合景泰富集團
KWG GROUP HOLDINGS

KWG GROUP HOLDINGS LIMITED

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

Build home with heart
Create future with aspiration

以心築家
創建未來

2018
INTERIM REPORT

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Directors

Executive Directors
Mr. Kong Jianmin *(Chairman)*
Mr. Kong Jiantao
(Chief Executive Officer)
Mr. Kong Jiannan
Mr. Li Jianming
Mr. Tsui Kam Tim

Independent Non-executive Directors
Mr. Lee Ka Sze Carmelo, JP
Mr. Tam Chun Fai
Mr. Li Binhai

Company Secretary

Mr. Tsui Kam Tim

Authorised Representatives

Mr. Kong Jianmin
Mr. Tsui Kam Tim

Audit Committee

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

Remuneration Committee

Mr. Tam Chun Fai *(Chairman)*
Mr. Kong Jianmin
Mr. Li Binhai

Nomination Committee

Mr. Kong Jianmin *(Chairman)*
Mr. Tam Chun Fai
Mr. Li Binhai

Registered Office

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

Principal Place of Business in Hong Kong

Units 8503–05A, Level 85
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
The Bank of East Asia (China) Limited
Bank of 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.kwggroupholdings.com

Stock Code

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

Founded in 1995, KWG Group Holdings Limited ("KWG" 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 has been focusing on the development, sales, operation and management of high-quality properties.

Over the past 23 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, Shenzhen, Foshan as its hubs for South China, Shanghai, Hangzhou, Suzhou, Hefei for East China, Chengdu, Chongqing for Southwest China, Beijing, Tianjin for North China, and Wuhan for Central China. The Group has succeeded in opening up overseas market by establishing presence in Hong Kong since 2017.

The Group's current land bank is sufficient for development in the coming 3–5 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 fast growth strategy, while maintaining the proportion of commercial properties, such as offices, hotels and shopping malls, to be held in long term as investment properties.

I am pleased to present the interim results of the Group for the half-year ended 30 June 2018. The Group recorded proportionate revenue of approximately RMB10,144.7 million, representing an increase of 8.5% from the same period of 2017. Profit attributable to owners of the Company amounted to approximately RMB2,171.4 million, representing a significant increase of 39.5% as compared with the corresponding period in 2017.

The board of directors of the Company (the "Board" and the "Directors" respectively) has resolved to declare an interim dividend of RMB25 cents per share for the six months ended 30 June 2018.

1. Further Penetration into Greater-Bay Area and Yangtze-River-Delta Area

With the continuous inflow of population into and the upgraded mix of economic activities in tier-one cities, there has been a notable trend of the home purchase demand in these cities spilling over elsewhere, and its effect on areas surrounding tier-one cities has become increasingly apparent. Following the Government's move for more stringent regulation over the property markets in tier-one cities, in particular, many tier-two and tier-three cities in the peripheral of tier-one cities have been identified by home purchasers as destinations for value buys. Given the nature of Greater-Bay Area and Yangtze-River-Delta Area as the economic hubs of China, tier-two and higher tier-three cities around Guangzhou, Shenzhen, Shanghai and Hangzhou have gradually emerged as focal points in the build-up of property developers.

During the reporting period, the Group seized opportunities to expand its business presence to Huizhou, Jiangmen and Wenzhou, while acquiring new projects to further penetrate the markets of Xuzhou, Nantong and Liuzhou where it had already gained footholds in the previous years. At present, the Group has established its presence in Greater-Bay Area with projects in 7 cities and 1 region, comprising mainly Guangzhou, Shenzhen, Foshan and Hong Kong. In Yangtze-River-Delta Area, we have established our business in 14 cities, comprising mainly Shanghai, Hangzhou, Suzhou, Jiaxing, Xuzhou, Taizhou, Wuxi and Nantong. In the meantime, concerted developments are underway in the North China region represented mainly by Beijing and Tianjin, as well as other regions such as Chengdu, Chongqing, Wuhan and Nanning.

2. Abundant Sellable Resources Supporting Full-year Target and Progressing in both Scale and Profitability

Benefitting from sound strategic positioning, outstanding operational efficiency and the stellar reputation of its products, the Group achieved RMB32.4 billion pre-sales for the reporting period, representing a year-on-year increase of 82%, and run rate of 50% of its RMB65.0 billion full year's sales target.

During the reporting period, the Group speeded up construction of new projects and launched suitable products in a timely manner. Based on the Group's existing land bank, scheduled new start of construction and launch plan, the Group expects that the sellable resources value will be approximately RMB110.0 billion in 2018, amongst which tier-one and tier-two cities will account for more than 90%.

Against the backdrop of significant scaling up, the Group sustained a relatively high profit margin compared to its peers thanks to stringent cost control and high quality of its products, as it strived for growth in both scale and profit. The Group's proportionate gross profit margin for the reporting period was stable at 33.8% compared to the same period last year, while its proportionate core profit margin was 19.3%, representing an increase of 3.9 percentage points compared to the same period last year.

3. Mergers and Acquisitions Effectively Lowering the Cost for Land Acquisition

Tightening in finance since 2018 has resulted in insufficient cash flows for small property developers, hence providing medium and large property developers with massive opportunities in mergers and acquisitions. The Group seized such opportunities to acquire land sites through mergers and acquisitions as well as joint development, effectively lowering the cost for land addition. During the reporting period, the Group obtained 15 land sites through tenders, auctions and listings in the public market as well as mergers and acquisitions and joint development, adding 2.92 million sq.m. of gross floor area ("GFA") in aggregate for an average cost of RMB5,500 per sq.m., amongst which over 90% of the newly acquired GFA were obtained through mergers and acquisitions and joint development.

4. Healthy Debt Maturity Profile

The Group maintained adequate liquidity hand despite overall market in 2018, thanks to its reasonable financing arrangements through flexible adoption of multiple financing channels to seize opportunities for financing and debt issuance in 2017. The amount of debt due within one year was approximately RMB9.09 billion, representing a minimal pressure of debt repayment.

