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合景泰富集團
KWG GROUP HOLDINGS

KWG GROUP HOLDINGS LIMITED
合景泰富集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1813)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS

- Proportionate revenue for the six months ended 30 June 2018 amounted to RMB10,144.7 million, an increase of 8.5% as compared with the corresponding period in 2017.
- Profit attributable to owners of the Company for the period amounted to RMB2,171.4 million, representing a significant increase of 39.5% as compared with the corresponding period in 2017.
- Core profit of the Company for the period amounted to RMB1,961.4 million, representing a significant increase of 36.2% as compared with the corresponding period in 2017.
- Proportionate gross profit margin and net profit margin for the period were 33.8% and 21.3%, respectively.
- Basic earnings per share attributable to owners of the Company for the period amounted to RMB68.8 cents, compared with RMB51.0 cents for the corresponding period in 2017.
- Interim dividend of RMB25 cents per share.

INTERIM RESULTS

The board of directors (the "Board") of KWG Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 together with audited comparative figures as at 31 December 2017. The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	4	**3,463,738**	7,856,615
Cost of sales		**(2,385,854)**	(5,029,334)
Gross profit		**1,077,884**	2,827,281
Other income and gains, net	4	**1,673,900**	192,615
Selling and marketing expenses		**(208,110)**	(226,492)
Administrative expenses		**(546,104)**	(452,231)
Other operating expenses, net		**(1,381)**	(70,847)
Fair value gains on investment properties, net		**1,185,987**	64,705
Finance costs	5	**(641,782)**	(141,707)
Share of profits and losses of associates		**(2,443)**	—
Share of profits and losses of joint ventures		**387,933**	431,879
PROFIT BEFORE TAX	6	**2,925,884**	2,625,203
Income tax expenses	7	**(761,666)**	(1,070,737)
PROFIT FOR THE PERIOD		**2,164,218**	1,554,466
Attributable to:			
Owners of the Company		**2,171,439**	1,556,737
Non-controlling interests		**(7,221)**	(2,271)
		2,164,218	1,554,466
Earnings per share attributable to owners of the Company			
– Basic	9	**RMB68.8 cents**	RMB51.0 cents
– Diluted	9	**RMB68.8 cents**	RMB51.0 cents

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**2,164,218**	1,554,466
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**(175,954)**	513,803
Share of exchange differences on translation of joint ventures	**(36,130)**	114,927
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(212,084)**	628,730
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**(34,271)**	73,660
Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods	**(34,271)**	73,660
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(246,355)**	702,390
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,917,863**	2,256,856
Attributable to:		
Owners of the Company	**1,925,084**	2,259,127
Non-controlling interests	**(7,221)**	(2,271)
	1,917,863	2,256,856

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,375,836**	4,173,873
Investment properties		**14,538,000**	13,718,600
Land use rights		**1,063,768**	1,071,688
Interests in associates		**1,322,089**	740,629
Interests in joint ventures		**33,451,711**	32,091,230
Deferred tax assets		**1,526,956**	1,410,904
Total non-current assets		**56,278,360**	53,206,924
CURRENT ASSETS			
Properties under development		**44,174,926**	30,908,445
Completed properties held for sale		**6,750,545**	6,540,415
Trade receivables	10	**748,799**	535,665
Prepayments, deposits and other receivables		**6,349,490**	2,963,398
Due from a joint venture		**30,058**	30,065
Tax recoverables		**464,664**	292,805
Restricted cash		**3,655,386**	1,268,364
Cash and cash equivalents		**37,915,611**	39,198,957
Total current assets		**100,089,479**	81,738,114
CURRENT LIABILITIES			
Trade and bills payables	11	**2,839,498**	2,644,265
Other payables and accruals		**10,029,752**	8,455,136
Contract liabilities		**6,170,842**	—
Due to an associate		**136,199**	—
Due to joint ventures		**33,933,436**	27,929,009
Interest-bearing bank and other borrowings		**9,086,040**	3,740,551
Tax payables		**6,717,349**	6,638,355
Total current liabilities		**68,913,116**	49,407,316
NET CURRENT ASSETS		**31,176,363**	32,330,798
TOTAL ASSETS LESS CURRENT LIABILITIES		**87,454,723**	85,537,722

	As at	
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**55,808,731**	55,904,620
Deferred tax liabilities	**1,488,347**	1,385,367
Deferred revenue	**2,042**	2,042
Total non-current liabilities	**57,299,120**	57,292,029
NET ASSETS	**30,155,603**	28,245,693
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**302,355**	302,355
Reserves	**28,264,659**	27,304,929
	28,567,014	27,607,284
Non-controlling interests	**1,588,589**	638,409
TOTAL EQUITY	**30,155,603**	28,245,693

Notes:

1. CORPORATE INFORMATION

KWG Group Holdings Limited formerly known as KWG Property Holdings Limited, is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

- Property development
- Property investment
- Hotel operation
- 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 for issue on 27 August 2018.

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 "Stock Exchange") (the "Listing Rules").

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations).

