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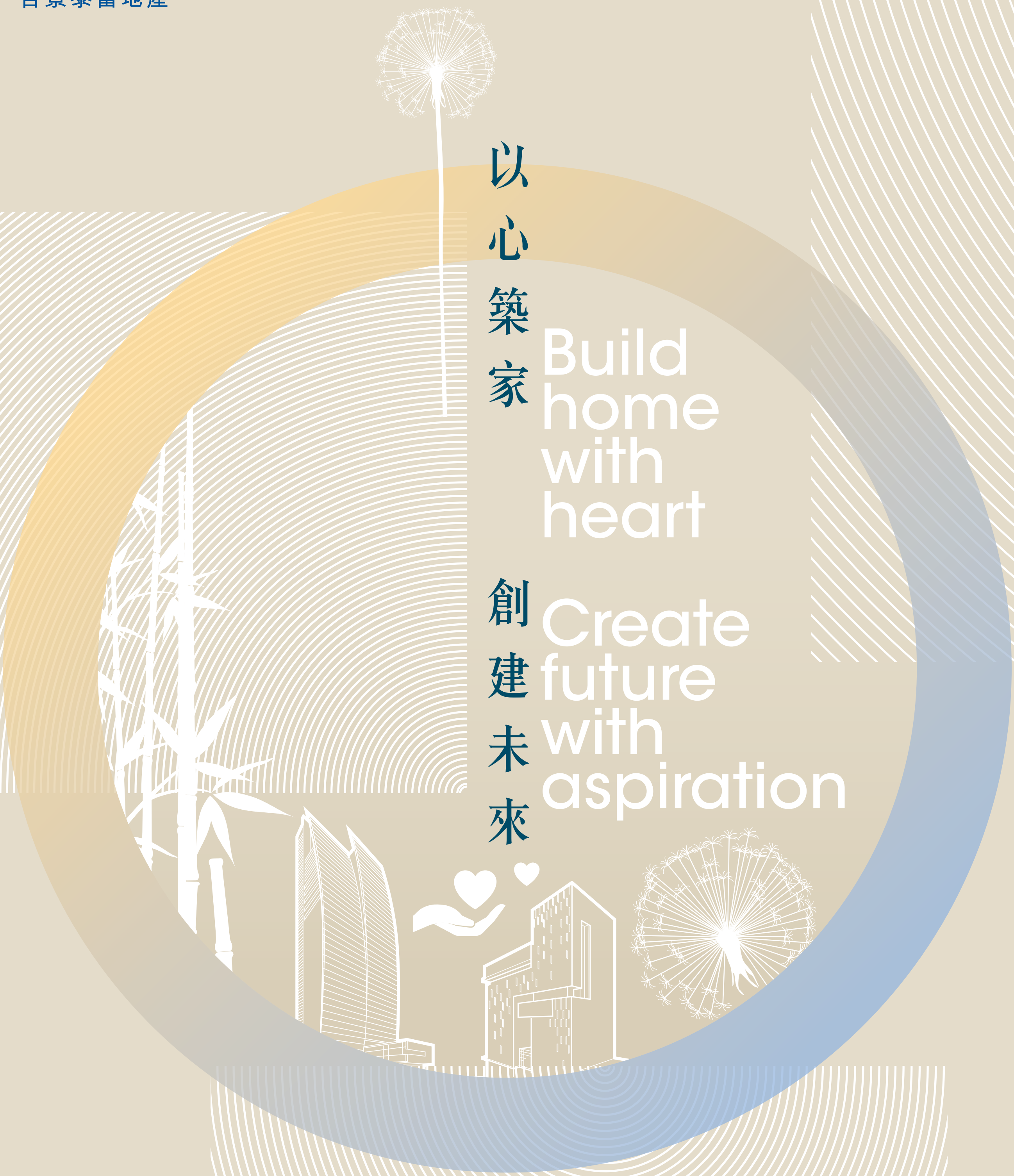


以心築家

Build home with heart

創建未來

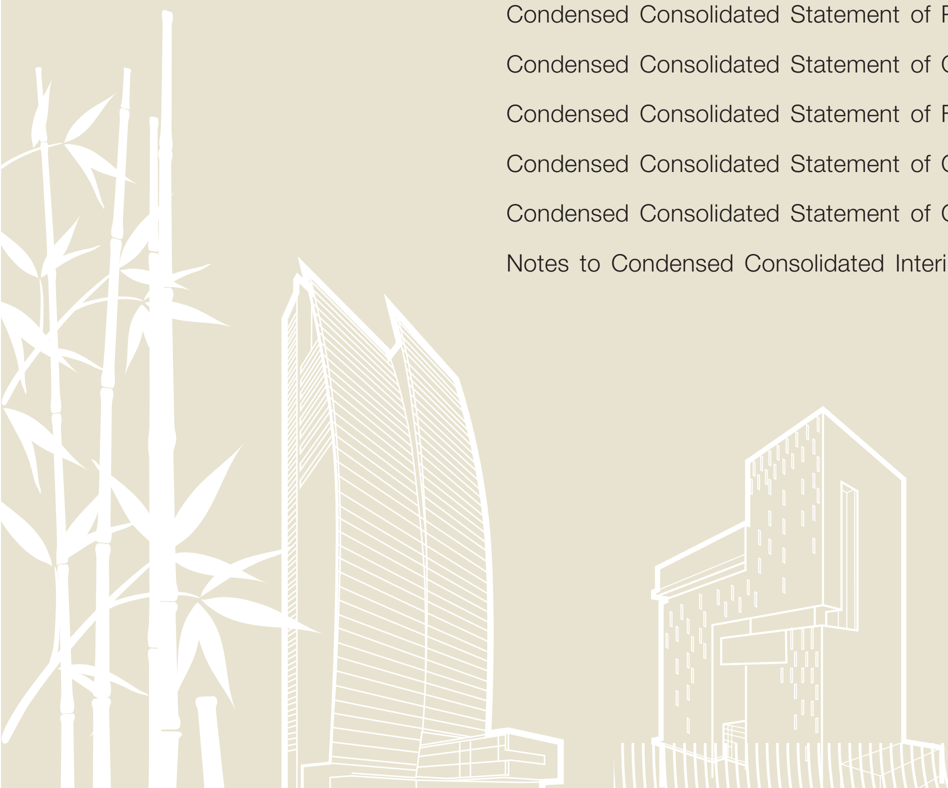
Create future with aspiration

INTERIM REPORT 2017

KWG PROPERTY HOLDING LIMITED

Incorporated in the Cayman Islands with limited liability Stock Code: 1813

CONTENTS



CORPORATE INFORMATION

Directors

Executive Directors

Mr. Kong Jian Min *(Chairman)*
Mr. Kong Jian Tao
(Chief Executive Officer)
Mr. Kong Jian Nan
Mr. Li Jian Ming
Mr. Tsui Kam Tim

Independent Non-executive Directors

Mr. Lee Ka Sze, Carmelo, *JP*
Mr. Tam Chun Fai
Mr. Li Bin Hai

Company Secretary

Mr. Tsui Kam Tim

Authorised Representatives

Mr. Kong Jian Min
Mr. Tsui Kam Tim

Audit Committee

Mr. Tam Chun Fai *(Chairman)*
Mr. Lee Ka Sze, Carmelo, *JP*
Mr. Li Bin Hai

Remuneration Committee

Mr. Tam Chun Fai *(Chairman)*
Mr. Kong Jian Min
Mr. Li Bin Hai

Nomination Committee

Mr. Kong Jian Min *(Chairman)*
Mr. Tam Chun Fai
Mr. Li Bin Hai

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Suite 7506, Level 75
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Principal Share Registrar and Transfer Agent

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Bank of China Limited
The Bank of East Asia (China) Limited
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank Co., Ltd.
China Minsheng Banking Corp. Ltd.
The Hongkong and Shanghai Banking Corporation Limited
China CITIC Bank Corporation Limited
China Bohai Bank Co., Ltd.

Auditors

Ernst & Young

Legal Advisors

as to Hong Kong law:
Sidley Austin

as to Cayman Islands law:
Conyers Dill & Pearman

Website

www.kwgproperty.com

Stock Code

1813 (Main Board of The Stock Exchange of Hong Kong Limited)

CORPORATE PROFILE

Founded in 1995, KWG Property Holding Limited ("KWG Property" or the "Company", together with its subsidiaries, collectively the "Group") is now one of the leading large-scale property developers in Guangzhou. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1813) in July 2007. Since its establishment, KWG Property has been focusing on the development, sales, operation and management of high quality properties.

Over the past 22 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of properties, including medium to high-end residential properties, serviced apartments, villas, offices, hotels and shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou, Foshan, Nanning and Hainan as its hubs for South China, Shanghai, Hangzhou, Nanjing, Suzhou, Xuzhou, Jiaxing, Taizhou and Hefei for East China, Chengdu for South-west China, Beijing, Tianjin and Jinan for North China, and Wuhan for Central China. The Group has succeeded in opening up overseas market by establishing presence in Hong Kong.

The Group has always been adhered to a steady land bank replenishment strategy. Its current land bank is sufficient for the Group's development in the coming years.

The Group will focus on the development of residential and commercial properties while seeking to deploy more resources for the establishment of a diversified property development in the future. In order to keep the profit portfolio steady, spread the investment risks and ensure stable development, the Group will strengthen the residential properties as the main force by implementing a prudent growth strategy, while increasing the proportion of commercial properties, such as offices, hotels and high-end shopping malls, to be held in long-term as investment properties.

CHAIRMAN'S STATEMENT

I am pleased to present the interim results of the Group for the half-year ended 30 June 2017. The Group recorded total revenue of approximately RMB7,857 million, representing an increase of 44.2% compared to the same period of 2016. Profit attributable to owners of the Company amounted to approximately RMB1,557 million.

The Board of Directors ("The Board") proposes to declare interim dividend of RMB10 cents per share, and intends to maintain a dividend pay-out ratio (based on core profit) of around 35% for the Year.

1. Further Penetration in Greater Bay Area and East China to Optimise and Realign the Business Presence and Deployment

The Group has been closely monitoring market trends in key cities during recent years and conducting in-depth research on market supply and demand, seizing opportunities to establish its presence in selected regions and cities with a view to building a solid foundation for long-term development.

During the reporting period, the Group launched new projects and new batches of existing projects in operational cities, in tandem with market trends. On the other hand, the Group was of the view that, in a crucial period under the "New Normal" during which demand and supply in the property market was experiencing corrections following rapid development, it was imperative for the Group to track industry trends closely in tandem with market developments, in order to further protect and enhance its overall market positioning and status in the industry. While consolidation in tier-one cities and further penetration in key tier-two cities remained priority for the Group, we also tapped into certain new satellite cities in the neighbouring regions at reasonable costs taking opportunities of scale growth.

The migration of factories and the working population from tier-one cities to their surrounding areas was followed by a spillover of demand for residential properties in a further indicative effect created by metropolitan circles. During the reporting period, the Group extended its reach to Wuhan, Xuzhou, Jiaxing, Taizhou and Jinan, while seeking off-shore expansion by entering Hong Kong. We have gradually formed a geographic segment in Greater Bay Area, comprising mainly Guangzhou, Foshan and Hong Kong, as well as a geographic segment in East China, comprising mainly Shanghai, Suzhou, Nanjing, Hangzhou, Jiaxing, Xuzhou, Taizhou and Hefei. Meanwhile, we have prominent presence in North China, comprising mainly Beijing, Tianjin and Jinan, with the enhanced co-development effect in other cities such as Chengdu, Nanning, Hainan and Wuhan. The Group has expanded its business scale and improved its nationwide presence through multi-layered deployments.