Moreover, the Group successfully obtained US$500 million syndicated loan facilities at relatively low finance costs in the overseas market against in mainland China.

Despite a generally tightened financing environment and rising finance costs, the Group maintained its average interest cost at approximately 5.8% for the reporting period and a healthy debt maturity profile with 14.0%, 20.4%, 52.6% and 13.0% of its debt due within 1 year, 2 years, 3 to 5 years and after 5 years, respectively. We had sufficient cash in hand and strong resistance against risks.

5. Wide Implementation of Staff Co-Investment Scheme Contributing to Faster Project Turnover

Management and staff initiatives have been significantly boosted since the implementation of the staff co-investment scheme in August 2017. With better control over the progress of operational stages, the time span from land acquisition to pre-sale has been further shortened, resulting in improved project turnover and faster cash collection.

Meanwhile, the staff co-investment scheme has aligned the interests of the management and key employees with those of the Group. The decision-making teams have been more rational and cautious in the selection of cities and the purchase of land sites. This has helped us to control the cost for new land acquisitions and maintain a sound profit margin for our projects, thereby achieving the fundamental aim of bringing benefits to the projects, the Group and the shareholders alike.

6. Share Awards, Share Options and Business Partnership Scheme as Part of the Medium- to Long-Term Incentives for the Management

During the reporting period, the Group granted 4,393,500 share awards to the management and key employees, and 1,719,000 share options to key employees. Through the medium- to-long-term incentive share awards and share options, we commended the management and key employees for their contributions to the Group and retained talents for the Group's ongoing operations and development.

Moreover, a business partnership scheme was implemented for the commercial property segment, under which personal incentives were directly linked to the profit of the business segment managed by such partners. The system has provided strong motivation for the commercial property teams and facilitated joint efforts in value delivery and profit sharing.

7. Outlook

In 2018, the policy on the real estate sector in general has been underpinned by continuous differentiated regulation by categories and policy variation for different cities. The effect of regulation has been telling in key cities, while the development of a long-term housing system has also gained pace. The Central Government will continue to upholding the principle of "housing properties for accommodation, not speculative trading" and expediting efforts in developing multi-agent supply, multi-channel support and a purchase-lease mechanism, so that all citizens will secure proper housing. In view of the above, the Group expects stable development for the real estate market in general in 2018.

The Group is convinced that tier-two and tier-three cities surrounding tier-one cities will continue to benefit from population inflow, industrial support and government policies. In 2018, the Group will continue to penetrate in Greater-Bay Area and Yangtze-River-Delta Area, with plans to launch new projects in Hangzhou, Taizhou, Wuxi, Nantong, Foshan, Zhongshan and Jiangmen, etc. in the second half of the year, sparing no effort accelerating the Group's scale expansion and achieving growth in both scale and profitability.

Following the grand opening of Suzhou U Fun Shopping Center and Chengdu U Fun Shopping Center during the first half of the year, Beijing M • Cube, Guangzhou The Summit U Fun, Guangzhou Nansha U Fun and Foshan Oriental Bund U Fund will also commence operations in the second half of the year. Hotel and office projects will be coming into operation, while long-term rental apartments in Beijing, Shanghai, Hangzhou, Nanjing, Suzhou, Shenzhen, Guangzhou and Foshan, etc. will also be launched during the year. Numerous brand new investment properties are launched gradually. Investment properties have been entering into a harvest season, and recurring income will blossom in the following years.

We have proposed to change the Group's name from "KWG Property" to "KWG Group". The new name will not only provide the Group with fresh corporate identity, but will also better reflect the expansion of business strategies of the Group. In the future, the Group will seek developments in education, culture and tourism, and long-term rental apartment sectors through strategic cooperation, with a view to driving synergic rapid development of diversified business with property development.

8. Appreciation

On behalf of the Group and the Board, I would like to express uttermost gratitude to all shareholders, investors, business partners and customers who have been offering great support and assistance to us all along. Thanks are also owed to each and every director, management and staff, whose brilliant minds and incessant dedication have been instrumental to the growth and expansion of KWG. Going forward in unity, we will continue to build homes with our hearts and create a brighter future for our customers, our Group and our shareholders!

Kong Jianmin
Chairman

27 August 2018

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties, (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 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 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 incurred directly for the Group's property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct costs of construction, costs of obtaining land use rights and capitalised borrowing costs from 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 the grant of the relevant mortgage loans and ends upon the 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, sales 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

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
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
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

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
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
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

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
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

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
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
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

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
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
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.

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

As at 30 June 2018, 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)
Mr. Kong Jianmin (Notes 3, 4 and 5)	Long position	Interest of controlled corporations	1,962,655,652	62.20%
Mr. Kong Jiantao (Notes 3, 4, 6 and 7)	Long position	Interest of controlled corporations	1,689,549,587	53.55%
Mr. Kong Jiannan (Notes 3 and 4)	Long position	Interest of controlled corporations	1,687,500,000	53.48%
Mr. Li Jianming (Note 8)	Long position	Beneficial owner	213,000	0.01%
Mr. Tsui Kam Tim (Note 9)	Long position	Beneficial owner	298,500	0.01%
Mr. Tam Chun Fai	Long position	Beneficial owner	30,000	0.001%
Mr. 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 2018, the number of shares in issue was is 3,155,155,055 shares.

3. Plus Earn Consultants Limited ("Plus Earn") is legally and beneficially owned as to 76.5% by Mr. Kong Jianmin, as to 15% by Mr. Kong Jiantao and as to 8.5% by Mr. Kong Jiannan. Therefore, Messrs. Kong Jianmin, Kong Jiantao and Kong Jiannan are deemed to be interested in 1,612,500,000 shares through their interests in Plus Earn. Each of Messrs. Kong Jianmin, Kong Jiantao and Kong Jiannan is a director of Plus Earn.