3. NEWLY ADOPTED ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2017, except for the following new and revised HKFRSs issued by the HKICPA that have been adopted by the Group for the first time in 2018 for the current period's interim financial information:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements *2014–2016 Cycle*	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 15 and Amendments to HKFRS 15, the adoption of the above revised standards has had no significant financial effect on the interim financial information. The nature and the impact of the changes of HKFRS 15 and Amendments to HKFRS 15 are described below:

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at 1 January 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

Revenue recognition

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

(i) Accounting for revenue from sales of properties

During the period and in prior years, the Group accounted for sales of completed properties when the significant risks and rewards of ownership of the properties were transferred to the purchasers, which is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured. Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The adoption of HKFRS 15 has had no significant impact on the timing of revenue recognition.

(ii) Accounting for significant financing component for sales of properties

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as receipts in advance under "Other Payables and Accruals" in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. In addition, reclassifications have been made from other payables and accruals to contract liabilities for the outstanding balance of sales proceeds from customers. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018. Receipts in advance of approximately RMB1,619,527,000 that were previously classified under other payables and accruals had been reclassified to contract liabilities as at 1 January 2018.

(iii) Accounting for sales commission

Upon adoption of HKFRS 15, sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract assets. Capitalised sales commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling and marketing expenses at that time. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018.

(iv) Presentation and disclosure requirements

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The disclosure on disaggregated revenue is set out in note 4 to the condensed interim financial statements.

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

Revenue, which is also the Group's turnover, represents the gross proceeds, from the sale of properties, gross rental income received and receivable from investment properties, 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Sale of properties	**2,853,411**	7,333,972
Gross rental income	**134,747**	128,709
Hotel operation income	**222,704**	198,295
Property management fee income	**252,876**	195,639
	3,463,738	7,856,615
Other income and gains, net:		
Interest income	**275,874**	135,884
Management fee income	**68,353**	27,826
Foreign exchange differences, net	**114,082**	—
Gain on disposal of a subsidiary	**1,167,368**	—
Others	**48,223**	28,905
	1,673,900	192,615

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 contracts with customers is derived solely from its operations in the Mainland China.

Set out below is the disaggregation of the Group's revenue from contracts with customers for the six months ended 30 June 2018:

	Property development *(Note)* ***RMB'000*** **(Unaudited)**	**Hotel operation** ***RMB'000*** **(Unaudited)**	**Property management** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Type of revenue recognition:				
Sales of properties to contract customers	**2,853,411**	**—**	**—**	**2,853,411**
Provision of services to contract customers	**—**	**222,704**	**252,876**	**475,580**
Total revenue from contracts with customers	**2,853,411**	**222,704**	**252,876**	**3,328,991**
Timing of revenue recognition:				
Properties recognised at a point in time	**2,853,411**	**—**	**—**	**2,853,411**
Services recognised over time	**—**	**222,704**	**252,876**	**475,580**
Total revenue from contracts with customers	**2,853,411**	**222,704**	**252,876**	**3,328,991**

The segment results for the six months ended 30 June 2018 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	**2,853,411**	**134,747**	**222,704**	**252,876**	**3,463,738**
Segment results	**980,151**	**1,304,643**	**91,652**	**22,853**	**2,399,299**
Reconciliation:					
Interest income and unallocated income					**1,673,900**
Unallocated expenses					**(505,533)**
Finance costs					**(641,782)**
Profit before tax					**2,925,884**
Income tax expenses					**(761,666)**
Profit for the period					**2,164,218**

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

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

5. FINANCE COSTS

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**2,103,210**	1,424,293
Net foreign exchange losses	**—**	335,571
Less: Interest capitalised	**(1,461,428)**	(1,618,157)
	641,782	141,707

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**2,093,758**	4,803,725
Less: Government grant released	**(19)**	(18)
	2,093,739	4,803,707
Depreciation	**68,540**	70,917
Amortisation of land use rights	**15,924**	14,074
Less: Amount capitalised in assets under construction	**(11,626)**	(11,335)
	4,298	2,739
Premium paid on early redemption of senior notes*	**—**	70,516
Gain on disposal of items of property, plant and equipment	**(146)**	(424)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**468,377**	306,083
Share based compensation expenses	**12,044**	—
Pension scheme contributions	**43,076**	32,251
	523,497	338,334
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	**(122,306)**	(44,320)
	401,191	294,014

* This item is 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	
	2018	2017
	RMB’000	*RMB’000*
	(Unaudited)	(Unaudited)
Current − in the People's Republic of China (“PRC”)		
Corporate income tax (“CIT”)	**492,493**	695,336
Land appreciation tax (“LAT”)	**158,202**	687,957
	650,695	1,383,293
Deferred	**110,971**	(312,556)
Total tax charge for the period	**761,666**	1,070,737

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 2018 and 2017.

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 2018 and 2017, 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	
	2018	2017
	RMB’000	*RMB’000*
	(Unaudited)	(Unaudited)
Interim dividend of RMB25 cents (2017: RMB10 cents) per ordinary share	**788,789**	305,380

Subsequent to the end of the reporting period, the Board declared the payment of an interim dividend of RMB788,789,000 (six months ended 30 June 2017: RMB305,380,000) representing RMB25 cents per share, based on the number of shares in issue as at 30 June 2018, in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: RMB10 cents). The interim dividend for the period shall be made out of the share premium 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 2018 is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 3,155,155,055 (2017: 3,053,801,748) in issue during the period.

For the six months ended 30 June 2018, 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 3,155,155,055 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 1,951,462.