2. Selective Acquisition of Premium Sites to Underpin Existing Presence and Take Steps to Expand into New Cities

With resilient growth of sales and solid destocking efforts in 2016, property developers accumulated ample funds to make vigorous moves to acquire lands in tier-one and tier-two cities, or even tier-three and tier-four cities. Despite restrictive measures such as "restricted property prices, land price competition and competition in gross floor area ("GFA") held for investment" implemented by the Central Government in heated cities including Beijing, Shanghai, Guangzhou, Tianjin, Hangzhou and Suzhou, property developers continued to bid actively for premium land resources in such core cities. The effect of spillover from core cities was accelerating and sentiments were boiling over notably in the land markets of peripheral cities.

During the reporting period, the Group obtained 12 premium sites through tender, auction and listing in the open market or acquisition, including new entrance in Wuhan, Xuzhou, Jiaxing, Taizhou, Jinan and Hong Kong. Our attributable GFA has been increased by approximately 1,208,000 sq.m. as a result. The Group chose Hong Kong as its starting point for overseas expansion mainly for its: 1) core location in the Greater Bay Area with close connections to both the Mainland and overseas destinations; 2) natural hedging to mitigate the risk of RMB depreciation; and 3) diversification of the overall investment portfolio with a more favourable land bank deployment. As at the end of the reporting period, the Group had expanded its presence to 18 cities. With Greater Bay Area and East China accounting for approximately 60% of the land bank, the focus of our future development has been further affirmed.

3. Launch of Adjusted Suitable Products On The Back of Ample Sellable Resources

During the reporting period, tier-one and key tier-two cities were tightening their policies amidst increasing disparity in regulatory measures adopted by local governments, as the Central Government continued to emphasise the provision of accommodation as the primary purpose of real estate properties. On the demand end, restrictions on purchase and mortgage, together with other regulatory measures were further tightened. On the supply end, "restrictions on sales" were introduced with an expanding scope of application. At the same time, regulation over real estate finances was also strengthened, with a special emphasis on curbing demands from investors and speculative buyers. As a result, demand in tier-one and key tier-two cities was partially diverted to certain popular cities in the peripheral regions, driving growth of the local property markets in these cities.

During the process of regulatory control, the Group adjusted its launch and sales plan according to the conditions in the markets where its projects were located. During the first half of the year, we focused on continual launches of heated projects and replenished premium sellable resources in a timely manner, so as to meet the requirements of different buyers. Meanwhile, in places where stringent purchase restrictions were in force, the Group either launched en-bloc sales of office buildings which were not subject to restrictions or commercial properties to ensure meeting sales target.

During the reporting period, contracted sales in tier-one cities remained stable, accounting for approximately 45% of attributable sales, while the remaining 55% was derived from key tier-two cities.

4. Financial Structure Optimised with the Benefit of Diverse Financing Channels

The Group always believes that a sound financial structure would serve as a strong propellant for corporate development. Taking into account its own requirements and seizing suitable market window for financing, the Group issued two tranches of US Dollar bonds in the off-shore market in the first half year of 2017 with an aggregate amount of US$500 million at a rate of 6% mainly for refinance purpose. The Group's overall finance cost has been effectively lowered and its profile of long-term and short-term debts has also been optimised as a result.

Moreover, in view of the potential volatility of RMB exchange rates, the Group obtained syndicated loans at lower costs at an opportune timing following its acquisition of new projects in Hong Kong. The move has reduced the finance costs while mitigating the Group's exchange risk exposure of RMB depreciation. The overall finance cost of the Group for the reporting period has been further reduced to 5.8%.

During the reporting period, the Group was given an "AAA" issuer and "AAA" debt ratings with stable outlook by China Chengxin Securities Rating Co., Ltd., a domestic rating agency, as well as "BB–" issuer and debt ratings with stable outlook by Fitch Ratings, the international rating agency.

5. Enhanced Execution Efficiency Following Completion of Upgraded Internal Control Management and Operation

Over the years, the Group has become profoundly aware of the importance of a comprehensive operating system for the health of enterprise. Accordingly, the Group conducted upgrading and restructuring of the operations department at headquarters and the city companies according to its development plans during the reporting period. We developed a management matrix and set up operating departments in the city companies, under which key functional units, including operations, cost control, customer service and report & evaluation, were established. Under this restructured organisation, the city companies shall report to the respective general managers for the cities and the operations department of the headquarters in a two-way management mechanism devised to further optimise the Group's internal systems, with a view to enhancing its overall operational capacity.

Meanwhile, in order to accurately position our new projects and ensure speedy commencement of construction, the Group's operations department had developed a system for standardised positioning methodology and layout of residential projects in collaboration with the design, interior decoration, landscaping and marketing departments. Through the analysis of project locations, market conditions and buyers' preferences, an optimized layout plan would be selected, on the basis of which development planning would be conducted. The system has provided stronger assurance for the launch of new projects within reasonable lead-time for development, thereby enhancing the Group's competitiveness among its peers.

6. Outlook

The Group is of the view that the Central Government will maintain its policy for control and regulation in heated cities in the second half of the year to curb excessive demands from investors and speculative buyers and procure smooth progress of the market with the establishment of an effective long-term mechanism. Policy measures are expected to be more specific, with differentiated measures for individual city and region.

In second half of the year, the Group plans to launch a number of brand new projects in Guangzhou, Foshan, Beijing, Nanning, Tianjin, Suzhou and Hangzhou, comprising mainly residential units for first-time home buyers and upgraders. Meanwhile, we will also launch new batches of existing projects in a timely manner as well as increase the supply of en-bloc office buildings and commercial properties which are not subject to policy restrictions, in order to replenish our sellable resources effectively in response to different types of demands in the market. We will seek to enlarge our market shares on the back of balancing sales growth and profitability in an overall enhancement of our status and reputation in the industry.

The Group will also continue to closely monitor the land market and seek to acquire land resources through various channels, aiming to replenish and increase the land bank when appropriate, so as to form a reasonable nation-wide deployment with regional focus.

7. Appreciation

On behalf of the Group and the Board, I would like to express uttermost gratitude to all shareholders, investors, business partners and customers, without whose generous assistance and support the Group would not have been able to thrive and grow with such success. Thanks are also due to my fellow directors, management and all employees, who have underpinned the Group's great accomplishments over the past 22 years with their hard work and dedication. The Group will remain committed to the development of premium property businesses, building better homes with dedication for our deserving customers.

Kong Jianmin
Chairman

28 August 2017

Financial Review

Revenue

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

The revenue amounted to approximately RMB7,856.6 million in the first half of 2017, representing a significant increase of 44.2% from approximately RMB5,448.2 million for the corresponding period in 2016.

The revenue generated from property development, property investment, hotel operation and property management were approximately RMB7,334.0 million, RMB128.7 million, RMB198.3 million and RMB195.6 million, respectively, during the six months ended 30 June 2017.

Property development

Revenue generated from property development significantly increased by 46.1% to approximately RMB7,334.0 million for the six months ended 30 June 2017 from approximately RMB5,020.9 million for the corresponding period in 2016, primarily due to an increase in GFA delivered to 449,762 sq.m. in the first half of 2017 from 386,390 sq.m. for the corresponding period in 2016. The increase in revenue was also attributable to an increase in the recognised average selling price ("ASP") to RMB16,303 per sq.m. from RMB12,994 per sq.m. in the corresponding period in 2016. The increase in recognised ASP primarily attributable to an increase in the proportion of offices delivered with relatively higher ASP during the six months ended 30 June 2017.

Property investment

Revenue generated from property investment significantly increased by 76.3% to approximately RMB128.7 million for the six months ended 30 June 2017 from approximately RMB73.0 million for the corresponding period in 2016 primarily attributable to an increase in leased investment properties.

Hotel operation

Revenue generated from hotel operation increased by 5.9% to approximately RMB198.3 million for the six months ended 30 June 2017 from approximately RMB187.3 million for the corresponding period in 2016.

Property management

Revenue generated from property management increased by 17.1% to approximately RMB195.6 million for the six months ended 30 June 2017 from approximately RMB167.0 million for the corresponding period in 2016, primarily attributable to an increase in the number of properties under management.

Cost of Sales

Cost of sales of the Group primarily represents the costs we incur 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 significantly increased by 43.4% to approximately RMB5,029.3 million for the six months ended 30 June 2017 from approximately RMB3,506.4 million for the corresponding period in 2016, primarily due to the increase of total GFA delivered in sales of properties.

Land cost per sq.m. increased from RMB3,120 for the corresponding period in 2016 to RMB4,023 for the six months ended 30 June 2017, due to the change in delivery portfolio with different city mix as compared with that for the corresponding period in 2016.

Construction cost per sq.m. increased from RMB4,169 for the corresponding period in 2016 to RMB4,548 for the six months ended 30 June 2017, primarily attributable to an increase in the proportion of offices delivered with relatively higher construction cost.

Gross Profit

Gross profit of the Group significantly increased by 45.6% to approximately RMB2,827.3 million for the six months ended 30 June 2017 from approximately RMB1,941.8 million for the corresponding period in 2016. The increase of gross profit was principally due to the increase in the total revenue and recognised ASP in the first half of 2017. The Group reported gross profit margin of 36.0% for the six months ended 30 June 2017 (2016: 35.6%).

Other Income and Gains, Net

Other income and gains, significantly increased by 32.1% to approximately RMB192.6 million for the six months ended 30 June 2017 from approximately RMB145.8 million for the corresponding period in 2016, and mainly comprised interest income and management fee income related to our joint venture projects of approximately RMB135.9 million and RMB27.8 million respectively.

Selling and Marketing Expenses

Selling and marketing expenses of the Group significantly increased by 32.3% to approximately RMB226.5 million for the six months ended 30 June 2017 from approximately RMB171.2 million for the corresponding period in 2016, mainly due to an increase in sales commission, which was in line with the increase in revenue generated from sales of properties during the period.

Administrative Expenses

Administrative expenses of the Group increased by 17.5% to approximately RMB452.2 million for the six months ended 30 June 2017 from approximately RMB384.8 million for the corresponding period in 2016, primarily attributable to increased headcounts to catch up with the rapid development of the Group in various regional offices in order to achieve its long term goal. The Group believes that people are key elements for future growth and grasping the opportunities ahead. The Group also provided extensive training, built incentive schemes as well as a teamwork-oriented corporate culture with high sense of belonging to retain experienced employees.

Other Operating Expenses, Net

Other operating expenses of the Group were approximately RMB70.8 million for the six months ended 30 June 2017 (2016: approximately RMB0.3 million), mainly comprising premium paid on early redemption of senior notes.

Fair Value Gains on Investment Properties, Net

The Group reported fair value gains on investment properties of approximately RMB64.7 million for the six months ended 30 June 2017 (2016: approximately RMB152.9 million), mainly related to various leasable commercial properties in various regions. The fair value gains attributable to those leasable commercial properties, including Chengdu Cosmos and International Metropolis Plaza were approximately RMB51.9 million in the first half of 2017.

Finance Costs

Finance costs of the Group being approximately RMB141.7 million for the six months ended 30 June 2017 (2016: approximately RMB159.9 million), 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 increased by 39.5% to approximately RMB1,070.7 million for the six months ended 30 June 2017 from approximately RMB767.3 million for the corresponding period in 2016, primarily due to an increase in provision of land appreciation tax as a result of the increase in the total GFA delivered from sales of properties in the first six months of 2017.

Profit for the Period

The Group reported profit for the period of approximately RMB1,554.5 million for the six months ended 30 June 2017 (2016: approximately RMB1,419.9 million). For the six months ended 30 June 2017, net profit margin was 19.8% (2016: 26.1%).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2017, the carrying amounts of the Group's cash and bank balances were approximately RMB30,609.4 million (31 December 2016: approximately RMB26,901.6 million), representing a significant increase of 13.8% as compared to that as at 31 December 2016.