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

5. Hero Fine Group Limited ("Hero Fine") is legally and beneficially owned as to 100% by Mr. Kong Jianmin and Mr. Kong Jianmin is therefore deemed to be interested in 275,155,652 shares through his interests in Hero Fine. Mr. Kong Jianmin is the sole director of Hero Fine.

6. Excel Wave Investments Limited ("Excel Wave") is legally and beneficially owned as to 100% by Mr. Kong Jiantao and Mr. Kong Jiantao is therefore deemed to be interested in 1,109,587 shares through his interest in Excel Wave. Mr. Kong Jiantao is the sole director of Excel Wave.

7. Wealth Express Investments Limited ("Wealth Express") is legally and beneficially owned as to 100% by Mr. Kong Jiantao and Mr. Kong Jiantao is therefore deemed to be interested in 940,000 shares through his interest in Wealth Express. Mr. Kong Jiantao is the sole director of Wealth Express.

8. 213,000 awarded shares were granted by the Company to Mr. Li Jianming pursuant to the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on 19 January 2019; (ii) one-third shall be vested on 19 January 2020; and (iii) the remaining one-third shall be vested on 19 January 2021, or an earlier date as approved by the Board.

9. 298,500 awarded shares were granted by the Company to Mr. Tsui Kam Tim pursuant to the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on 19 January 2019; (ii) one-third shall be vested on 19 January 2020; and (iii) the remaining one-third shall be vested on 19 January 2021, or an earlier date as approved by the Board.

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
Mr. Kong Jianmin	Plus Earn	765	76.50%
	Right Rich	765	76.50%
Mr. Kong Jiantao	Plus Earn	150	15.00%
	Right Rich	150	15.00%
Mr. Kong Jiannan	Plus Earn	85	8.50%
	Right Rich	85	8.50%

Save as disclosed above, as at 30 June 2018, 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 2018, 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	1,612,500,000	51.11%
Hero Fine (Note 4)	Beneficial owner	275,155,652	8.72%

Notes:

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

2. As at 30 June 2018, total issued share capital of the Company is 3,155,155,055 shares.

3. Plus Earn is legally and beneficially owned as to 76.5% by Mr. Kong Jianmin, as to 15% by Mr. Kong Jiantao and as to 8.5% by Mr. Kong Jiannan.

4. Hero Fine is legally and beneficially owned as to 100% by Mr. Kong Jianmin.

Save as disclosed above, as at 30 June 2018, 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 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.

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 existing share option scheme of the Company was adopted on 11 June 2007 and was expired on 2 July 2017.

Pursuant to the shareholder's resolutions of the Company passed on 9 February 2018, the Company has adopted a new share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants (the "Eligible Participants") who will contribute and had contributed to the success of the Group's operations.

The maximum number of Shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 315,515,505 Shares, being 10% of the total number of issued Shares as at the date of the adoption of the Share Option Scheme.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years, commencing from 9 February 2018.

Please refer to the Appendix to the circular of the Company dated 24 January 2018 for further details on the principal terms and conditions of the Share Option Scheme.

As at 30 June 2018, the details and changes of the Share Option Scheme are as follows:

Date of grant9 (Note 1)	Vesting date	Percentage of vesting	Expiry date	Exercise price per share (HK$)	Closing price before the date of grant (HK$)	Number of options granted	Outstanding options as at 1 January 2018	Accumulated exercised number from the date of grant to 30 June 2018	Accumulated cancelled number from the date of grant to 30 June 2018	Accumulated lapsed number from the date of grant to 30 June 2018	Outstanding options as at 30 June 2018	Number exercised for the six months ended 30 June 2018	Weighted average closing price before the exercise date for the six months ended 30 June 2018 (HK$)
9 February 2018	9 February 2019 9 February 2020 9 February 2021	One-third One-third One-third	8 February 2022	12.024	10.86	1,719,000	–	–	1,719,000	–	–	–	–
13 February 2018	13 February 2019 13 February 2020 13 February 2021	One-third One-third One-third	12 February 2022	11.120	10.70	1,719,000	–	–	–	75,000	1,644,000	–	–
					Total	3,438,000 (Note 2)	–	–	1,719,000	75,000	1,644,000	–	–

Notes:

1. Please refer to the announcements of the Company dated 9 February 2018 and 13 February 2018 for further details of the grant.

2. During the six months ended 30 June 2018, all of the options were granted to certain employees of the Group. None of the grantees is a director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the Listing Rules).

Valuation of Share Options

The Company has been using the binomial model (the "Model") to value the share options granted. The fair value of the share options granted during the period ended 30 June 2018 determined at the date of grant using the Model was approximately RMB3,282,000. The fair value of options granted during the six months ended 30 June 2018 was estimated on the date of grant using the following assumptions:

Dividend Yield	7.18%
Expected Volatility	43.35%
Risk-free Interest Rate	0.841%
Expected Life of Share Options (years)	4 years
Weighted Average Share Price	HK$11.12

For the six months ended 30 June 2018, the Group has recognised approximately RMB719,000 of share-based payment expense in the statement of profit or loss (30 June 2017: nil).

Share Award Scheme

The Share Award Scheme was adopted by the Board on 19 January 2018 (the "Share Award Scheme") in order to recognize and motivate the contributions by certain employees of the Company and/or member of the Group (the "Eligible Participant") and to give incentives thereto in order to retain them for the continual operation and development of the Group; to attract suitable personnel for further development of the Group; and to provide certain employees with a direct economic interest in attaining a long-term relationship between the Group and certain employees. Subject to the rules of the Share Award Scheme (the "Scheme Rules"), the Board may, from time to time, at its absolute discretion select any

Eligible Participant (other than any excluded participant as defined under the Scheme Rules) for participation in the Share Award Scheme as a selected participant (the "Selected Participant"), and determine the number of shares to be granted to the Selected Participant.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the date of adoption. Pursuant to the Share Award Scheme, the trustee, Computershare Hong Kong Trustees Limited and any additional or replacement trustee, shall purchase from the open market or subscribe for the relevant number of shares awarded and shall hold such shares on trust for the Selected Participants until they are vested in the relevant Selected Participant in accordance with the provisions of the Share Award Scheme. The Board, through its authorized representative(s), shall cause to pay to the trustee the subscription or purchase price for the shares and the related expenses from the Company's resources.