Diluted earnings per share amount for the period ended 30 June 2017 is the same as the basic 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company	**2,171,439**	1,556,737

	Number of shares Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**3,155,155,055**	3,053,801,748
Effect of dilution — share options	**16,815**	—
Effect of dilution — awarded shares	**1,934,647**	—
Weighted average number of ordinary shares used in diluted earnings per share calculation	**3,157,106,517**	3,053,801,748

10. TRADE RECEIVABLES

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

	As at	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**649,884**	246,623
4 to 6 months	**37,401**	24,431
7 to 12 months	**34,927**	247,070
Over 1 year	**26,587**	17,541
	748,799	535,665

11. TRADE AND BILLS PAYABLES

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

	As at	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**2,839,498**	2,644,265

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

12. SUBSEQUENT EVENTS

On 31 July 2018, the Company issued 7.875% senior notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,385,775,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific period prior to the maturity date of 9 August 2020. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 February 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 31 July 2018, 1 August 2018 and 9 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB3,463.7 million in the first half of 2018, representing a significant decrease of 55.9% from approximately RMB7,856.6 million for the corresponding period in 2017.

The revenue generated from property development, property investment, hotel operation and property management were approximately RMB2,853.4 million, RMB134.7 million, RMB222.7 million and RMB252.9 million, respectively, during the six months ended 30 June 2018.

Proportionate revenue amounted to approximately RMB10,144.7 million in the first half of 2018, representing an increase of 8.5% from approximately RMB9,353.3 million for the corresponding period in 2017. During the six months ended 30 June 2018, the Group disposed 100% equity interest of a subsidiary, a project company of the Star I, at total consideration of approximately RMB3,046.3 million. Such transaction was an ordinary course of business and was considered as sales of properties in substance by the management. Therefore the calculation of proportionate revenue and cost of sales had been taken into account the effect of this transaction. The net gain of disposal of a subsidiary was included in "Other income and gain, net" in the unaudited condensed consolidated statement of profit or loss.

Property development

Revenue generated from property development significantly decreased by 61.1% to approximately RMB2,853.4 million for the six months ended 30 June 2018 from approximately RMB7,334.0 million for the corresponding period in 2017, primarily due to a decrease in the total gross floor area ("GFA") delivered to 256,419 sq.m. in the first half of 2018 from 449,762 sq.m. for the corresponding period in 2017. The decrease in revenue was also attributable to a decrease in the recognised average selling price ("ASP") to RMB11,129 per sq.m. from RMB16,303 per sq.m. in the corresponding period in 2017. The decrease in recognised ASP was attributable to the change in delivery portfolio with different city mix and product mix as compared with that for the corresponding period in 2017, especially the higher proportion of offices delivery with relatively higher ASP during the six months ended 30 June 2017.

Proportionate revenue generated from property development increased by 8.0% to approximately RMB9,534.3 million for the six months ended 30 June 2018 from approximately RMB8,830.7 million for the corresponding period in 2017, primarily due to an increase in the proportionate total GFA delivered to 617,687 sq.m. in the first half of 2018 from 555,665 sq.m. for the corresponding period in 2017. The proportionate recognised ASP slightly decreased to RMB15,436 per sq.m. in the first half of 2018 from RMB15,892 per sq.m. in the corresponding period in 2017.

Property investment

Revenue generated from property investment increased by 4.7% to approximately RMB134.7 million for the six months ended 30 June 2018 from approximately RMB128.7 million for the corresponding period in 2017, primarily attributable to an increase in leased investment properties.

Hotel operation

Revenue generated from hotel operation increased by 12.3% to approximately RMB222.7 million for the six months ended 30 June 2018 from approximately RMB198.3 million for the corresponding period in 2017, primarily due to an increase in occupancy rate of the hotels.

Property management

Revenue generated from property management increased by 29.3% to approximately RMB252.9 million for the six months ended 30 June 2018 from approximately RMB195.6 million for the corresponding period in 2017, 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 decreased by 52.6% to approximately RMB2,385.9 million for the six months ended 30 June 2018 from approximately RMB5,029.3 million for the corresponding period in 2017, primarily due to the decrease of total GFA delivered in sales of properties.

Land cost per sq.m. significantly decreased from RMB4,023 for the corresponding period in 2017 to RMB2,078 for the six months ended 30 June 2018, due to the change in delivery portfolio with different city mix as compared with that for the corresponding period in 2017.

Construction cost per sq.m. increased from RMB4,548 for the corresponding period in 2017 to RMB4,854 for the six months ended 30 June 2018, primarily attributable to an increase in delivery of products with relatively higher construction costs.

Proportionate cost of sales increased by 9.4% to approximately RMB6,713.5 million for the six months ended 30 June 2018 from approximately RMB6,137.6 million for the corresponding period in 2017, primarily due to the increase of total proportionate GFA delivered in sales of properties.

Gross Profit

Gross profit of the Group significantly decreased by 61.9% to approximately RMB1,077.9 million for the six months ended 30 June 2018 from approximately RMB2,827.3 million for the corresponding period in 2017. The decrease of gross profit was principally due to the decrease in the total revenue and recognised ASP in the first half of 2018. The Group reported gross profit margin of 31.1% for the six months ended 30 June 2018 (2017: 36.0%).

