Ap Lei Chau Project	Hong Kong	Residential	35	50
177	Upper RiverBank	Hong Kong	Residential/commercial	27	50

Employees and Emolument Policies

As at 30 June 2021, the Group employed a total of approximately 5,900 employees. The total staff costs incurred were approximately RMB765.9 million during the six months ended 30 June 2021. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

The Company has adopted the share award scheme and the share option scheme in order to recognize and motivate the contributions by the eligible participants of the Group and help in retaining them for the Group's further development.

In addition, training and development programmes are provided on an on-going basis throughout the Group.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of RMB37 cents per share (2020: RMB40 cents per share) for the six months ended 30 June 2021. The interim dividend shall be declared in RMB and payable in cash in Hong Kong dollars, which expected to be paid on or around Friday, 28 January 2022 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Friday, 24 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20 September 2021 to Friday, 24 September 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 17 September 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor's confidence and the Company's accountability and transparency, but also important to the Company's long-term success, therefore, the Group strives to attain and maintain effective corporate governance practices and

procedures. The Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021.

COMPLIANCE WITH MODEL CODE

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 code of conduct regarding directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021. The Audit Committee comprises three members who are Independent Non-executive Directors.

INTERIM REPORT

The interim report for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be published on the Company’s website (www.kwggroupholdings.com) and the HKEXnews website (www.hkexnews.hk), and despatched to the Shareholders in due course.

By Order of the Board
KWG Group Holdings Limited
KONG Jianmin
Chairman

Hong Kong, 27 August 2021

As at the date of this announcement, the Board comprises seven Directors, of whom Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao (Chief Executive Officer), Mr. KONG Jiannan and Mr. CAI Fengjia are Executive Directors; and Mr. LEE Ka Sze, Carmelo JP, Mr. TAM Chun Fai and Mr. LI Binhai are Independent Non-executive Directors.