The Board shall not make any further award of awarded shares which will result in the total number of Shares granted under the Share Award Scheme exceeding 5% of the total number of issued Shares of the Company from the date of adoption. Details of the Scheme Rules are set out in the announcement of the Company dated 19 January 2018.

On 19 January 2018, the Board resolved to grant an aggregate of 4,393,500 awarded shares (the "Awarded Shares") to 28 Eligible Participants (out of which 2 of the Eligible Participants are executive Directors, and 8 of the Eligible Participants are directors of certain subsidiaries of the Company) pursuant to the Scheme Rules. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on the first anniversary of the date of grant, i.e. 19 January 2019; (i) one-third shall be vested on the second anniversary of the date of grant, i.e. 19 January 2020; and (iii) the remaining one-third shall be vested on the third anniversary of the date of grant, i.e. 19 January 2021, or an earlier date as approved by the Board. The vesting of the awarded shares is subject to the conditions as set out in the Share Award Scheme and the fulfillment of such conditions as specified by the Board. Please refer to the announcement of the Company dated 19 January 2018 for the details of the grant.

A summary of the Awarded Shares granted to Eligible Participants is set forth below:

	Number of Awarded Shares	
Name of the awardees	**Granted on 19 January 2018**	**Total**
Mr. Li Jianming *(executive Director)*	213,000	213,000
Mr. Tsui Kam Tim *(executive Director)*	298,500	298,500
Directors of certain subsidiaries of the Company	1,543,500	1,543,500
Eligible Participants who are not connected with the Company or connected persons of the Company	2,338,500(Note)	2,338,500(Note)
Total	4,393,500	4,393,500

Note: A total of 112,500 awarded shares lapsed from the date of grant to 30 June 2018.

Save as set out above, no other share award was granted under the Share Award Scheme during the period under review.

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 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.

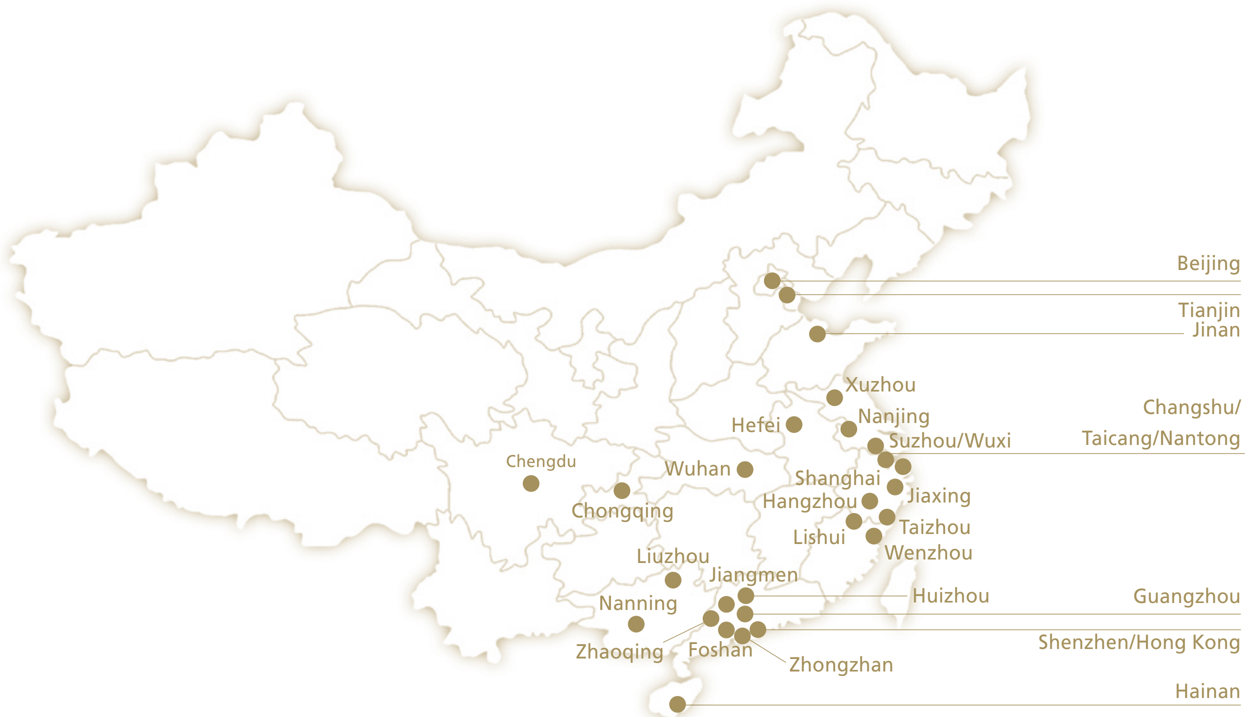
Disclosures Pursuant to Rule 13.18 of the Listing Rules

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 I") 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 I.

Pursuant to the terms of the Facility Agreement I, the Company has undertaken to procure that Mr. Kong Jianmin, 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 I. Further details of the transaction are disclosed in the announcement of the Company dated 27 January 2017.

On 5 June 2018, the Company, as the borrower, and certain of the subsidiaries of the Company, as the original guarantors, entered into a facility agreement (the "Facility Agreement II") with, among others, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as original lenders, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as mandated lead arrangers and bookrunners and Standard Chartered Bank (Hong Kong) Limited as agent in relation to a transferrable HKD and USD dual currency term loan facility with a greenshoe option of US$500 million 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 Jianmin, 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 as an event of default under the Facility Agreement II. Further details of the transaction are disclosed in the announcement of the Company dated 5 June 2018.