Proportionate gross profit of the Group increased by 6.7% to approximately RMB3,431.1 million for the six months ended 30 June 2018 from approximately RMB3,215.7 million for the corresponding period in 2017. The increase of proportionate gross profit was principally due to the increase in the proportionate revenue in the first half of 2018. The Group reported proportionate gross profit margin of 33.8% for the six months ended 30 June 2018 (2017: 34.4%).

Other Income and Gains, Net

Other income and gains, significantly increased by 769.1% to approximately RMB1,673.9 million for the six months ended 30 June 2018 from approximately RMB192.6 million for the corresponding period in 2017, and mainly comprised gain on disposal of a subsidiary, interest income and management fee income related to our joint venture projects of approximately RMB1,167.4 million, RMB275.9 million and RMB68.4 million respectively.

Selling and Marketing Expenses

Selling and marketing expenses of the Group decreased by 8.1% to approximately RMB208.1 million for the six months ended 30 June 2018 from approximately RMB226.5 million for the corresponding period in 2017, mainly due to a decrease in sales commission, which was in line with the decrease in revenue generated from sales of properties during the period.

Administrative Expenses

Administrative expenses of the Group increased by 20.8% to approximately RMB546.1 million for the six months ended 30 June 2018 from approximately RMB452.2 million for the corresponding period in 2017, 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 RMB1.4 million for the six months ended 30 June 2018 (2017: approximately RMB70.8 million).

Fair Value Gains on Investment Properties, Net

The Group reported fair value gains on investment properties of approximately RMB1,186.0 million for the six months ended 30 June 2018 (2017: approximately RMB64.7 million), mainly related to various leasable commercial properties in various regions. The fair value gains attributable to those leasable commercial properties, including International Metropolis Plaza, The Star II and KWG Center II, were approximately RMB1,101.0 million in the first half of 2018.

Finance Costs

Finance costs of the Group being approximately RMB641.8 million for the six months ended 30 June 2018 (2017: approximately RMB141.7 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 decreased by 28.9% to approximately RMB761.7 million for the six months ended 30 June 2018 from approximately RMB1,070.7 million for the corresponding period in 2017, primarily due to a decrease in provision of LAT as a result of the decrease in the total GFA delivered from sales of properties in the first half of 2018.

Profit for the Period

The Group reported profit for the period of approximately RMB2,164.2 million for the six months ended 30 June 2018 (2017: approximately RMB1,554.5 million). For the six months ended 30 June 2018, proportionate net profit margin was 21.3% (2017: 16.6%).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2018, the carrying amounts of the Group's cash and bank balances were approximately RMB41,571.0 million (31 December 2017: approximately RMB40,467.3 million), representing an increase of 2.7% as compared to that as at 31 December 2017.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 30 June 2018, the carrying amount of the restricted cash was approximately RMB3,655.4 million (31 December 2017: approximately RMB1,268.4 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2018, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB21,835.9 million, RMB13,866.5 million and RMB29,192.4 million respectively. Amongst the bank and other loans, approximately RMB2,096.4 million will be repayable within 1 year, approximately RMB13,782.0 million will be repayable between 2 and 5 years and approximately RMB5,957.5 million will be repayable over 5 years. Amongst the senior notes, approximately RMB3,907.1 million will be repayable within 1 year, approximately RMB7,460.7 million will be repayable between 2 and 5 years and approximately RMB2,498.7 million will be repayable over 5 years. Amongst the domestic corporate bonds, approximately RMB3,082.5 million will be repayable within 1 year, approximately RMB26,109.9 million will be repayable between 2 and 5 years.

As at 30 June 2018, the Group's bank and other loans of approximately RMB20,705.9 million were secured by buildings, land use rights, investment properties, properties under development, completed properties held for sale and time deposits of the Group with total carrying value of approximately RMB26,523.8 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$4,030.5 million and US$256.8 million as at 30 June 2018 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 RMB466.0 million which were charged at fixed interest rates as at 30 June 2018. 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 2018.

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 2018, the gearing ratio was 77.3% (31 December 2017: 67.9%).

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 2018, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar decreased 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 2018, the Group had the contingent liabilities relating to guarantees given to banks in respect of mortgage facilities for certain purchasers amounting to approximately RMB5,862.3 million (31 December 2017: approximately RMB5,036.1 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 2018 and the financial statements as at 31 December 2017 for the guarantees.

(ii) As at 30 June 2018 and 31 December 2017, the Group had provided guarantees in respect of certain bank loans for its joint ventures.

Market Review

Following the implementation of stringent regulation in 2017, differentiated regulatory policies were introduced in some top-tier cities in the first half of 2018, resorting to measures such as price cap, sale restrictions and lot-drawing in order to curb short-term and speculative demands, while some top-tier cities lifted the restriction on getting "Hukou" registration for talents. In general, the property market as a whole was trending relatively stably. According to data released by the National Bureau of Statistics, for the first six months of 2018, nationwide investments in property development amounted to RMB5,553.1 billion, representing a year-on-year growth of 9.7%. The areas of land acquired by property developers amounted to 110.85 million sq.m., representing a year-on-year increase of 7.2%. Accrued land premium paid amounted to RMB526.5 billion, representing a year-on-year increase of 20.3%.