Pursuant to relevant regulations in the People's Republic of China (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 2017, the carrying amount of the restricted cash was approximately RMB1,030.3 million (31 December 2016: approximately RMB1,130.7 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2017, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB11,942.1 million, RMB11,687.4 million and RMB23,208.7 million respectively. Amongst the bank and other loans, approximately RMB2,283.9 million will be repayable within 1 year, approximately RMB5,990.7 million will be repayable between 2 and 5 years and approximately RMB3,667.5 million will be repayable over 5 years. Amongst the senior notes, approximately RMB8,354.7 million will be repayable between 2 and 5 years and approximately RMB3,332.7 million will be repayable over 5 years. All the domestic corporate bonds will be repayable between 2 and 5 years.

As at 30 June 2017, the Group's bank and other loans of approximately RMB23,629.5 million were secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying value of approximately RMB15,739.8 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 HK$1,953.6 million and US$96.8 million as at 30 June 2017 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 RMB230.0 million which were charged at fixed interest rates as at 30 June 2017. 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 2017.

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 2017, the gearing ratio was 64.1% (31 December 2016: 66.8%).

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 2017, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar maintained a relatively stable level 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 2017, the Group had the contingent liabilities relating to guarantees given to banks in respect of mortgage facilities for certain purchasers amounting to approximately RMB5,812.9 million (31 December 2016: approximately RMB7,330.0 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 2017 and the financial statements as at 31 December 2016 for the guarantees.

(ii) As at 30 June 2017 and 31 December 2016, the Group had provided guarantees in respect of certain bank loans for its joint ventures.

Market Review

In the first half of 2017, the Central Government implemented different policies in various cities in line with local conditions, stressing the primary purpose of real estate properties as a provision of accommodation. Disparities in regulatory measures adopted by local governments arose as popular cities continued to tighten their policies. Pioneered by tier-one cities namely Beijing, Shanghai, Guangzhou and Shenzhen, intensified regulatory measures were then taken in key tier-two cities such as Tianjin, Nanjing, Hangzhou, Foshan and Chengdu, and followed by tier-three and tier-four cities in the peripheral regions. In order to curb demands from speculative buyers, local governments introduced new "restrictions on sales" on the supply end, in addition to the traditional home purchase restrictions and mortgage restrictions imposed on the demand side. Credit on both supply and demand ends of the property market were gradually tightened. On the other hand, as destocking continued in most tier-three and tier-four cities, market stabilizing measures were taken in a timely manner in cities where inventory was depleted. As at the end of June, over 60 prefecture-level or above cities and more than 30 county-level cities issued tightening policies, while Hainan and Hebei exercised full control at provincial level.

Notwithstanding more stringent regulatory policies implemented by the Central Government and local governments, property prices in tier-one and key tier-two cities posted a modest increase in the first half of the year due to severe short of supply. With regard to tier-three and tier-four cities, property prices in most cities surged in a fast pace on the back of accelerated inventory turnover. Enthusiasm towards property sales in tier-one and key tier-two cities has remained since 2016, causing excessive destocking and making replenishment of sellable resources the primary goal for most property developers. For the sake of maintaining high inventory turnover to facilitate expansion, property developers sought to step up land purchases in target cities to replenish their land banks for new strategic deployment. According to the data from National Bureau of Statistics, from January to June 2017, land purchases by enterprises presented a year-on-year increase of 8.8% in terms of site area and accrued land premium showed a year-on-year increase of 38.5%. This evidenced that land prices were driven up by fierce competition.

Business Review

During the reporting period, the Group adjusted its plan of product launches in response to the market, meeting demands with suitable products. Thanks to brand recognition built up throughout years in tier-one and tier-two cities, the Group's pre-sales reported steady increase. Among the 42 projects currently on sale, 45% of the attributable pre-sales were derived from Guangzhou, Shanghai and Beijing, and 55% were contributed from key tier-two cities, especially Hangzhou, Chengdu, Nanning and Foshan. During the first half of the year, pre-sales amounted to RMB17.81 billion in aggregate, representing a year-on-year increase of 21.7% as compared to the same period of last year, while attributable pre-sales amounted to RMB14.62 billion in aggregate, representing a year-on-year increase of 28.0% as compared to the same period of last year.

During the period, the Group mainly launched products with GFA of 90-140 sq.m. for first-time home buyers and upgraders. It also launched en-bloc or strata sales of office buildings in cities with sales restrictions to satisfy demands from different kinds of buyers and ensure smooth sales.

During the reporting period, the Group launched Chengdu Yoonshang, a brand new resort project located in Dayi, Chengdu. Enjoying convenient transportation from Chengdu city centre, Chengdu Yoonshang is surrounded by plentiful natural resources and landscapes, with famous tourist destinations, Anren Ancient Town and Xiling Snow Mountain in close proximity. The project was officially launched in March 2017, offering mostly terraced houses with GFA of 90-190 sq.m.. Benefitting from its excellent geographical location, unique Suzhou-style garden design and planning, comprehensive ancillary facilities for leisure, education, health care and travel as well as reasonable pricing, the project received warm welcome from local buyers since its debut and recorded a stable rise in sales.

During the reporting period, the Group launched a brand new commercial project, International Metropolis Plaza in Shanghai. Located at the International Business Zone area in Pudong Houtan, Shanghai, near metro station, the premium waterfront building enjoys unobstructed river view and convenient transportation access. With sophistication of facilities for all kinds of functions, the price of the office buildings saw gradual increase. The Group seized the opportunity to launch en-bloc sale of one of the office buildings of International Metropolis Plaza, and the transaction was successfully completed in the first half of the year.

In connection with land supply, the Central Government implemented restrictive measures such as "property prices restriction, land price competition and competition in GFA held for investment" in tier-one and certain tier-two cities including Tianjin, Hangzhou and Suzhou to curb land price hike. However, as a result of ample revenue generated from burgeoning sales in 2016, and the urgent need to replenish sellable resources caused by solid destocking effort, property developers turned to tier-three and tier-four cities in the peripheral regions of tier-one and tier-two cities for land purchase opportunities and premium land price emanated.

During the reporting period, the Group carefully planned its future development direction, further refined its geographical deployment of land banks, and acquired 12 land parcels in Wuhan, Xuzhou, Suzhou, Hefei, Jiaxing, Taizhou, Jinan, Tianjin and Hong Kong in the auction market or through merger and acquisition, all of which were newly entered cities except Suzhou, Hefei and Tianjin. All the newly acquired lands are situated in premium locations, among which Jiaxing project, Linhai Project I and Linhai Project II in Taizhou are located at economically favoured Yangtze River Delta where sophisticated transportation network is developed, well-positioned to benefit from the spillover effect of adjacent major cities such as Shanghai and Hangzhou; Hong Kong Ap Lei Chau project and Hong Kong Kai Tak project are located at the core area of Greater Bay Area, a favourable location endowed with abundant onshore and offshore resources, laying a solid foundation for the Group's expansion into the residential property market in Hong Kong and deployment in Greater Bay Area. Being the Group's first project in Hong Kong, Ap Lei Chau project, in view of its unique geographical location and scarcity supply of large units in Hong Kong, is expected to offer large sized apartments and villas with ocean view to meet demands from mid- to high-end market. As regard to Kai Tak project, a medium to large scale housing estate for first-time home buyers or upgraders is contemplated.

During the reporting period, the Group's attributable GFA increased by approximately 1,208,000 sq.m.. As at 30 June 2017, the Group owned 79 projects in 18 cities across Mainland China and Hong Kong with an attributable land bank of approximately 11,850,000 sq.m., sufficient to meet the Group's development need in the next 3-5 years.

The Group firmly believes that a sound financial structure and sufficient cash are fundamental to healthy development of an enterprise. During the reporting period, the Group seized suitable opportunities to issue senior notes with an aggregate amount of US$500 million (before related issuance expenses) mainly for refinance purpose. Meanwhile, the Group obtained a syndicated loan to finance the newly acquired projects in Hong Kong, so as to mitigate the impact on exchange loss in connection with RMB depreciation and effectively reduce finance costs with lower loan interest rate. The above-mentioned financing activities will further enhance the Group's financing structure, balancing the proportion of onshore and offshore financing.

Investment Properties and Hotels

1) Hotels

As at 30 June 2017, the Group had six hotels in operation, including international hotel brands run by world-class hotel management companies, namely: W Hotel Guangzhou, a high-end fashionable hotel; Conrad Guangzhou (a JV project), a cosy luxury hotel newly opened in the first half of the year; Four Points by Sheraton Guangzhou, Dongpu specialised in business banquets; Sheraton Guangzhou Huadu Resort ideal for leisure and entertainment; and The Mulian Hotels in Guangzhou and Hangzhou, two boutique business hotels owned and operated by the Group.

Leveraging on their respective characteristics, these hotels reported steady growth in revenue by offering premium products and concessions to target customers, improving business / accommodation environments and standards of catering and service, as well as maintaining and expanding customer bases. W Hotel Guangzhou recorded an average occupancy rate of 80%, while The Mulian Hotels, the self-owned and operated brand, popular among business travellers and leisure travellers thanks to its unique design, precise customer positioning and excellent geographical location, experienced an ascending occupancy rate. Revenue from hotel operation increased by 5.9% to RMB198.3 million as compared to the same period of last year.

2) Completed Investment Properties Available for Lease

The Group's investment properties comprise mainly shopping malls and office buildings in Guangzhou and Shanghai, such as International Finance Place ("IFP") and Global Metropolitan Plaza in Pearl River New Town, Guangzhou, International Commerce Place in Pazhou, Guangzhou, as well as JV projects such as U Fun Shopping Centre in Xinjiangwan, Shanghai, and Tian Hui Plaza in Pearl River New Town, Guangzhou.

Since its unveiling in 2007, IFP has gained wide recognition from tenants including domestic and international banks as well as multi-national enterprises due to its convenient location at the heart of Pearl River New Town and continuously upgraded property service standards and working environment. During the period, IFP recorded an occupancy rate of over 90% as it continued to stay atop peers in the region in terms of rental rate and occupancy rate. Major tenants included the private bank departments of Bank of China, Industrial and Commercial Bank of China, Standard Chartered Bank and ten other foreign banks. In addition, Global Metropolitan Plaza in Guangzhou and International Commerce Place in Pazhou, Guangzhou have witnessed steady rise in occupancy rate since their official launches.

The Group's main shopping centres are U Fun Shopping Centre in Shanghai and Tian Hui Plaza in Guangzhou, both of which commenced operation in 2016. By introducing domestic and international high-profile merchants, conducting seasonal promotions and organizing theme events to attract target customers, the operation of the two shopping centres are on the right track, as evidenced by the gradual increase in revenue, establishing benchmarks for commercial projects of the Group.

Business Outlook

Looking to the second half year of 2017, the Central Government is expected to formulate appropriate measures for various regions and cities emphasizing the provision of accommodation as the primary purpose of real estate properties. The implementation of different policies based on the actual local conditions ensures healthy development of a long-term effective mechanism for property market.

In the second half of the year, the Group plans to launch brand new projects in Guangzhou, Foshan, Beijing, Nanning, Hangzhou and Tianjin, including Fortunes Seasons in Guangzhou, The Riviera in Foshan, KWG Centre I in Beijing, Wuxiang New City Project IV in Nanning, Shenhua Project in Hangzhou and The Cosmos in Tianjin. These products will feature mainly residential units with GFA of 90-140 sq.m. for first-time home buyers and upgraders. Meanwhile, the Group will launch new batches of existing projects, such as The Summit in Guangzhou, Long King in Foshan, The Core of Centre in Nanning, Chengdu Cosmos and Chengdu Sky Ville, ensuring timely replenishment to its sellable resources and accelerating turnover of inventory.

The Group will also continue to enhance internal management, improve project efficiency and expedite sales, with a view to expanding its scale and market shares, securing balanced and healthy growth in both scale and profit.