Guangzhou – 20 projects

Total Attributable GFA approximately 3,370,000 sqm

- The Summit
- International Metropolitan Plaza (formerly known as Global Metropolitan Plaza)
- Tian Hui Plaza (including The Riviera and Top Plaza)
- The Star II
- Top of World
- The Eden
- Zengcheng Gua Lv Lake
- Essence of City
- International Commerce Place
- CFC (including Mayfair and International Finance East)
- The Horizon
- Fortunes Season
- Nansha River Paradise (formerly known as Nansha Shuilian)
- Guangzhou Tianhe Project
- Guangzhou Nangang Project
- IFP
- Four Points by Sheraton Guangzhou, Dongpu
- The Mulian Huadu
- W Hotel/W Serviced Apartments
- The Mulian Guangzhou

Foshan – 4 projects

Total Attributable GFA approximately 1,446,000 sqm

- Oriental Bund
- The Riviera
- Riverine Capital
- Foshan Apex

Zhaoqing – 2 projects

Total Attributable GFA approximately 255,000 sqm

- Vision of World (formerly known as Zhaoqing Dawang Project)
- Zhaoqing Duanzhou Project

Huizhou – 1 project

Total Attributable GFA approximately 225,000 sqm

- Life in Yueshan County

Zhongshan – 1 project

Total Attributable GFA approximately 142,000 sqm

- The Moon Mansion (formerly known as Zhongshan Xiqu Project)

Shenzhen – 1 project

Total Attributable GFA approximately 119,000 sqm

- Shenzhen Bantian Project

Hong Kong – 2 projects

Total Attributable GFA approximately 62,000 sqm

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

Jiangmen – 1 project

Total Attributable GFA approximately 38,000 sqm

- The Horizon

Shanghai – 7 projects

Total Attributable GFA approximately 469,000 sqm

- International Metropolis Plaza
- The Core of Center
- Shanghai Apex
- Shanghai Sapphire
- Amazing Bay
- Vision of World
- Glory Palace

Suzhou – 10 projects

Total Attributable GFA approximately 457,000 sqm

- The Sapphire
- Suzhou Apex
- Suzhou Emerald
- Leader Plaza
- Wan Hui Plaza
- Suzhou Jade Garden
- Enjoy The Exquisite Life (formerly known as Suzhou Wujiang Project)
- Suzhou Beiqiao Project
- Suzhou Pingwang Project
- The Moon Mansion (formerly known as Suzhou Wuzhong Project)

Hefei – 4 projects

Total Attributable GFA approximately 329,000 sqm

- City Moon I
- City Moon II
- The One
- Park Mansion (formerly known as Hefei Lujiang Project II)

Hangzhou – 6 projects

Total Attributable GFA approximately 265,000 sqm

- Thu Mulian Hangzhou
- The Moon Mansion
- Sky Villa (formerly known as Sky Villa Mansion)
- Majestic Mansion
- Puli Oriental
- Hangzhou Linping Project

Nantong – 2 projects

Total Attributable GFA approximately 207,000 sqm

- Serenity in Prosperity (formerly known as Nantong Tongzhou Project)
- Oriental Beauty

Xuzhou – 4 projects

Total Attributable GFA approximately 259,000 sqm

- Exquisite Bay
- Fragrant Season
- Xuzhou Tongshan Project I
- Xuzhou Tongshan Project II

Taizhou – 2 projects

Total Attributable GFA approximately 194,000 sqm

- Linhai Project I
- The Cullinan (formerly known as Linhai Project II)

Jiaxing – 2 projects

Total Attributable GFA approximately 134,000 sqm

- Majestic Mansion (formerly known as Jiaxing Haiyan Project)
- Star City (formerly known as Jiaxing Jiashan Project)

Taicang – 1 project

Total Attributable GFA approximately 118,000 sqm

- Jiangsu Taicang Project

Wuxi – 2 projects

Total Attributable GFA approximately 115,000 sqm

- Wuxi Xinwu Project
- Wuxi Huishan Project

Wenzhou – 1 project

Total Attributable GFA approximately 113,000 sqm

- Joyful Noble Residential Area

Lishui – 1 project

Total Attributable GFA approximately 76,000 sqm

- Liu Xiang Mansion

Changshu – 2 projects

Total Attributable GFA approximately 53,000 sqm

- Fragrant Season (formerly known as Changshu Dongbang Project)
- Changshu Qinhu Project (formerly known as Changshu Yushan Project)

Nanjing – 1 project

Total Attributable GFA approximately 19,000 sqm

- Shine City

Chengdu – 4 projects

Total Attributable GFA approximately 1,237,000 sqm

- The Vision of the World
- Chengdu Cosmos
- Chengdu Sky Ville
- Yunshang Retreat

Liuzhou – 2 projects

Total Attributable GFA approximately 1,293,000 sqm

- The Moon Mansion
- Fortunes Season

Nanning – 4 projects

Total Attributable GFA approximately 1,095,000 sqm

- The Core of Center
- International Finance Place
- Top of World
- Fragrant Season

Tianjin – 3 projects

Total Attributable GFA approximately 880,000 sqm

- Jinnan New Town
- Tianjin The Cosmos
- Tianjin Jinghai Project

Hainan – 3 projects

Total Attributable GFA approximately 701,000 sqm

- Pearl Coast
- Villa Como
- Hainan Lingao Project

Beijing – 9 projects

Total Attributable GFA approximately 572,000 sqm

- Fragrant Seasons
- La Villa
- Beijing Apex
- M·Cube
- Summer Terrace
- KWG Center I
- KWG Center II
- Rose and Ginkgo Mansion
- The Core of Center

Chongqing – 2 projects

Total Attributable GFA approximately 438,000 sqm

- The Riviera Chongqing
- The Cosmos Chongqing

Wuhan – 3 projects

Total Attributable GFA approximately 372,000 sqm

- Joyful Season
- The Buttonwood Season I (formerly known as Wuhan Wutong Lake Project I)
- The Buttonwood Season II (formerly known as Wuhan Wutong Lake Project II)

Jinan – 1 project

Total Attributable GFA approximately 203,000 sqm

- Jinan Zhangqiu Project

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (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

The notes on pages 37 to 68 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (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

The notes on pages 37 to 68 form an integral part of this condensed consolidated interim financial information.