With the rigorous implementation of the price cap policy, property prices have been stabilised. For the first six months of 2018, sales volume and sales amount for commodity properties amounted to 771.43 million sq.m. and RMB6,694.5 billion respectively, representing a year-on-year increase of 3.3% and 13.2% as compared to the same period last year.

In 2018, property developers experienced further tightened liquidity both internally and externally, resulting in rising finance costs and a more challenging task in balancing cash flow. Meanwhile, a series of mergers and acquisitions have further increased the level of concentration within the industry, where large-scale developers were in a better position to replenish their liquidity resulting from larger market shares.

Business Review

During the reporting period, the Group's pre-sales amounted to RMB32.4 billion in aggregate, representing a year-on-year increase of 82%, with an ASP at approximately RMB17,089 per sq.m.. Analysed by contribution to pre-sales amount, amongst the 50 projects currently for sale, 28% were from Greater-Bay-Area, while 49% were from Yangtze-River-Delta Area.

During the reporting period, the Group launched 11 brand new projects, including Taizhou Linhai Project, Changshu Fragrant Seasons, Lishui Liu Xiang Mansion, Wuxi Xinwu Project and Suzhou The Moon Mansion etc. Amongst those, Taizhou, Changshu, Lishui and Wuxi were cities where we newly entered in 2017 and were performing very well.

Taizhou Linhai Project is located in a core area in Linhai New District. The project was near Linhai High Speed Rail Station, supported by well-developed commercial and residential facilities in addition to convenient transportation. Catering to the needs of the local market, the project features 98-137 sq.m. fitted residential units, which have been enthusiastically sought after by local buyers since their launch in January this year.

Sell-outs were recorded in all five marketing sessions as the project ranked top in Taizhou in residential property sales for the first six months of the year and established itself as an indisputable phenomenal property development.

Guangzhou Fortunes Season is located in Zhucun Block, Zengcheng District of Guangzhou near Zhucun Station of Metro Line 21, the first metro route of Guangzhou with fast-slow lanes scheduled for operation by the end of this year, where downtown Guangzhou is just 7 stops away. With the construction of Guangzhou Education City nearby, the area will benefit from comprehensive transport, educational and commercial facilities in the future. The first launch of the project in last October offering 75-129 sq.m. furnished units received enthusiastic market response with several follow-up launches. The project appealed to buyers on the back of its quality design, high usable ratio and expectations for strong value growth.

During the reporting period, the Group continued to further explore opportunities in Greater-Bay-Area and Yangtze-River-Delta Area and established its presence in areas surrounding tier-one cities. The Group purchased premium sites through tenders, auctions and listings in the public market, while also acquired land with favourable costs and payment terms by active participation in mergers and acquisitions. During the period, the Group successfully acquired projects in Huizhou, Beijing and Liuzhou etc with excellent potential for development.

During the reporting period, the Group acquired 15 premium land sites adding gross GFA of 2.92 million sq.m. at an average cost of RMB5,500 per sq.m.

As at 30 June 2018, the Group owned 110 projects in 31 cities across Mainland China and Hong Kong with an attributable land bank of approximately 15.26 million sq.m.

Following extensive execution of the staff co-investment program, currently approximately 19 brand new projects have been implemented under the scheme. The program has provided a significant boost to staff motivation and commitment and have accelerated project turnover pace. In addition, the implementation of the "合享家" — "Everyone is a salesperson" program has also encouraged stronger staff initiative to market products on the sales end.

Hotels, Shopping malls and Long-term Rental Apartments

(1) Hotels

As at 30 June 2018, the Group had seven hotels in operation, including international hotel brands run by world-class hotel management companies, namely: W Hotel Guangzhou, Conrad Guangzhou (a JV project) and Four Points by Sheraton Guangzhou, Dongpu, as well as The Mulian Hotels in operation in Pearl River New Town and Huadu in Guangzhou, Future Science City in Hangzhou and High-tech District in Chengdu owned and operated by the Group.

The Mulian Hotels, the Group's self-owned and operated brand, offer excellent accommodation experience to business travelers with their ideal locations in downtown areas or CBD and a modern style of design simplicity. In the future, more Mulian Hotels will be opened in Chengdu, Guangzhou, Suzhou, Shanghai and Beijing etc. In the meantime, the Group will investigate opportunities for cooperation with international hotel groups such as Marriott, Hyatt and Hilton etc, with a view to enhancing the brand profile of the Group's hotels by driving an international image, professionalism in management and standardisation in services.

(2) Shopping malls

The Group celebrated the grand opening of its branded U Fun Shopping Centers in Suzhou and Chengdu during the reporting period.

Suzhou U Fun is located within Suzhou Apex alongside the 4-star Courtyard by Marriott Hotel and a well-developed residential and apartment area with connecting access. It extends to High-tech District and Mudu New District with a through connection to Jinfeng Road Station of Metro Line 1. Designed to provide a warm, natural and leisurely feeling, the project is committed to providing consumers with an exquisite cultural experience through the introduction of brand names new to Suzhou or to Mainland China, such as "盒馬鮮生", "Grand寰亞洲立影城", and "Meland+星際傳奇", as it endeavours to fill the gap for premium retail offerings in the region as a new landmark in Suzhou West. Suzhou U Fun reported a lease rate of 95% and a commencement rate of 90%, whilst welcoming 140,000 people on its first day of opening in a lucrative debut.