Overview of the Group's Property Development

As at 30 June 2017, 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, and Hong Kong.

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
1.	The Summit	Guangzhou	Residential / villa / serviced apartment / office / commercial / hotel	1,577	100
2.	Global Metropolitan Plaza	Guangzhou	Office / commercial	40	50
3.	Tian Hui Plaza (including The Riviera & Top Plaza)	Guangzhou	Serviced apartment / office / hotel / commercial	64	33.3
4.	The Star	Guangzhou	Serviced apartment / office / commercial	199	100
5.	Top of World	Guangzhou	Villa / serviced apartment / office / commercial / hotel	484	100
6.	The Eden	Guangzhou	Residential / commercial	2	50
7.	Zengcheng Gua Lv Lake	Guangzhou	Villa / hotel	43	100
8.	Essence of City	Guangzhou	Residential / villa / commercial	317	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 (formerly known as Guangzhou Pazhou Project)	Guangzhou	Office / commercial	50	50
10.	CFC — Mayfair (formerly known as Guangzhou Finance City Project)	Guangzhou	Serviced apartment / office / commercial	103	33.3
11.	The Horizon	Guangzhou	Residential / villa / commercial	160	50
12.	Fortunes Seasons (formerly known as Guangzhou Zhucun I & II)	Guangzhou	Residential / commercial / villa	267	50
13.	IFP	Guangzhou	Office / commercial	61	100
14.	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
15.	Sheraton Guangzhou Huadu Resort	Guangzhou	Hotel	25	100
16.	W Hotel / W Serviced Apartments	Guangzhou	Hotel / serviced apartment	80	100
17.	The Mulian Guangzhou	Guangzhou	Hotel / commercial	8	100
18.	The Sapphire	Suzhou	Residential / hotel / serviced apartment / office / commercial	53	100
19.	Suzhou Apex	Suzhou	Residential / hotel / serviced apartment / commercial	102	90
20.	Suzhou Emerald	Suzhou	Residential / commercial	15	100
21.	Leader Plaza	Suzhou	Serviced apartment / office / commercial	23	100
22.	Wan Hui Plaza	Suzhou	Office / commercial	60	100
23.	Suzhou Jade Garden	Suzhou	Residential / commercial	6	100
24.	Suzhou Wujiang Project	Suzhou	Residential	79	100
25.	Suzhou Beiqiao Project	Suzhou	Residential / commercial	46	20

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
26.	The Vision of the World	Chengdu	Residential / serviced apartment / commercial	48	100
27.	Chengdu Cosmos	Chengdu	Residential / office / serviced apartment / commercial / hotel	322	100
28.	Chengdu Sky Ville	Chengdu	Residential / office / serviced apartment / commercial	299	50
29.	Yoonshang (formerly known as Chengdu Dayi Project)	Chengdu	Residential / villa / hotel	618	55
30.	Fragrant Seasons	Beijing	Residential / villa / serviced apartment / commercial	17	100
31.	La Villa	Beijing	Residential / commercial / villa	13	50
32.	Beijing Apex	Beijing	Residential / villa / serviced apartment / commercial	55	50
33.	M • Cube	Beijing	Commercial	16	100
34.	Summer Terrace	Beijing	Residential / commercial	19	100
35.	KWG Centre I	Beijing	Serviced apartment / office / commercial	128	100
36.	KWG Centre II	Beijing	Serviced apartment / office / commercial	125	100
37.	Rose and Ginkgo Mansion	Beijing	Villa	15	33
38.	Pearl Coast	Hainan	Villa / residential / hotel	163	100
39.	Villa Como (formerly known as Moon Bay Project)	Hainan	Villa / residential / commercial / hotel	403	100
40.	International Metropolis Plaza (formerly known as Pudong Project)	Shanghai	Office / commercial	45	100
41.	The Core of Centre	Shanghai	Residential / serviced apartment / commercial / office	43	50
42.	Shanghai Apex	Shanghai	Residential / serviced apartment / commercial / hotel	50	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
43.	Shanghai Sapphire	Shanghai	Serviced apartment / hotel / commercial	62	100
44.	Shanghai Emerald	Shanghai	Residential / commercial	51	100
45.	Amazing Bay	Shanghai	Residential / office / commercial / serviced apartment / hotel	58	50
46.	Vision of World	Shanghai	Residential / serviced apartment / commercial / hotel	137	100
47.	Glory Palace (formerly known as Shanghai Songjiang Project)	Shanghai	Residential	121	100
48.	Jinnan New Town	Tianjin	Residential / serviced apartment / villa / commercial	578	25
49.	Boulevard Terrace I	Tianjin	Residential / commercial	4	100
50.	Boulevard Terrace II	Tianjin	Residential / villa / commercial	2	100
51.	Tianjin The Cosmos (formerly known as Tianjin Binhai Project)	Tianjin	Residential / villa / commercial	262	100
52.	Tianjin Jinghai Project	Tianjin	Residential	115	49
53.	The Core of Centre	Nanning	Residential / villa / office / commercial	410	87
54.	Guangxi International Finance Place	Nanning	Office / commercial	62	87
55.	Guangxi Top of World	Nanning	Residential / villa / hotel / commercial	364	87
56.	Wuxiang New City Project IV	Nanning	Residential / villa / commercial	316	100
57.	Hangzhou Jade Garden	Hangzhou	Residential	1	100
58.	Hangzhou La Bali	Hangzhou	Residential / villa	1	100
59.	The More	Hangzhou	Residential	10	100
60.	The Mulian Hangzhou	Hangzhou	Hotel / commercial	18	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
61.	The Moon Mansion	Hangzhou	Residential / villa	109	51
62.	Hangzhou Xiaoshan Project	Hangzhou	Residential / villa	56	100
63.	Hangzhou Shenhua Project	Hangzhou	Residential / villa	50	100
64.	Puli Oriental (formerly known as Hangzhou Qiaosi Project)	Hangzhou	Residential / commercial	70	50
65.	Shine City	Nanjing	Residential / office / commercial / serviced apartment	49	50
66.	Long King (formerly known as Oriental Bund)	Foshan	Residential / serviced apartment / commercial / villa	1,294	50
67.	The Riviera (formerly known as Foshan Shunde Project)	Foshan	Residential / commercial	155	51
68.	Riverine Capital (formerly known as Foshan Fuxi Project)	Foshan	Residential	89	33.3
69.	City Moon I (formerly known as Hefei Luyang Project I)	Hefei	Residential / commercial	71	51
70.	City Moon II (formerly known as Hefei Luyang Project II)	Hefei	Residential / commercial	42	51
71.	Hefei Lujiang Project	Hefei	Residential / commercial	165	100
72.	Joyful Season (formerly known as Wuhan Huarong Project)	Wuhan	Villa / commercial	138	60
73.	Exquisite Bay (formerly known as Xuzhou Project)	Xuzhou	Residential / commercial	153	50
74.	Jiaxing Project	Jiaxing	Residential / commercial	105	100
75.	Linhai Project I	Taizhou	Residential	93	100
76.	Linhai Project II	Taizhou	Residential	101	100
77.	Jinan Zhangqiu Project	Jinan	Residential	151	49
78.	Hong Kong Ap Lei Chau Project	Hong Kong	Residential / villa	35	50
79.	Hong Kong Kai Tak Project	Hong Kong	Residential	27	50

Employees and Emolument Policies

As at 30 June 2017, the Group employed a total of approximately 6,500 employees. The total staff costs incurred were approximately RMB338.3 million during the six months ended 30 June 2017. 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.

During the six months ended 30 June 2017, no share options were exercised, granted, cancelled or lapsed as at the date of approval of this report. In addition, training and development programmes are provided on an on-going basis throughout the Group.

Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares and Debentures of the Company

As at 30 June 2017, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in ordinary shares and debentures of the Company:

Name of Director	Long position/ Short position	Nature of interests	Number of shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Kong Jian Min (Notes 3, 4 and 5)	Long position	Interest of controlled corporations	1,867,364,418	61.15%
Kong Jian Tao (Notes 3, 4 and 6)	Long position	Interest of controlled corporations	1,798,370,918	58.89%
Kong Jian Nan (Notes 3 and 4)	Long position	Interest of controlled corporations	1,797,370,918	58.86%
Tam Chun Fai	Long position	Beneficial owner	80,000	0.0026%
Lee Ka Sze, Carmelo	Long position	Beneficial owner	30,000	0.001%

Notes:

1. Share(s) of HK$0.10 each in the capital of the Company.

2. As at 30 June 2017, total issued shares capital of the Company is 3,053,801,748 share.

3. Plus Earn Consultants Limited ("Plus Earn") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 1,722,370,918 shares through their interests in Plus Earn. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Plus Earn.

4. Right Rich Consultants Limited ("Right Rich") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 75,000,000 shares through their interests in Right Rich. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Right Rich.

5. Hero Fine Group Limited ("Hero Fine") is legally and beneficially owned as to 100% by Kong Jian Min and Kong Jian Min is therefore deemed to be interested in 69,993,500 shares through his interests in Hero Fine. Kong Jian Min is the sole director of Hero Fine.

6. Excel Wave Investments Limited ("Excel Wave") is legally and beneficially owned as to 100% by Kong Jian Tao and Kong Jian Tao is therefore deemed to be interested in 1,000,000 shares through his interest in Excel Wave. Kong Jian Tao is the sole director of Excel Wave.

Long positions in shares and underlying shares of associated corporations:

Name of Director	Associated Corporations	Number of shares held in associated corporations	Approximate percentage of shareholding in associated corporations
Kong Jian Min	Plus Earn	765	76.50%
	Right Rich	765	76.50%
Kong Jian Tao	Plus Earn	150	15.00%
	Right Rich	150	15.00%
Kong Jian Nan	Plus Earn	85	8.50%
	Right Rich	85	8.50%

Save as disclosed above, as at 30 June 2017, none of the directors nor chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and shorts position which the directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to any directors or chief executive of the Company, as at 30 June 2017, other than the interests and short positions of the directors or chief executive of the Company as disclosed in the section "Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares and Debentures of the Company" above, the following person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Interests and Short Positions of Substantial Shareholder(s) in the Shares and Underlying Shares of the Company

Long positions in the shares of the Company:

Name	Capacity	Number of shares held (Note 1)	Percentage of issued share capital (Note 2)
Plus Earn (Note 3)	Beneficial owner	1,722,370,918	56.40%

Notes:

1. Share(s) of HK$0.10 each in the capital of the Company.

2. As at 30 June 2017, total issued share capital of the Company is 3,053,801,748 shares.

3. Plus Earn is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan.

Save as disclosed above, as at 30 June 2017, there was no other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Compliance with the 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. The Group, therefore, strives to attain and maintain effective corporate governance practices and procedures. The Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the period under review.

Audit Committee

As at 30 June 2017, the audit committee of the Company (the "Audit Committee") comprises three members who are independent non-executive directors, namely Mr. Tam Chun Fai (chairman), Mr. Lee Ka Sze, Carmelo, JP and Mr. Li Bin Hai. The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

Compliance with Model Code

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Having made specific enquiries with all directors of the Company, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the period under review.

Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2007. The Share Option Scheme ended on 2 July 2017.

During the six months ended 30 June 2017, no share options were exercised, granted, cancelled or lapsed.

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 period under review.

Interim Dividend

To appreciate the long-term support of shareholders of the Company (the "Shareholders"), the Board resolved to declare an interim dividend of RMB10 cents per share (the "Interim Dividend") for the six months ended 30 June 2017. The Interim Dividend shall be declared in RMB and payable in cash in Hong Kong dollars and expected to be paid on or around 15 January 2018 to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on 22 September 2017.

Closure of Register of Members

The Register of Members will be closed from 18 September 2017 to 22 September 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the Interim Dividend, all transfers and the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, 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 15 September 2017.