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	10	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	11	748,799	535,665
Prepayments, deposits and other receivables		6,349,490	2,963,398
Due from a joint venture	20(ii)	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	12	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	20(ii)	136,199	—
Due to joint ventures	20(ii)	33,933,436	27,929,009
Interest-bearing bank and other borrowings	13	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

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		87,454,723	85,537,722
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	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	14	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

The notes on pages 37 to 68 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 RMB'000 (Unaudited)	Share premium account RMB'000 (Unaudited)	Reserve funds RMB'000 (Unaudited)	Exchange fluctuation reserve RMB'000 (Unaudited)	Asset revaluation reserve RMB'000 (Unaudited)	Employee share based compensation reserve RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
At 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
At 31 December 2017 and 1 January 2018		**302,355**	**5,295,047***	**1,410,265***	**(271,606)***	**29.175***	**—***	**(57,546)***	**20,899,594***	**27,607,284**	**638,409**	**28,245,693**
Profit for the period		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,171,439**	**2,171,439**	**(7,221)**	**2,164,218**
Other comprehensive loss for the period:												
Exchange differences on translation into presentation currency		**—**	**—**	**—**	**(210,225)**	**—**	**—**	**—**	**—**	**(210,225)**	**—**	**(210,225)**
Share of exchange differences on translation of joint ventures		**—**	**—**	**—**	**(36,130)**	**—**	**—**	**—**	**—**	**(36,130)**	**—**	**(36,130)**
Total comprehensive income/(loss) for the period		**—**	**—**	**—**	**(246,355)**	**—**	**—**	**—**	**2,171,439**	**1,925,084**	**(7,221)**	**1,917,863**
Share based compensation expense		**—**	**—**	**—**	**—**	**—**	**12,744**	**—**	**—**	**12,744**	**—**	**12,744**
Final 2017 dividend declared		**—**	**(978,098)**	**—**	**—**	**—**	**—**	**—**	**—**	**(978,098)**	**—**	**(978,098)**
Contribution from the non-controlling shareholders of subsidiaries		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,296,723**	**1,296,723**
Derecognition of a subsidiary		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(537,387)**	**(537,387)**
Acquisition of a subsidiary		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**198,065**	**198,065**
Transfer to reserves		**—**	**—**	**89,844**	**—**	**—**	**—**	**—**	**(89,844)**	**—**	**—**	**—**
At 30 June 2018		**302,355**	**4,316,949***	**1,500,109***	**(517,961)***	**29.175***	**12,744***	**(57,546)***	**22,981,189***	**28,567,014**	**1,588,589**	**30,155,603**

* These reserve accounts comprise the consolidated reserves of approximately RMB28,264,659,000 (31 December 2017: approximately RMB27,304,929,000) in the condensed consolidated statement of financial position.

The notes on pages 37 to 68 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,925,884	2,625,203
Adjustments for:			
Finance costs	5	641,782	141,707
Share of profits and losses of joint ventures		(387,933)	(431,879)
Share of profits and losses of associates		2,443	—
Share based compensation expenses		12,744	—
Interest income	4	(275,874)	(135,884)
Gain on disposal of items of property, plant and equipment	6	(146)	(424)
Gain on disposal of a subsidiary	17	(1,167,368)	—
Depreciation	6	68,540	70,917
Amortisation of land use rights	6	4,298	2,739
Changes in fair values of investment properties, net		(1,185,987)	(64,705)
Premium paid on early redemption of senior notes	6	—	70,516
Cash flows from operations before changes in working capital		638,383	2,278,190
Changes in working capital		(7,397,723)	(6,439,599)
Cash used in operations		(6,759,340)	(4,161,409)
Interest paid, net		(1,257,902)	(1,033,187)
Income tax paid		(743,756)	(612,994)
Net cash flows used in operating activities		(8,760,998)	(5,807,590)

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Net cash flows used in operating activities		(8,760,998)	(5,807,590)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(258,168)	(279,609)
Proceeds from disposal of items of property, plant and equipment		332	429
Investments in and advance to joint ventures		(208,764)	(3,017,497)
Investments in an associate		(3,300)	—
Repayment from associates		169,097	—
Acquisition of a subsidiary		—	10,000
Acquisition of joint ventures		(160,043)	(556,000)
Acquisition of an associate		(749,700)	—
Derecognition of subsidiaries	16	(26,058)	(333,228)
Disposal of a subsidiary	17	1,872,881	—
Dividend received from a joint venture		—	66,500
Net cash flows from/(used in) investing activities		636,277	(4,109,405)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior notes		—	5,044,785
Redemption of senior notes		—	(1,705,679)
Contribution from the non-controlling shareholder of subsidiaries		1,296,723	575,000
Net proceeds from bank loans		5,537,939	9,825,192
Net cash flows from financing activities		6,834,662	13,739,298
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,290,059)	3,822,303
Cash and cash equivalents at beginning of the period		39,198,957	25,770,912
Effect of foreign exchange rate changes, net		6,713	(14,169)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		37,915,611	29,579,046
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		21,199,451	15,783,511
Non-pledged time deposits with original maturity of less than three months when acquired		16,716,160	13,795,535
Cash and cash equivalents		37,915,611	29,579,046

The notes on pages 37 to 68 form an integral part of this condensed consolidated interim financial information.

Notes to Condensed Consolidated Interim Financial Information

1. Corporate Information

KWG Group Holdings Limited ("KWG" or the "Company"), formerly known as KWG Property Holding 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 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 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 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. Changes to the Group's 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.

3. Changes to the Group's Accounting Policies (Continued)

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.