Chengdu U Fun is situated in the core CBD zone of the Finance City at the interchange of the Finance City Station of Metro Line 1 and the Jiaozi Avenue Station of Metro Line 5. Designed as a premium, stylish one-stop family fun plaza, the project features a unique indoor pedestrian zone rich with cultural creativity, a massively spacious children's playground, a cosy rooftop garden, and numerous sunken plazas where delightful cuisines are served. Standing adjacent to the fashionable, international W Hotel while hosting the first pub street in city south, it is positioned as an elegant gathering spot with fashionable, friendly and joyful elements, offering consumers with shopping experiences in affordable luxury and modern goods. Chengdu U Fun reported a lease rate of 95% and a commencement rate of 90%, whilst taking the Chengdu shopping malls by storm as 170,000 people graced its premises on its first day of opening.

Another two shopping malls opened in previous years, namely Guangzhou IGC and Shanghai U Fun, ranked top 10 on the List of "Most Popular Shopping Mall" in Guangzhou and Shanghai respectively. Both reported lease rates of approximately 90% during the reporting period.

With the opening of Guangzhou IGC, Shanghai U Fun, Suzhou U Fun and Chengdu U Fun, KWG Group has enjoyed a lucrative debut in the first year of its operation of commercial properties. Looking ahead to the second half of the year, with the opening of Beijing M · Cube, Guangzhou The Summit U Fun, Guangzhou Nansha U Fun and Foshan Oriental Bund U Fun in the pipeline, the nationwide presence of KWG's commercial properties will come into shape.

(3) Long-term Rental Apartments

During the reporting period, the Group rolled out its business setup for long-term rental apartments. Starting in tier-one and tier-two cities, such as Shanghai, Hangzhou, Nanjing, Shenzhen, Guangzhou and Foshan, on a trial basis, we made vigorous efforts to develop the long-term rental apartment business at selected prime geographic locations with the support of high-caliber management teams through a combination of asset-light and asset-heavy approaches. It is expected that more than 20 projects to be ready for lease within the year. 2018 will mark the beginning of KWG Group's operation of long-term rental apartments.

To address the needs of different markets, the Group has launched three long-term rental apartment brands, namely "譽舍PRIMCASA", "昕舍RISCASA" and "陸舍NOVUSCASA", targeting high-end business elites, middle-end massive market and new talents, respectively, and has provided them with special customised services. By building premium brands for long-term rental apartments, we aim to establish ourselves as a benchmark for the industry and better serve the housing demands of different groups.

OUTLOOK

In the second half of 2018, the Central Government will continue to uphold the principle of "housing properties for accommodation, not speculative trading" and the primary tone of regulation over the property market will remain unchanged. The government will step up with measures to develop multi-agent supply, multi-channel support and a purchase-lease mechanism, in an effort to facilitate and improve the long-term mechanism for stable and healthy development of the real estate market.

Given current developments which see housing demand spilling over to tier-two and tier-three cities in the peripheral of tier-one cities, the Group will seize this opportunity and expedite construction of new projects in the second half of the year to launch suitable products in a timely manner. Approximately 20 brand new projects will be launched in the second half of 2018, such as Hangzhou Sky Villa, Taizhou The Cullinan, Nantong Serenity in Prosperity, Huizhou Life in Yueshan County and Jiangmen The Horizon etc. The Group is confident that the full-year sales target of RMB65.0 billion will be successfully achieved.

Abundant sellable resources, strategic positioning in Greater-Bay-Area and Yangtze-River-Delta Area, premium land reserves, suitable products with high quality and investment properties in the pipeline will combine to drive the rapid development of KWG Group in the future. Diversified business will be expected to nurture synergy effects with property development, and will develop a wholly-new business profile of the Group.

Overview of the Group's Property Development

As at 30 June 2018, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing, Foshan, Hefei, Wuhan, Xuzhou, Jiaxing, Taizhou, Jinan, Changshu, Lishui, Chongqing, Taicang, Wuxi, Zhaoqing, Zhongshan, Nantong, Liuzhou, Shenzhen, Huizhou, Jiangmen, Wenzhou 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	1,506	100
2	International Metropolitan Plaza (formerly known as Global Metropolitan Plaza)	Guangzhou	Office / commercial	40	50
3	Tian Hui Plaza (including The Riviera and Top Plaza)	Guangzhou	Serviced apartment / office / commercial / hotel	51	33.3
4	The Star II	Guangzhou	Serviced apartment / office / commercial	84	100
5	Top of World	Guangzhou	Villa / serviced apartment / office / commercial / hotel	414	100
6	The Eden	Guangzhou	Residential / commercial	6	50
7	Zengcheng Gua Lv Lake	Guangzhou	Villa / hotel	43	100
8	Essence of City	Guangzhou	Residential / villa / commercial	187	100
9	International Commerce Place	Guangzhou	Office / commercial	50	50
10	CFC (including Mayfair and International Finance East)	Guangzhou	Serviced apartment / office / commercial	101	33.3
11	The Horizon	Guangzhou	Residential / villa / office / commercial / hotel	109	50
12	Fortunes Season	Guangzhou	Residential / villa / commercial	267	50