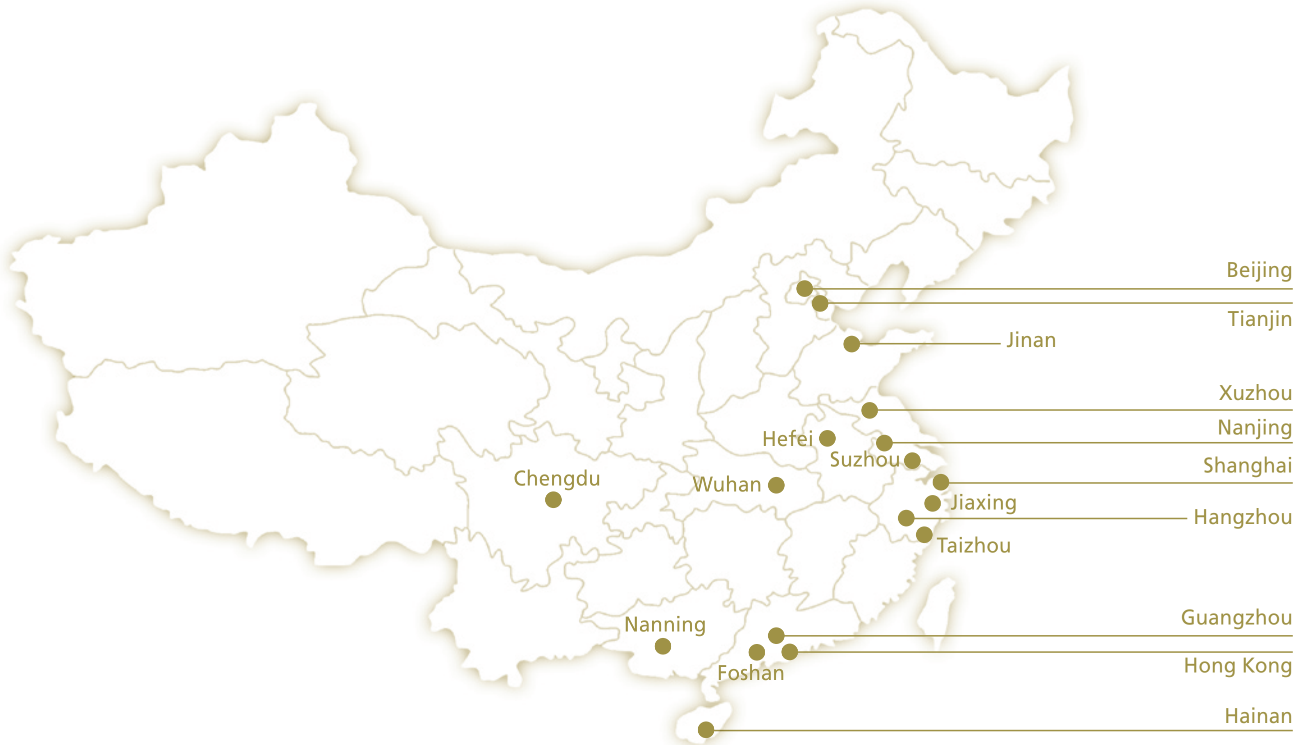
Disclosures Pursuant to Rule 13.18 of the Listing Rules

On 18 November 2014, the Company as borrower, and certain of the subsidiaries of the Company as original guarantors, entered into a facility agreement (the "Facility Agreement I") with, among others, Standard Chartered Bank (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia, Limited, Hang Seng Bank Limited and Goldman Sachs Lending Partners LLC, as original lenders, Standard Chartered Bank (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia, Limited, Hang Seng Bank Limited and Goldman Sachs (Asia) L.L.C. as arrangers and Standard Chartered Bank (Hong Kong) Limited as agent in relation to a transferrable term loan facility in the amount of HK$2,003,750,000 with a greenshoe option of HK$1,000,000,000 to the Company for a term of 36 months commencing from the date of the Facility Agreement I.

Pursuant to the terms of the Facility Agreement I, among others, the Company has undertaken to procure that Mr. Kong Jian Min, the controlling shareholder of the Company, at all times: (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the Facility Agreement I. Further details of the transaction are disclosed in the announcement of the Company dated 18 November 2014.

On 27 January 2017, the Company as borrower, and certain of the subsidiaries of the Company, as original guarantors, entered into a facility agreement (the "Facility Agreement II") with, among others, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, The Bank of East Asia, Limited and Chong Hing Bank Limited as original lenders, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and The Bank of East Asia, Limited, as mandated lead arrangers and bookrunners and Standard Chartered Bank (Hong Kong) Limited as agent in relation to a transferrable dual currency term loan facility in the amount of HK$1,485,000,000 and US$150,000,000 respectively with a greenshoe option of US$250,000,000 to the Company for a term of 48 months commencing from the date of the Facility Agreement II.

Pursuant to the terms of the Facility Agreement II, the Company has undertaken to procure that Mr. Kong Jian Min, being the controlling shareholder of the Company, at all times: (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the Facility Agreement II. Further details of the transaction are disclosed in the announcement of the Company dated 27 January 2017.



Guangzhou – 17 projects

Total attributable GFA:
approximately 3,559,000 sq.m.

- The Summit
- Global Metropolitan Plaza
- Tian Hui Plaza (included The Riviera and Top Plaza)
- The Star
- Top of World
- The Eden
- Zengcheng Gua Lv Lake
- Essence of City
- International Commerce Place (formerly known as Guangzhou Pazhou Project)
- CFC-Mayfair (formerly known as Guangzhou Finance City Project)
- The Horizon
- Fortunes Seasons (formerly known as Guangzhou Zhucun I & II)
- IFP
- Four Points by Sheraton Guangzhou, Dongpu
- Sheraton Guangzhou Huadu Resort
- W Hotel/W Serviced Apartments
- The Mulian Guangzhou

Foshan – 3 projects

Total attributable GFA:
approximately 1,538,000 sq.m.

- Long King (formerly known as Oriental Bund)
- The Riviera (formerly known as Foshan Shunde Project)
- Riverine Capital (formerly known as Foshan Fuxi Project)

Nanning – 4 projects

Total attributable GFA:
approximately 1,152,000 sq.m.

- The Core of Center
- Guangxi International Finance Place
- Guangxi Top of World
- Wuxiang New City Project IV

Hainan – 2 projects

Total attributable GFA:
approximately 566,000 sq.m.

- Pearl Coast
- Villa Como (formerly known as Moon Bay Project)

Shanghai – 8 projects

Total attributable GFA:
approximately 567,000 sq.m.

- International Metropolis Plaza (formerly known as Pudong Project)
- The Core of Center
- Shanghai Apex
- Shanghai Sapphire
- Shanghai Emerald
- Amazing Bay
- Vision of World
- Glory Palace (formerly known as Shanghai Songjiang Project)

Hangzhou – 8 projects

Total attributable GFA:
approximately 315,000 sq.m.

- Hangzhou Jade Garden
- Hangzhou La Bali
- The More
- Thu Mulian Hangzhou
- The Moon Mansion
- Hangzhou Xiaoshan Project
- Hangzhou Shenhua Project
- Puli Oriental (formerly known as Hangzhou Qiaosi Project)

Suzhou – 8 projects

Total attributable GFA:
approximately 387,000 sq.m.

- The Sapphire
- Suzhou Apex
- Suzhou Emerald
- Leader Plaza
- Wan Hui Plaza
- Suzhou Jade Garden
- Suzhou Wujiang Project
- Suzhou Beiqiao Project

Nanjing – 1 project

Total attributable GFA:
approximately 49,000 sq.m.

- Shine City

Jiaxing – 1 project

Total attributable GFA:
approximately 105,000 sq.m.

- Jiaxing Project

Xuzhou – 1 project

Total attributable GFA:
approximately 153,000 sq.m.

- Exquisite Bay (formerly known as Xuzhou Project)

Taizhou – 2 projects

Total attributable GFA:
approximately 194,000 sq.m.

- Linhai Project I
- Linhai Project II

Beijing – 8 projects

Total attributable GFA:
approximately 388,000 sq.m.

- Fragrant Seasons
- La Villa
- Beijing Apex
- M·Cube
- Summer Terrace
- KWG Centre I
- KWG Centre II
- Rose and Ginkgo Mansion

Jinan – 1 project

Total attributable GFA:
approximately 151,000 sq.m.

- Jinan Zhangqiu Project

Tianjin – 5 projects

Total attributable GFA:
approximately 961,000 sq.m.

- Jinnan New Town
- Boulevard Terrace I
- Boulevard Terrace II
- Tianjin The Cosmos (formerly known as Tianjin Binhai Project)
- Tianjin Jinghai Project

Chengdu – 4 projects

Total attributable GFA:
approximately 1,287,000 sq.m.

- The Vision of the World
- Chengdu Cosmos
- Chengdu Sky Ville
- Yoonshang (formerly known as Chengdu Dayi Project)

Hefei – 3 projects

Total attributable GFA:
approximately 278,000 sq.m.

- City Moon I (formerly known as Hefei Luyang Project I)
- City Moon II (formerly known as Hefei Luyang Project II)
- Hefei Lujiang Project

Wuhan – 1 project

Total attributable GFA:
approximately 138,000 sq.m.

- Joyful Season (formerly known as Wuhan Huarong Project)

Hong Kong – 2 projects

Total attributable GFA:
approximately 62,000 sq.m.

- Hong Kong Ap Lei Chau Project
- Hong Kong Kai Tak Project

To the board of directors of KWG Property Holding Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information of KWG Property Holding Limited (the "Company") and its subsidiaries set out on pages 25 to 56, which comprise the condensed consolidated statement of financial position as at 30 June 2017 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34").

The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
28 August 2017

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 June	
		2017	2016
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	**7,856,615**	5,448,233
Cost of sales		**(5,029,334)**	(3,506,401)
Gross profit		**2,827,281**	1,941,832
Other income and gains, net	4	**192,615**	145,767
Selling and marketing expenses		**(226,492)**	(171,180)
Administrative expenses		**(452,231)**	(384,782)
Other operating expenses, net		**(70,847)**	(306)
Fair value gains on investment properties, net		**64,705**	152,871
Finance costs	5	**(141,707)**	(159,875)
Share of profits and losses of joint ventures		**431,879**	662,879
PROFIT BEFORE TAX	6	**2,625,203**	2,187,206
Income tax expenses	7	**(1,070,737)**	(767,312)
PROFIT FOR THE PERIOD		**1,554,466**	1,419,894
Attributable to:			
Owners of the Company		**1,556,737**	1,421,822
Non-controlling interests		**(2,271)**	(1,928)
		1,554,466	1,419,894
Earnings per share attributable to owners of the Company			
– Basic	9	**RMB51.0 cents**	RMB47.4 cents
– Diluted	9	**RMB51.0 cents**	RMB47.4 cents

The notes on pages 32 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	**1,554,466**	1,419,894
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**513,803**	(235,735)
Share of exchange differences on translation of joint ventures	**114,927**	(69,252)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**628,730**	(304,987)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**73,660**	16,644
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**73,660**	16,644
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**702,390**	(288,343)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,256,856**	1,131,551
Attributable to:		
Owners of the Company	**2,259,127**	1,133,479
Non-controlling interests	**(2,271)**	(1,928)
	2,256,856	1,131,551