3. Changes to the Group's Accounting Policies (Continued)

Revenue recognition (Continued)

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

In prior years, 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 the interest with a significant financing component if the time period is one year or less. In addition, reclassifications have been made from other payable 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:

	Note	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (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	17	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

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

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 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**

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

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

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

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 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest on bank and other borrowings	**2,103,210**	1,424,293
Net foreign exchanges 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 RMB'000 (Unaudited)	2017 RMB'000 (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 RMB'000 (Unaudited)	2017 RMB'000 (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

For the six months ended 30 June 2018, the share of CIT expense and LAT expense attributable to the joint ventures amounting to approximately RMB133,545,000 (2017: approximately RMB147,832,000) and approximately RMB354,599,000 (2017: approximately RMB39,431,000), respectively, are included in "Share of profits and losses of joint ventures" in the unaudited condensed consolidated statement of profit or loss.

For the six months ended 30 June 2018, the share of CIT credit attributable to the associates amounting to approximately RMB814,000 (2017: nil) is included in "Share of profits and losses of the associates" 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 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 RMB'000 (Unaudited)	2017 RMB'000 (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. Property, Plant and Equipment

During the six months ended 30 June 2018, the Group had additions of property, plant and equipment at a total cost of approximately RMB270,065,000 (2017: approximately RMB290,523,000).

11. 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 RMB'000 (Unaudited)	31 December 2017 RMB'000 (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

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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (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.

13. Interest-bearing Bank and Other Borrowings

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Current		
Bank loans (c)		
– secured	**369,683**	590,000
– denominated in HK$, secured	**874,295**	83,591
Current portion of long-term bank loans (c)		
– secured	**668,949**	341,898
– denominated in HK$, secured	**62,508**	131,308
– denominated in US$, secured	**51,947**	110,903
– unsecured	**69,000**	—
Senior notes – denominated in US$, secured (a)	**3,907,079**	—
Domestic corporate bonds — unsecured (b)	**3,082,579**	2,482,851
	9,086,040	3,740,551
Non-current		
Bank loans (c)		
– secured	**14,591,222**	12,964,538
– denominated in HK$, secured	**2,461,338**	1,342,890
– denominated in US$, secured	**1,625,985**	1,166,094
– unsecured	**1,061,000**	—
Senior notes – denominated in US$, secured (a)	**9,959,361**	13,734,951
Domestic corporate bonds – unsecured (b)	**26,109,825**	26,696,147
	55,808,731	55,904,620
	64,894,771	59,645,171

(i) Certain of the Group's borrowings are 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 values of approximately RMB26,523,815,000 as at 30 June 2018 (31 December 2017: approximately RMB19,251,493,000).

(ii) As at 30 June 2018 and 31 December 2017, 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 2018 and 31 December 2017, 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 2018 and 31 December 2017. All of the Group's bank loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB466,000,000, which were charged at fixed interest rate as at 30 June 2018 (31 December 2017: RMB200,000,000). The Group's senior notes and domestic corporate bonds were charged at fixed interest rates as at 30 June 2018 and 31 December 2017.

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

Notes:

(a) 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 11 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 11 January 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 11 January and 11 July of each year, commencing on 11 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)

On 21 September 2017, the Company issued 5.20% senior notes with an aggregate principal amount of US$250,000,000 (equivalent to approximately RMB1,646,675,000). 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 21 September 2022. The senior notes carry interest at a rate of 5.20% per annum, which is payable semi-annually in arrears on 21 March and 21 September of each year, commencing on 21 March 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 18 September 2017, 19 September 2017, and 22 September 2017.

On 18 November 2017, the Company redeemed the outstanding 8.25% senior notes due 2019 with an aggregate principle amount of US$100,000,000 in full at a redemption price to 104.1250% of the principal amount thereof, plus accrued and unpaid interest. For further details, please refer to the related announcements of the Company dated 19 October 2017 and 20 November 2017.

On 10 December 2017, the Company redeemed the outstanding 8.25% senior notes due 2019 with an aggregate principle amount of US$300,000,000 in full at a redemption price to 104.1250% of the principal amount thereof, plus accrued and unpaid interest. For further details, please refer to the related announcements of the Company dated 10 November 2017 and 11 December 2017.

On 10 November 2017, the Company issued additional 5.875% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,651,280,000). 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 10 November 2024. The senior notes carry interest at a rate of 5.875% per annum, which is payable semi-annually in arrears on 10 May and 10 November of each year commencing on 10 May 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 7 November 2017, 8 November 2017, and 10 November 2017.

On 7 December 2017, the Company issued additional 6.00% senior notes with an aggregate principal amount of US$150,000,000 (equivalent to approximately RMB992,925,000) (to be consolidated and form a single series with the US$400,000,000 6% senior notes due 2022 issued on 15 March 2017, and the US$100,000,000 6% senior notes due 2022 issued on 29 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 March 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 27 March 2017, 29 March 2017, 1 December 2017 and 7 December 2017.

(b) (i) On 17 December 2015, Guangzhou Hejing Real Estate Development Limited ("Guangzhou Hejing"), 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.

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

Notes: (Continued)

(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.

(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.

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

Notes: (Continued)

(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.

(b) (vii) On 26 September 2017, the Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,000,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of five years and bears a coupon rate at 7.85% 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 10 Bonds"), and the second type has a term of three years and bears a coupon rate at 7.50% per annum with the issuer's option to raise the coupon rate after the end of the second 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 11 Bonds").

The aggregate principal amount for the Type 10 Bonds issued was RMB1,000,000,000 and the aggregate principal amount for the Type 11 Bonds issued was RMB2,000,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 25 September 2017 and 26 September 2017.

(b) (viii) On 16 October 2017, the Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,000,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of five years and bears a coupon rate at 8.00% 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 12 Bonds"), and the second type has a term of three years and bears a coupon rate at 7.50% per annum with the issuer's option to raise the coupon rate after the end of the second 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 13 Bonds").