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
13	Nansha River Paradise (formerly known as Nansha Shuilian)	Guangzhou	Residential / commercial	63	40
14	Guangzhou Tianhe Project	Guangzhou	Residential	16	40
15	Guangzhou Nangang Project	Guangzhou	Serviced apartment / commercial	182	70
16	IFP	Guangzhou	Office / commercial	61	100
17	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
18	The Mulian Huadu	Guangzhou	Hotel	25	100
19	W Hotel / W Serviced Apartments	Guangzhou	Hotel / serviced apartment	80	100
20	The Mulian Guangzhou	Guangzhou	Hotel	8	100
21	The Sapphire	Suzhou	Residential / serviced apartment / office / commercial / hotel	52	100
22	Suzhou Apex	Suzhou	Residential / serviced apartment / commercial / hotel	103	90
23	Suzhou Emerald	Suzhou	Residential / commercial	5	100
24	Leader Plaza	Suzhou	Serviced apartment / office / commercial	41	100
25	Wan Hui Plaza	Suzhou	Serviced apartment / office / commercial / hotel	39	100
26	Suzhou Jade Garden	Suzhou	Residential / commercial	5	100
27	Enjoy The Exquisite Life (formerly known as Suzhou Wujiang Project)	Suzhou	Residential	79	100
28	Suzhou Beiqiao Project	Suzhou	Residential / commercial	46	20
29	Suzhou Pingwang Project	Suzhou	Residential	29	50
30	The Moon Mansion (formerly known as Suzhou Wuzhong Project)	Suzhou	Residential / villa	58	100
31	The Vision of the World	Chengdu	Residential / serviced apartment / commercial	55	100
32	Chengdu Cosmos	Chengdu	Residential / serviced apartment / office / commercial / hotel	329	100
33	Chengdu Sky Ville	Chengdu	Residential / serviced apartment / office / commercial	242	50
34	Yunshang Retreat	Chengdu	Residential / villa / commercial / hotel	611	55

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
35	Fragrant Seasons	Beijing	Residential / villa / serviced apartment / commercial	17	100
36	La Villa	Beijing	Residential / villa / commercial	10	50
37	Beijing Apex	Beijing	Residential / villa / serviced apartment / commercial	28	50
38	M • Cube	Beijing	Commercial	16	100
39	Summer Terrace	Beijing	Residential / commercial	19	100
40	KWG Center I	Beijing	Serviced apartment / office / commercial	128	100
41	KWG Center II	Beijing	Serviced apartment / office / commercial	125	100
42	Rose and Ginkgo Mansion	Beijing	Villa	27	33
43	The Core of Center	Beijing	Residential / villa / office / commercial / hotel	202	100
44	Pearl Coast	Hainan	Residential / villa / hotel	170	100
45	Villa Como	Hainan	Residential / villa / commercial / hotel	363	100
46	Hainan Lingao Project	Hainan	Residential	168	100
47	International Metropolis Plaza	Shanghai	Office / commercial	45	100
48	The Core of Center	Shanghai	Residential / serviced apartment / office / commercial	30	50
49	Shanghai Apex	Shanghai	Residential / serviced apartment / commercial / hotel	38	100
50	Shanghai Sapphire	Shanghai	Serviced apartment / commercial / hotel	52	100
51	Amazing Bay	Shanghai	Residential / serviced apartment / office / commercial / hotel	56	50
52	Vision of World	Shanghai	Residential / serviced apartment / commercial / hotel	127	100
53	Glory Palace	Shanghai	Residential	121	100
54	Jinnan New Town	Tianjin	Residential / villa / serviced apartment / commercial	501	25
55	Tianjin The Cosmos	Tianjin	Residential / villa / commercial	262	100
56	Tianjin Jinghai Project	Tianjin	Residential	115	49

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
57	The Core of Center	Nanning	Residential / villa / serviced apartment / office / commercial	380	87
58	International Finance Place	Nanning	Office / commercial	51	87
59	Top of World	Nanning	Residential / villa / commercial	348	87
60	Fragrant Season	Nanning	Residential / villa / commercial	316	100
61	The Mulian Hangzhou	Hangzhou	Commercial / hotel	18	100
62	The Moon Mansion	Hangzhou	Residential / villa	51	51
63	Sky Villa (formerly known as Sky Villa Mansion)	Hangzhou	Residential / villa	56	100
64	Majestic Mansion	Hangzhou	Residential / villa	50	100
65	Puli Oriental	Hangzhou	Residential / commercial	70	50
66	Hangzhou Linping Project	Hangzhou	Serviced apartment / commercial	15	60
67	Shine City	Nanjing	Residential / office / commercial	19	50
68	Oriental Bund	Foshan	Residential / villa / serviced apartment / office / commercial	1,181	50
69	The Riviera	Foshan	Residential / commercial	155	51
70	Riverine Capital	Foshan	Residential / serviced apartment / commercial	89	33.3
71	Foshan Apex	Foshan	Residential / serviced apartment / commercial	21	50
72	City Moon I	Hefei	Residential / commercial	71	51
73	City Moon II	Hefei	Residential / commercial	42	51
74	The One	Hefei	Residential / commercial	165	100
75	Park Mansion (formerly known as Hefei Lujiang Project II)	Hefei	Residential	51	50
76	Joyful Season	Wuhan	Residential / villa / commercial	138	60
77	The Buttonwood Season I (formerly known as Wuhan Wutong Lake Project I)	Wuhan	Residential / villa / commercial	92	100
78	The Buttonwood Season II (formerly known as Wuhan Wutong Lake Project II)	Wuhan	Residential / villa / commercial	142	100
79	Exquisite Bay	Xuzhou	Residential / commercial	153	50