The notes on pages 32 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**4,110,097**	3,890,621
Investment properties		**11,016,800**	10,533,100
Land use rights		**1,070,907**	1,040,728
Interests in joint ventures		**33,035,080**	18,998,141
Deferred tax assets		**1,552,043**	1,332,532
Total non-current assets		**50,784,927**	35,795,122
CURRENT ASSETS			
Properties under development		**23,533,770**	38,503,341
Completed properties held for sale		**6,805,279**	6,866,193
Trade receivables	11	**909,959**	156,775
Prepayments, deposits and other receivables		**2,017,126**	2,200,705
Due from a joint venture	20(ii)	**30,052**	30,059
Tax recoverables		**364,862**	288,043
Restricted cash		**1,030,338**	1,130,660
Cash and cash equivalents		**29,579,046**	25,770,912
Total current assets		**64,270,432**	74,946,688
CURRENT LIABILITIES			
Trade and bills payables	12	**3,112,587**	5,753,979
Other payables and accruals		**9,164,684**	9,838,964
Due to joint ventures	20(ii)	**23,189,310**	21,530,757
Interest-bearing bank and other borrowings	13	**2,283,903**	4,753,515
Tax payables		**6,286,134**	5,431,370
Total current liabilities		**44,036,618**	47,308,585
NET CURRENT ASSETS		**20,233,814**	27,638,103
TOTAL ASSETS LESS CURRENT LIABILITIES		**71,018,741**	63,433,225

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**71,018,741**	63,433,225
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**44,554,271**	38,196,455
Deferred tax liabilities		**1,159,099**	1,225,816
Deferred revenue		**2,042**	2,042
Total non-current liabilities		**45,715,412**	39,424,313
NET ASSETS		**25,303,329**	24,008,912
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	**293,590**	293,590
Reserves		**24,358,543**	23,656,855
		24,652,133	23,950,445
Non-controlling interests		**651,196**	58,467
TOTAL EQUITY		**25,303,329**	24,008,912

The notes on pages 32 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

		Attributable to owners of the Company									
	Note	Issued capital	Share premium account	Reserve funds	Exchange fluctuation reserve	Equity-settled share option reserve	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2016		288,663	7,055,349	1,007,536	(475,540)	4,836	(57,546)	14,518,111	22,341,409	17,507	22,358,916
Profit for the period		–	–	–	–	–	–	1,421,822	1,421,822	(1,928)	1,419,894
Other comprehensive loss for the period:											
Exchange differences on translation into presentation currency		–	–	–	(219,091)	–	–	–	(219,091)	–	(219,091)
Share of exchange differences on translation of joint ventures		–	–	–	(69,252)	–	–	–	(69,252)	–	(69,252)
Total comprehensive income/(loss) for the period		–	–	–	(288,343)	–	–	1,421,822	1,133,479	(1,928)	1,131,551
Contribution from the non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	–	17,800	17,800
Final 2015 dividend declared		–	(868,980)	–	–	–	–	–	(868,980)	–	(868,980)
Acquisition of a subsidiary	15	–	–	–	–	–	–	–	–	12,744	12,744
Transfer to reserves		–	–	95,498	–	–	–	(95,498)	–	–	–
At 30 June 2016		288,663	6,186,369	1,103,034	(763,883)	4,836	(57,546)	15,844,435	22,605,908	46,123	22,652,031
At 31 December 2016 and 1 January 2017		**293,590**	**6,396,885***	**1,170,994***	**(1,677,652)***	**–***	**(57,546)***	**17,824,174***	**23,950,445**	**58,467**	**24,008,912**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**1,556,737**	**1,556,737**	**(2,271)**	**1,554,466**
Other comprehensive income for the period:											
Exchange differences on translation into presentation currency		**–**	**–**	**–**	**587,463**	**–**	**–**	**–**	**587,463**	**–**	**587,463**
Share of exchange differences on translation of joint ventures		**–**	**–**	**–**	**114,927**	**–**	**–**	**–**	**114,927**	**–**	**114,927**
Total comprehensive income for the period		**–**	**–**	**–**	**702,390**	**–**	**–**	**1,556,737**	**2,259,127**	**(2,271)**	**2,256,856**
Final 2016 dividend declared		**–**	**(1,557,439)**	**–**	**–**	**–**	**–**	**–**	**(1,557,439)**	**–**	**(1,557,439)**
Contribution from the non-controlling shareholder of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**575,000**	**575,000**
Acquisition of a subsidiary	15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20,000**	**20,000**
Transfer to reserves		**–**	**–**	**142,094**	**–**	**–**	**–**	**(142,094)**	**–**	**–**	**–**
At 30 June 2017		**293,590**	**4,839,446***	**1,313,088***	**(975,262)***	**–***	**(57,546)***	**19,238,817***	**24,652,133**	**651,196**	**25,303,329**

* These reserve accounts comprise the consolidated reserves of approximately RMB24,358,543,000 (31 December 2016: approximately RMB23,656,855,000) in the condensed consolidated statement of financial position.

The notes on pages 32 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,625,203**	2,187,206
Adjustments for:			
Finance costs	5	**141,707**	159,875
Share of profits and losses of joint ventures		**(431,879)**	(662,879)
Interest income	4	**(135,884)**	(61,518)
Loss on disposal of investment properties, net	6	**—**	17
Gain on disposal of items of property, plant and equipment	6	**(424)**	(67)
Gain on disposal of a subsidiary	17	**—**	(9,738)
Depreciation	6	**70,917**	71,828
Amortisation of land use rights	6	**2,739**	2,739
Changes in fair values of investment properties, net		**(64,705)**	(152,871)
Premium paid on early redemption of senior notes	6	**70,516**	—
Cash flows from operations before changes in working capital		**2,278,190**	1,534,592
Changes in working capital		**(6,439,599)**	178,949
Cash (used in)/generated from operations		**(4,161,409)**	1,713,541
Interest paid, net		**(1,033,187)**	(1,099,234)
Income tax paid		**(612,994)**	(394,570)
Net cash flows (used in)/from operating activities		**(5,807,590)**	219,737

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Net cash flows (used in)/from operating activities		**(5,807,590)**	219,737
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(279,609)**	(188,337)
Proceeds from disposal of investment properties		**—**	275
Proceeds from disposal of items of property, plant and equipment		**429**	786
(Investments in and advance to)/repayment from joint ventures		**(3,017,497)**	448,322
Acquisition of subsidiaries	15	**10,000**	(12,167)
Acquisition of joint ventures		**(556,000)**	—
Derecognition of subsidiaries	16	**(333,228)**	—
Disposal of a subsidiary	17	**—**	44,433
Dividend received from a joint venture		**66,500**	—
Net cash flows (used in)/from investing activities		**(4,109,405)**	293,312
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of domestic corporate bonds		**—**	8,647,800
Proceeds from issue of senior notes		**5,044,785**	—
Redemption of senior notes		**(1,705,679)**	—
Contribution from the non-controlling shareholder of a subsidiary		**575,000**	17,800
Net proceeds from/(repayment of) bank loans		**9,825,192**	(1,535,091)
Net cash flows from financing activities		**13,739,298**	7,130,509
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,822,303**	7,643,558
Cash and cash equivalents at beginning of the period		**25,770,912**	10,946,470
Effect of foreign exchange rate changes, net		**(14,169)**	5,097
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**29,579,046**	18,595,125
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**15,783,511**	10,491,509
Non-pledged time deposits with original maturity of less than three months when acquired		**13,795,535**	8,103,616
Cash and cash equivalents		**29,579,046**	18,595,125

The notes on pages 32 to 56 form an integral part of this condensed consolidated interim financial information.

Notes to Condensed Consolidated Interim Financial Information

1. Corporate Information

KWG Property Holding Limited ("KWG Property" or 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 Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities in Mainland China and Hong Kong:

- Property development
- Property investment
- Hotel operation
- Property management

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 of directors of the Company (the "Board") for issue on 28 August 2017.

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 (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations).

3. Accounting Policies

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. The accounting policies adopted are consistent with the Group's audited financial statements for the year ended 31 December 2016, except for the adoption of the following revised HKFRSs issued by the HKICPA, which are adopted for the first time for the current period's financial information.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferral Tax Assets for Unrealised Losses*
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs has had no significant financial effect on the Group's unaudited condensed consolidated interim financial information and there have been no significant changes to the accounting policies applied in the unaudited condensed consolidated interim financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. Revenue, Other Income and Gains, Net and Operating Segment Information

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue:		
Sale of properties	**7,333,972**	5,020,938
Gross rental income	**128,709**	73,006
Hotel operation income	**198,295**	187,286
Property management fee income	**195,639**	167,003
	7,856,615	5,448,233
Other income and gains, net:		
Interest income	**135,884**	61,518
Management fee income	**27,826**	43,915
Others	**28,905**	40,334
	192,615	145,767

4. Revenue, Other Income and Gains, Net and Operating Segment Information (Continued)

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

(a) Property development: Sale of properties
(b) Property investment: Leasing of properties
(c) Hotel operation: Operation of hotels
(d) Property management: Provision of property management services

The property development projects undertaken by the Group during the period are all 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 external customers is derived solely from its operations in Mainland China.

The segment results for the six months ended 30 June 2017 are as follows:

	Property development (Note) RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Hotel operation RMB'000 (Unaudited)	Property management RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:					
Sales to external customers	**7,333,972**	**128,709**	**198,295**	**195,639**	**7,856,615**
Segment results	**2,767,866**	**186,675**	**70,622**	**31,271**	**3,056,434**
Reconciliation:					
Interest income and unallocated income					**192,615**
Unallocated expenses					**(482,139)**
Finance costs					**(141,707)**
Profit before tax					**2,625,203**
Income tax expenses					**(1,070,737)**
Profit for the period					**1,554,466**

4. Revenue, Other Income and Gains, Net and Operating Segment Information (Continued)

The segment results for the six months ended 30 June 2016 are as follows:

	Property development (Note) RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Hotel operation RMB'000 (Unaudited)	Property management RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:					
Sales to external customers	5,020,938	73,006	187,286	167,003	5,448,233
Segment results	2,232,350	224,053	54,964	30,988	2,542,355
Reconciliation:					
Interest income and unallocated income					145,767
Unallocated expenses					(341,041)
Finance costs					(159,875)
Profit before tax					2,187,206
Income tax expenses					(767,312)
Profit for the period					1,419,894

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

5. Finance Costs

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

	Six months ended 30 June **2017** RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest on bank and other borrowings	**1,424,293**	1,176,244
Net foreign exchanges losses	**335,571**	—
Less: Interest capitalised	**(1,618,157)**	(1,016,369)
	141,707	159,875

6. Profit Before Tax

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	**4,803,725**	3,302,665
Less: Government grant released	**(18)**	(116)
	4,803,707	3,302,549
Depreciation	**70,917**	71,828
Amortisation of land use rights	**14,074**	13,281
Less: Amount capitalised in assets under construction	**(11,335)**	(10,542)
	2,739	2,739
Premium paid on early redemption of senior notes*	**70,516**	—
Loss on disposal of investment properties, net*	**—**	17
Gain on disposal of items of property, plant and equipment	**(424)**	(67)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**306,083**	280,434
Pension scheme contributions	**32,251**	26,825
	338,334	307,259
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	**(44,320)**	(64,891)
	294,014	242,368

* These items are included in "Other operating expenses, net" in the unaudited condensed consolidated statement of profit or loss.

7. Income Tax Expenses

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – in the People's Republic of China (the "PRC")		
Corporate income tax ("CIT")	**695,336**	439,539
Land appreciation tax ("LAT")	**687,957**	440,733
	1,383,293	880,272
Deferred	**(312,556)**	(112,960)
Total tax charge for the period	**1,070,737**	767,312

For the six months ended 30 June 2017, the share of CIT expense and LAT expense attributable to the joint ventures amounting to approximately RMB147,832,000 (2016: approximately RMB220,807,000) and approximately RMB39,431,000 (2016: approximately RMB179,415,000), respectively, are included in "Share of profits and losses of joint ventures" in the unaudited condensed consolidated statement of profit or loss.

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 2017 and 2016.