The aggregate principal amount for the Type 12 Bonds issued was RMB840,000,000 and the aggregate principal amount for the Type 13 Bonds issued was RMB2,160,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 16 October 2017.

(c) The bank loans carry interests at prevailing market rates ranging from 2.19% to 10.50% per annum for the six months ended 30 June 2018 (year ended 31 December 2017: 2.68% to 7.15% per annum).

14. Share Capital

	As at			
	30 June 2018		31 December 2017	
	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	3,155,155,055	302,355	3,155,155,055	302,355

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 2017 and 1 January 2018	3,155,155,055	302,355	5,295,047	5,597,402
Final dividend declared during the period	—	—	(978,098)	(978,098)
At 30 June 2018	3,155,155,055	302,355	4,316,949	4,619,304

	Number of shares in issue (Unaudited)	Issued capital RMB'000 (Unaudited)	Share premium account RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 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

15. Acquisition of a Subsidiary

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.

16. Note to the Consolidated Statement of Cash Flow

Derecognition of subsidiaries

(i) On 10 June 2018, the Group entered into the cooperation agreement with Shanghai Red Star Macalline Property Limited ("Shanghai Red Star Macalline")#. According to the agreement, all significant resolutions of Nantong Nanjing Real Estate Development Limited ("Nantong Nanjing")#, a subsidiary of the Company before entering into the agreement, shall be approved by the Group and Shanghai Red Star Macalline unanimously, hence the Group has no unilateral control, but has joint control over Nantong Nanjing, and accordingly, Nantong Nanjing 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:	
Deferred tax assets	1,736
Cash and bank balance	26,058
Property under development	1,114,493
Prepayment, deposits and other receivables	627,681
Trade payables	(29)
Interest-bearing bank and other borrowings	(532,240)
Other payables and accruals	(140,990)
Net assets value derecognised	1,096,709
Non-controlling interests	(537,387)

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

	RMB'000
Cash and cash equivalents derecognised	(26,058)
Net cash outflow of cash and cash equivalents in respect of the derecognition of Nantong Nanjing	(26,058)

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 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	155
Deferred tax assets	10,150
Properties under development	4,040,592
Prepayments, deposits and other receivables	2,090,013
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)

(iii) 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)

(iv) 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	9,381
Properties under development	5,500,477
Prepayments, deposits and other receivables	86,896
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)

(v) 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)

(vi) 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 2018, the Group entered into a share transfer agreement for the disposal of its entire equity interest in a wholly-owned subsidiary for a total consideration of RMB3,046,321,000, including a consideration of equity interest of RMB1,878,566,000 and a consideration of debts due from the subsidiary of RMB1,167,755,000.

Details of the 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:	
Trade receivables	60
Deferred tax assets	3,629
Cash and bank balance	5,685
Property under development	1,986,157
Prepayment, deposits and other receivables	85
Trade payables	(443)
Tax payables	(107)
Deferred tax liabilities	(128,855)
Other payables and accruals	(1,155,013)
	711,198
Gain on disposal of a subsidiary	1,167,368
	1,878,566
Total consideration	
— consideration of equity interest	1,878,566
— consideration of debts due from the subsidiary	1,167,755
	3,046,321
Total consideration	
— Cash received	1,920,000
— Cash consideration outstanding and included in other receivable	1,126,321
	3,046,321

17. Disposal of a Subsidiary (Continued)

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

	RMB'000
Cash consideration received	1,920,000
Cash and cash equivalents disposal of	(5,685)
Net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary	1,914,315

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 tha company, as no English name has been registered.

18. Contingent Liabilities

(i) As at 30 June 2018, 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 RMB5,862,265,000 (31 December 2017: approximately RMB5,036,062,000). 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 2018 and 31 December 2017 for the guarantees.

(ii) As at 30 June 2018, the Group had provided guarantees in respect of certain bank loans of approximately RMB12,263,921,000 (31 December 2017: approximately RMB12,604,118,000) for its joint ventures.

19. Commitments

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**321,055**	222,500
Properties being developed by the Group for sale	**6,581,537**	3,385,922
Investment properties	**201,974**	251,044
	7,104,566	3,859,466

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Contracted, but not provided for	**4,680,506**	3,816,196

20. Related Party Transactions

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

	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Short term employee benefits	**16,898**	18,233
Post-employment benefits	**273**	308
Share based compensation expenses	**2,012**	—
Total compensation paid to key management personnel	**19,183**	18,541

(ii) Outstanding balances with related parties:

	As at 30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Included in interests in joint ventures:		
Advances to joint ventures	**13,035,267**	12,914,004
Included in interests in associates:		
Advances to associates	**548,161**	—
Included in current assets:		
Due from a joint venture	**30,058**	30,065
Included in current liabilities:		
Due to an associate	**136,199**	—
Due to joint ventures	**33,933,436**	27,929,009

Except for certain advances to joint ventures with an aggregate amount of RMB7,439,516,000 (31 December 2017: RMB6,585,224,000), which are interest-bearing at rates ranging from 2.5% to 10.0% (31 December 2017: 2.5% to 10.0%) per annum, the advances to joint ventures as shown above are unsecured, interest-free and not repayable within 12 months.

As at 30 June 2018 and 31 December 2017, 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 2018 RMB'000 (Unaudited)	Fair values As at 30 June 2018 RMB'000 (Unaudited)	Carrying amounts As at 31 December 2017 RMB'000 (Audited)	Fair values As at 31 December 2017 RMB'000 (Audited)
Financial liabilities				
Interest-bearing bank and other borrowings	64,894,771	63,541,597	59,645,171	59,167,596

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 2018 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 30 June 2018 and 31 December 2017.

During the six months ended 30 June 2018 and the year ended 31 December 2017, 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 2018

	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	—	63,541,597	—	63,541,597

As at 31 December 2017

	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	—	59,167,596	—	59,167,596

22. 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.

23. 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 27 August 2017.