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
80	Fragrant Season	Xuzhou	Residential / serviced apartment / commercial	48	50
81	Xuzhou Tongshan Project I	Xuzhou	Residential	24	33
82	Xuzhou Tongshan Project II	Xuzhou	Residential / commercial	34	33
83	Majestic Mansion (formerly known as Jiaxing Haiyan Project)	Jiaxing	Residential / commercial	105	100
84	Star City (formerly known as Jiaxing Jiashan Project)	Jiaxing	Residential	29	25
85	Linhai Project I	Taizhou	Residential	93	100
86	The Cullinan (formerly known as Linhai Project II)	Taizhou	Residential / commercial	101	100
87	Jinan Zhangqiu Project	Jinan	Residential	151	49
88	Fragrant Season (formerly known as Changshu Dongbang Project)	Changshu	Residential	36	40
89	Changshu Qinhu Project (formerly known as Changshu Yushan Project)	Changshu	Residential	17	25
90	Liu Xiang Mansion	Lishui	Residential / commercial	76	49
91	The Riviera Chongqing	Chongqing	Residential / commercial	47	100
92	The Cosmos Chongqing	Chongqing	Residential / office / commercial / hotel	391	100
93	Jiangsu Taicang Project	Taicang	Residential	118	100
94	Wuxi Xinwu Project	Wuxi	Residential / commercial	23	20
95	Wuxi Huishan Project	Wuxi	Residential / villa / commercial	92	49
96	Vision of World (formerly known as Zhaoqing Dawang Project)	Zhaoqing	Residential / commercial	193	100
97	Zhaoqing Duanzhou Project	Zhaoqing	Residential / commercial	62	33
98	The Moon Mansion (formerly known as Zhongshan Xiqu Project)	Zhongshan	Residential / commercial	142	100
99	Serenity in Prosperity (formerly known as Nantong Tongzhou Project)	Nantong	Residential / villa / commercial	94	46
100	Oriental Beauty	Nantong	Residential	113	70
101	The Moon Mansion	Liuzhou	Residential / villa / commercial	167	100
102	Fortunes Season	Liuzhou	Residential / commercial / hotel	1,126	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (*'000 sq.m.*)	Interest Attributable to the Group (*%*)
103	Shenzhen Bantian Project	Shenzhen	Serviced apartment / office / commercial	119	100
104	Life in Yueshan County	Huizhou	Residential / commercial	225	60
105	The Horizon	Jiangmen	Residential	38	100
106	Joyful Noble Residential Area	Wenzhou	Residential / commercial	113	100
107	Hong Kong Ap Lei Chau Project	Hong Kong	Residential / villa	35	50
108	Hong Kong Kai Tak Project	Hong Kong	Residential	27	50

Employees and Emolument Policies

As at 30 June 2018, the Group employed a total of approximately 7,500 employees. The total staff costs incurred were approximately RMB523.5 million during the six months ended 30 June 2018. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

The Company adopted the share award scheme on 19 January 2018 (the "Share Award Scheme") and the share option scheme on 9 February 2018 (the "Share Option Scheme"). During the period from the date of adoption to 30 June 2018, a total of 4,393,500 awarded shares were granted by the Company pursuant to the Share Award Scheme on 19 January 2018 to certain employees and directors of the Group, out of which 112,500 awarded shares lapsed. Save as disclosed above, no share awards were cancelled or lapsed as at the date of approval of this results announcement.

During the period from the date of adoption to 30 June 2018, a total of 3,438,000 share options were granted by the Company to certain employees of the Group on 9 February 2016 and 13 February 2018, out of which 1,719,000 share options were cancelled by the Company and 75,000 share options lapsed. Save as disclosed above, no share options were exercised, cancelled or lapsed as at the date of approval of this results announcement. The total outstanding share options as at 30 June 2018 is 1,644,000.

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

INTERIM DIVIDEND

To appreciate the long-term support of shareholders of the Company (the "Shareholders"), the Board resolved to declare an interim dividend of RMB25 cents per share (the "Interim Dividend") for the six months ended 30 June 2018. The Interim Dividend shall be declared in RMB and payable in cash in Hong Kong dollars and expected to be paid on or around 16 January 2019 to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on 21 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 17 September 2018 to 21 September 2018 (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 14 September 2018.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

As at 30 June 2018, 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 Binhai. 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.

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the Company confirmed that they have complied with the required standards set out in the Model Code during the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company at www.kwgproperty.com and the Stock Exchange at www.hkexnews.hk. An interim report for the six months ended 30 June 2018 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 27 August 2018

As at the date of this announcement, the Board comprises eight directors, of which Mr. Kong Jianmin (Chairman), Mr. Kong Jiantao, Mr. Kong Jiannan, Mr. Li Jianming and Mr. Tsui Kam Tim are executive directors; and Mr. Lee Ka Sze, Carmelo JP, Mr. Tam Chun Fai and Mr. Li Binhai are independent non-executive directors.