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 2017 and 2016, 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 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interim dividend of RMB10 cents (2016: Nil) per ordinary share	**305,380**	—

Subsequent to the end of the reporting period, the Board declared the payment of an interim dividend of RMB305,380,000 representing RMB10 cents per share, based on the number of shares in issue as at 30 June 2017, in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: nil). The interim dividend for the period shall be made out of the retained profits of the Company.

9. Earnings Per Share Attributable to Owners of the Company

The calculation of the basic earnings per share amounts for the six months ended 30 June 2017 is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 3,053,801,748 (2016: 2,996,482,528) in issue during the period.

For the six months ended 30 June 2016, the calculation of the diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation of 2,996,482,528 plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares of 370,208.

Diluted earnings per share amount for the period ended 30 June 2017 is the same as the basis earnings per share as no diluting events existed during the period.

The calculations of the basic and diluted earnings per share amounts are based on:

	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Earnings		
Profit attributable to owners of the Company	**1,556,737**	1,421,822

	Number of shares Six months ended 30 June 2017 (Unaudited)	2016 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**3,053,801,748**	2,996,482,528
Effect of dilution – share options	**—**	370,208
Weighted average number of ordinary shares used in diluted earnings per share calculation	**3,053,801,748**	2,996,852,736

10. Property, Plant and Equipment

During the six months ended 30 June 2017, the Group had additions of property, plant and equipment at a total cost of approximately RMB290,523,000 (2016: approximately RMB198,879,000).

11. Trade Receivables

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and provision of property management services. 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	**846,771**	108,714
4 to 6 months	**20,428**	14,634
7 to 12 months	**16,633**	16,293
Over 1 year	**26,127**	17,134
	909,959	156,775

12. 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	**3,112,587**	5,753,979

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

13. Interest-bearing Bank and Other Borrowings

	As at 30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Current		
Bank loans (c)		
– secured	425,800	2,297,364
– denominated in HK$, secured	781,750	1,330,422
Current portion of long-term bank loans (c)		
– secured	1,038,665	1,125,729
– denominated in HK$, secured	22,131	—
– denominated in US$, secured	15,557	—
	2,283,903	4,753,515
Non-current		
Bank loans (c)		
– secured	8,130,723	6,437,070
– denominated in HK$, secured	891,694	—
– denominated in US$, secured	635,805	—
Senior notes – denominated in US$, secured (a)	11,687,374	8,558,292
Domestic corporate bonds – unsecured (b)	23,208,675	23,201,093
	44,554,271	38,196,455
	46,838,174	42,949,970

(i) Certain of the Group's borrowings are secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying values of approximately RMB15,739,849,000 as at 30 June 2017 (31 December 2016: approximately RMB15,640,319,000).

(ii) As at 30 June 2017 and 31 December 2016, the equity interests of certain subsidiaries of the Group were pledged to certain banks for the loans granted to the Group.

(iii) As at 30 June 2017 and 31 December 2016, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

Except for the above mentioned borrowings denominated in HK$ and US$, all borrowings were denominated in RMB as at 30 June 2017 and 31 December 2016. All of the Group's bank loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB230,000,000, which were charged at fixed interest rate as at 30 June 2017 (31 December 2016: RMB1,319,245,000). The Group's senior notes and domestic corporate bonds were charged at fixed interest rates as at 30 June 2017 and 31 December 2016.

13. Interest-bearing Bank and Other Borrowings (Continued)

Notes:

(a) On 22 March 2012, the Company issued 13.25% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,520,160,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 22 March 2017. The senior notes carry interest at a rate of 13.25% per annum, which is payable semi-annually in arrears on 22 March and 22 September of each year commencing on 22 September 2012. For further details on the senior notes, please refer to the related announcements of the Company dated 14 March 2012, 16 March 2012 and 23 March 2012.

On 29 January 2013, the Company issued 8.625% senior notes with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,885,530,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 February 2020. The senior notes carry interest at a rate of 8.625% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 August 2013. For further details on the senior notes, please refer to the related announcements of the Company dated 29 January 2013, 30 January 2013 and 5 February 2013.

On 7 January 2014, the Company issued 8.975% senior notes with an aggregate principal amount of US$600,000,000 (equivalent to approximately RMB3,662,520,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 14 January 2019. The senior notes carry interest at a rate of 8.975% per annum, which is payable semi-annually in arrears on 14 January and 14 July of each year commencing on 14 July 2014. For further details on the senior notes, please refer to the related announcements of the Company dated 7 January 2014, 8 January 2014 and 14 January 2014.

On 29 July 2014, the Company issued 8.25% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,464,600,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 August 2019. The senior notes carry interest at a rate of 8.25% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 February 2015. For further details on the senior notes, please refer to the related announcements of the Company dated 29 July 2014, 30 July 2014 and 5 August 2014.

On 12 January 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$250,000,000 (equivalent to approximately RMB1,733,113,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 12 January 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 12 January and 12 July of each year, commencing on 12 July 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 29 December 2016, 30 December 2016 and 11 January 2017.

On 26 February 2017, the Company redeemed the outstanding 8.625% senior notes due 2020 with an aggregate principle amount of US$300,000,000 in full at a redemption price to 104.3125% of the principal amount thereof, plus accrued and unpaid interest. For further details, please refer to the related announcements of the Company dated 27 January 2017 and 2 March 2017.

On 15 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,772,980,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year, commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 9 March 2017, 10 March 2017 and 16 March 2017.

On 29 March 2017, the Company issued additional 6.00% senior notes with an aggregate principal amount of US$100,000,000 (equivalent to approximately RMB672,638,000) (to be consolidated and form a single series with the US$400,000,000 6% senior notes due 2022 issued on 15 March 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 27 March 2017 and 29 March 2017.

13. Interest-bearing Bank and Other Borrowings (Continued)

Notes: (Continued)

(b) (i) On 17 December 2015, Guangzhou Hejing Real Estate Development Limited, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,300,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 4.94% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 1 Bonds"), and the second type has a term of seven years and bears a coupon rate at 6.15% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 2 Bonds").

The aggregate principal amount for the Type 1 Bonds issued was RMB2,500,000,000 and the aggregate principal amount for the Type 2 Bonds issued was RMB800,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 15 December 2015 and 16 December 2015.

(b) (ii) On 28 March 2016, Guangzhou Tianjian Real Estate Development Limited ("Guangzhou Tianjian"), a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,200,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 3.90% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 3 Bonds"), and the second type has a term of ten years and bears a coupon rate at 4.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 4 Bonds").

The aggregate principal amount for the Type 3 Bonds issued was RMB600,000,000 and the aggregate principal amount for the Type 4 Bonds issued was RMB1,600,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 24 March 2016 and 28 March 2016.

(b) (iii) On 26 April 2016, Guangzhou Tianjian issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB6,500,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of seven years and bears a coupon rate at 5.60% per annum with the issuer's option to raise the coupon rate after the end of the forth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 5 Bonds"), and the second type has a term of seven years and bears a coupon rate at 5.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 6 Bonds").

The aggregate principal amount for the Type 5 Bonds issued was RMB1,000,000,000 and the aggregate principal amount for the Type 6 Bonds issued was RMB5,500,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 7 April 2016 and 26 April 2016.

13. Interest-bearing Bank and Other Borrowings (Continued)

Notes: (Continued)

(b) (iv) On 21 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,000,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.85% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors can exercise retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 21 July 2016.

(b) (v) On 28 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,300,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.95% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investor can exercise retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 28 July 2016.

(b) (vi) On 30 September 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB8,000,000,000.

The domestic corporate bonds consist of three types, of which the first type has a term of seven years and bears a coupon rate at 5.6% per annum with the issuer's option to adjust the coupon rate after the end of the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 7 Bonds"), and the second type has a term of seven years and bears a coupon rate at 5.7% per annum with the issuer's option to adjust the coupon rate after the end of the fourth and a half year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 8 Bonds"), and the third type has a term of seven years and bears a coupon rate at 5.8% per annum with the issuer's option to adjust the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 9 Bonds").

The aggregate principal amount for Type 7 Bonds issued was RMB2,500,000,000; the aggregate amount for Type 8 Bonds issued was RMB2,500,000,000 and the aggregate amount for Type 9 Bonds issued was RMB3,000,000,000.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 30 September 2016.

(c) The bank loans carry interests at prevailing market rates ranging from 3.96% to 5.64% per annum for the six months ended 30 June 2017 (year ended 31 December 2016: 4.51% to 5.64% per annum).

14. Share Capital

	As at			
	30 June 2017		31 December 2016	
	No. of shares (Unaudited)	**RMB'000 (Unaudited)**	No. of shares (Audited)	RMB'000 (Audited)
Authorised:				
Ordinary shares of HK$0.10 each	**8,000,000,000**	**786,113**	8,000,000,000	786,113
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**3,053,801,748**	**293,590**	3,053,801,748	293,590

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue (Unaudited)	**Issued capital RMB'000 (Unaudited)**	**Share premium account RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
At 31 December 2016 and 1 January 2017	**3,053,801,748**	**293,590**	**6,396,885**	**6,690,475**
Final dividend declared during the period	**—**	**—**	**(1,557,439)**	**(1,557,439)**
At 30 June 2017	**3,053,801,748**	**293,590**	**4,839,446**	**5,133,036**

	Number of shares in issue (Unaudited)	Issued capital RMB'000 (Unaudited)	Share premium account RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2016	2,996,482,528	288,663	7,055,349	7,344,012
Final dividend declared during the period	—	—	(868,980)	(868,980)
At 30 June 2016	2,996,482,528	288,663	6,186,369	6,475,032

15. Acquisition of Subsidiaries

On 24 January 2017, the Group acquired a 60% equity interest in Hubei Jinkaida Zhiye Co., Limited ("Hubei Jinkaida")# from a third party. Hubei Jinkaida is principally engaged in property development. The purchase consideration for the acquisition was RMB30,000,000, which was fully paid on the acquisition date.

The fair values of the identifiable assets and liabilities of Hubei Jinkaida as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Properties under development	47,941
Cash and cash equivalents	40,000
Other payables and accruals	(37,941)
Total identifiable net assets at fair value	50,000
Non-controlling interests	(20,000)
Satisfied by cash	30,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(30,000)
Cash and cash equivalents acquired	40,000
Net inflow of cash and cash equivalents included in cash flows from investing activities	10,000

Since the acquisition, Hubei Jinkaida did not contribute revenue and contributed loss of approximately RMB759,000 to the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2017.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the six months ended 30 June 2017 would have been approximately RMB7,856,615,000 and RMB1,554,466,000, respectively.

The English name of this company referred to in this unaudited condensed consolidated interim financial information represents management's best effort to translate the Chinese name of that company, as no English name has been registered.

15. Acquisition of Subsidiaries (Continued)

On 30 April 2016, the Group acquired a 55% equity interest in Chengdu Fangyuan Hengyue Real Estate Co., Limited ("Chengdu Fangyuan") from a third party. Chengdu Fangyuan is principally engaged in property development. The purchase consideration for the acquisition was approximately RMB12,222,000, which was fully paid on the acquisition date.

The fair values of the identifiable assets and liabilities of Chengdu Fangyuan as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Properties under development	909,847
Cash and cash equivalents	55
Prepayments, deposits and other receivables	465,497
Trade payables	(2,193)
Other payables and accruals	(1,324,097)
Tax payables	(8)
Deferred tax liabilities	(24,135)
Total identifiable net assets at fair value	24,966
Non-controlling interests	(12,744)
Satisfied by cash	12,222

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(12,222)
Cash and bank balances acquired	55
Net outflow of cash and cash equivalents included in cash flows from investing activities	(12,167)

Since the acquisition, Chengdu Fangyuan did not contribute revenue and contributed loss of RMB676,000 to the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2016.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the six months ended 30 June 2016 would have been approximately RMB5,448,233,000 and RMB1,419,218,000, respectively.

The English name of this company referred to in this unaudited condensed consolidated interim financial information represents management's best effort to translate the Chinese name of that company, as no English name has been registered.

16. Note to the Consolidated Statement of Cash Flow

Derecognition of subsidiaries

(i) During the six months ended 30 June 2017, the Group entered into a shareholder agreement with Shenzhen Junrui Hexin Investment Co., Limited ("Junrui Hexin")#, pursuant to which, the Group increased its investment by RMB359,000,000 and Junrui Hexin injected cash consideration of RMB441,000,000 to obtain 49% of fully diluted equity interest in Foshan Hongsheng Real Estate Development Limited ("Foshan Hongsheng")#, a wholly-owned subsidiary of the Company before the capital injection. Subsequent to the capital injection by Junrui Hexin, all significant resolutions of Foshan Hongsheng should be approved by the Group and Junrui Hexin unanimously, hence the Group no longer has unilateral control, but has joint control over Foshan Hongsheng, and accordingly, Foshan Hongsheng was derecognised as a subsidiary of the Company and is accounted for as a joint venture of the Group thereafter.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	RMB'000
Net assets derecognised:	
Property, plant and equipment	**154**
Deferred tax assets	**10,150**
Properties under development	**4,040,592**
Prepayments, deposits and other receivables	**2,090,014**
Cash and cash equivalents	**5,457**
Tax recoverables	**3,471**
Trade and bills payables	**(13)**
Other payables and accruals	**(3,407,486)**
Interest-bearing bank and other borrowings	**(2,600,000)**
Net assets value derecognised	**142,339**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Foshan Hongsheng is as follows:

	RMB'000
Cash consideration for additional investment in Foshan Hongsheng	**(359,000)**
Cash and cash equivalents derecognised	**(5,457)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Foshan Hongsheng	**(364,457)**

The English name of this company referred to in this unaudited condensed consolidated interim financial information represents management's best effort to translate the Chinese name of that company, as no English name has been registered.

16. Note to the Consolidated Statement of Cash Flow (Continued)

Derecognition of subsidiaries (Continued)

(ii) During the six months ended 30 June 2017, the Group entered into a shareholder agreement with Guangdong Fangyuan Culture Development Co., Limited ("Guangdong Fangyuan")#. According to the agreement, all significant resolutions of Tianjin Hongsheng Property Development Limited ("Tianjin Hongsheng"#), a wholly-owned subsidiary of the Company before entering into the agreement, should be approved by the Group and Guangdong Fangyuan unanimously, hence the Group has no unilateral control, but has joint control over Tianjin Hongsheng, and accordingly, Tianjin Hongsheng is accounted for as a joint venture of the Group thereafter.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	RMB'000
Net assets derecognised:	
Property, plant and equipment	187
Deferred tax assets	6,796
Properties under development	6,447,982
Prepayments, deposits and other receivables	53,577
Cash and cash equivalents	15,078
Tax recoverables	3,844
Trade and bills payables	(1)
Other payables and accruals	(3,374,540)
Interest-bearing bank and other borrowings	(3,100,000)
Net assets value derecognised	52,923

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Tianjin Hongsheng is as follows:

	RMB'000
Cash and cash equivalents derecognised	(15,078)
Net cash outflow of cash and cash equivalents in respect of the derecognition of Tianjin Hongsheng	(15,078)

The English name of this company referred to in this unaudited condensed consolidated interim financial information represents management's best effort to translate the Chinese name of that company, as no English name has been registered.

16. Note to the Consolidated Statement of Cash Flow (Continued)

Derecognition of subsidiaries (Continued)

(iii) During the six months ended 30 June 2017, the Group entered into a shareholder agreement with Guangzhou City Tianrun Industrial Investment Co., Limited ("Guangzhou Tianrun")#. According to the agreement, all significant resolutions of Shanghai Hongjing Real Estate Development Limited ("Shanghai Hongjing"#), a wholly-owned subsidiary of the Company before entering into the agreement, should be approved by the Group and Guangzhou Tianrun unanimously, hence the Group has no unilateral control, but has joint control over Shanghai Hongjing, and accordingly, Shanghai Hongjing is accounted for as a joint venture of the Group thereafter.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	RMB'000
Net assets derecognised:	
Property, plant and equipment	8
Deferred tax assets	9,382
Properties under development	5,500,477
Prepayments, deposits and other receivables	86,895
Cash and cash equivalents	2,109
Tax recoverables	339
Trade and bills payables	(4)
Other payables and accruals	(2,207,845)
Interest-bearing bank and other borrowings	(3,300,000)
Net assets value derecognised	91,361

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Shanghai Hongjing is as follows:

	RMB'000
Cash and cash equivalents derecognised	(2,109)
Net cash outflow of cash and cash equivalents in respect of the derecognition of Shanghai Hongjing	(2,109)

\# The English name of this company referred to in this unaudited condensed consolidated interim financial information represents management's best effort to translate the Chinese name of that company, as no English name has been registered.

16. Note to the Consolidated Statement of Cash Flow (Continued)

Derecognition of subsidiaries (Continued)

(iv) During the six months ended 30 June 2017, the Group entered into a share transfer agreement with China Minsheng Trust Co., Limited ("Minsheng Trust")#, pursuant to which Minsheng Trust paid cash consideration of RMB24,500,000 to the Group to obtain 49% equity interest in Hefei Hongtao Real Estate Development Limited ("Hefei Hongtao")#, a wholly-owned subsidiary of the Company before the transaction above. Subsequent to the capital injection by Minsheng Trust, all significant resolutions of Hefei Hongtao should be approved by the Group and Minsheng Trust, hence the Group no longer has unilateral control, but has joint control over Hefei Hongtao, and accordingly, Hefei Hongtao was derecognised as a subsidiary of the Company and is accounted for as a joint venture of the Group thereafter.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	RMB'000
Net assets derecognised:	
Property, plant and equipment	197
Properties under development	1,251,808
Prepayments, deposits and other receivables	297
Cash and cash equivalents	518
Other payables and accruals	(1,204,745)
Tax payables	(8)
Net assets value derecognised	48,067

An analysis of the net cash inflow of cash and cash equivalents in respect of the derecognition of Hefei Hongtao is as follows:

	RMB'000
Cash consideration of transferred 49% equity interest	24,500
Cash and cash equivalents derecognised	(518)
Net cash inflow of cash and cash equivalents in respect of the derecognition of Hefei Hongtao	23,982

The English name of this company referred to in this unaudited condensed consolidated interim financial information represents management's best effort to translate the Chinese name of that company, as no English name has been registered.

16. Note to the Consolidated Statement of Cash Flow (Continued)

Derecognition of subsidiaries (Continued)

(v) During the six months ended 30 June 2017, the Group entered into a share transfer agreement with Minsheng Trust, pursuant to which Minsheng Trust paid cash consideration of RMB24,500,000 to the Group to obtain 49% of fully diluted equity interest in Hefei Mingyu Real Estate Development Limited ("Hefei Mingyu")#, a wholly-owned subsidiary of the Company before the transaction above. Subsequent to the capital injection by Minsheng Trust, all significant resolutions of Hefei Mingyu should be approved by the Group and Minsheng Trust, hence the Group no longer has unilateral control, but has joint control over Hefei Mingyu, and accordingly, Hefei Mingyu was derecognised as a subsidiary of the Company and is accounted for as a joint venture of the Group thereafter.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	RMB'000
Net assets derecognised:	
Properties under development	**2,081,120**
Cash and cash equivalents	**66**
Other payables and accruals	**(2,032,155)**
Net assets value derecognised	**49,031**

An analysis of the net cash inflow of cash and cash equivalents in respect of the derecognition of Hefei Mingyu is as follows:

	RMB'000
Cash consideration of transferred 49% equity interest	**24,500**
Cash and cash equivalents derecognised	**(66)**
Net cash inflow of cash and cash equivalents in respect of the derecognition of Hefei Mingyu	**24,434**

The English name of this company referred to in this unaudited condensed consolidated interim financial information represents management's best effort to translate the Chinese name of that company, as no English name has been registered.

17. Disposal of a Subsidiary

During the six months ended 30 June 2016, the Group entered into the share transfer agreements for the disposal of its entire equity interests in a wholly-owned subsidiary for total considerations of RMB44,744,000.

Details of the net assets disposed of as at the date of disposal under the share transfer agreements and the financial impacts are summarised below:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	558
Deferred tax assets	505
Prepayments, deposits and other receivables	2
Cash and cash equivalents	311
Properties under development	270,414
Other payables and accruals	(236,784)
	35,006
Gain on disposal of a subsidiary	9,738
	44,744
Satisfied by Cash	44,744

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	44,744
Cash and cash equivalents disposed of	(311)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	44,433

18. Contingent Liabilities

(i) As at 30 June 2017, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties amounting to approximately RMB5,812,857,000 (31 December 2016: approximately RMB7,329,970,000). Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principal together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled, but not limited to take over the legal titles 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 considered that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements as at 30 June 2017 and 31 December 2016 for the guarantees.

(ii) As at 30 June 2017, the Group had provided guarantees in respect of certain bank loans of approximately RMB12,161,012,000 (31 December 2016: approximately RMB5,069,583,000) for its joint ventures.

19. Commitments

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**314,662**	334,551
Properties being developed by the Group for sale	**2,579,841**	2,500,451
Investment properties	**374,898**	421,548
	3,269,401	3,256,550

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Contracted, but not provided for	**4,015,347**	2,054,222

20. Related Party Transactions

(i) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**18,233**	20,695
Post-employment benefits	**308**	346
Total compensation paid to key management personnel	**18,541**	21,041

(ii) Outstanding balances with related parties:

	As at	
	30 June	31 December
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Included in interests in joint ventures:		
Advances to joint ventures	**15,411,598**	3,114,656
Included in current assets:		
Due from a joint venture	**30,052**	30,059
Included in current liabilities:		
Due to joint ventures	**23,189,310**	21,530,757

Except for certain advances to joint ventures with an aggregate amount of RMB7,016,846,000 (31 December 2016: RMB1,020,720,000), which are interest-bearing at rates ranging from 2.5% to 10% (31 December 2016: 10%) per annum, the advances to joint ventures as shown above are unsecured, interest-free and not repayable within 12 months. In the opinion of the directors, these advances to joint ventures are considered as part of the Group's net investments in the joint ventures.

As at 30 June 2017 and 31 December 2016, the balances with the joint ventures included in the Group's current assets and current liabilities are unsecured, interest-free and have no fixed term of repayment.

(iii) Other transactions with related parties:

Details of guarantees given by the Group to banks in connection with bank loans granted to its joint ventures are included in notes 18(ii) to the unaudited condensed consolidated interim financial information.

21. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts As at 30 June 2017 RMB'000 (Unaudited)	**Fair values As at 30 June 2017 RMB'000 (Unaudited)**	Carrying amounts As at 31 December 2016 RMB'000 (Audited)	Fair values As at 31 December 2016 RMB'000 (Audited)
Financial liabilities				
Interest-bearing bank and other borrowings	**46,838,174**	**47,176,934**	42,949,970	43,617,050

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amount due from a joint venture and amounts due to joint ventures approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2017 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 30 June 2017 and 31 December 2016.

During the six months ended 30 June 2017 and the year ended 31 December 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

21. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Liabilities for which fair values are disclosed:

As at 30 June 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	**Significant observable inputs (Level 2) RMB'000 (Unaudited)**	**Significant unobservable inputs (Level 3) RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Interest-bearing bank and other borrowings	**—**	**47,176,934**	**—**	**47,176,934**

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Interest-bearing bank and other borrowings	—	43,617,050	—	43,617,050

22. Approval of the Unaudited Condensed Consolidated Interim Financial Information

The unaudited condensed consolidated interim financial information was approved and authorised for issue by the Board on 28 August 2017.