合景泰富集團
KWG GROUP HOLDINGS

KWG GROUP HOLDINGS LIMITED

合景泰富集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1813)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

- Proportionate revenue for the six months ended 30 June 2019 amounted to RMB17,110.1 million, a significant increase of 68.7% as compared with the corresponding period in 2018.
- Core profit of the Company for the period amounted to RMB2,513.5 million, representing an increase of 28.1% as compared with the corresponding period in 2018.
- Gross profit margin and core profit margin for the period were 35.0% and 23.6%, respectively.
- Basic earnings per share attributable to owners of the Company for the period amounted to RMB187.9 cents, compared with RMB68.8 cents for the corresponding period in 2018.
- Interim dividend of RMB32 cents per share.

INTERIM RESULTS

The board of directors (the "Board") of KWG Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 together with audited comparative figures as at 31 December 2018. The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	4	**10,647,120**	3,463,738
Cost of sales		**(6,915,418)**	(2,385,854)
Gross profit		**3,731,702**	1,077,884
Other income and gains, net	4	**1,139,729**	1,673,900
Selling and marketing expenses		**(374,853)**	(208,110)
Administrative expenses		**(912,853)**	(546,104)
Other operating expenses, net		**(9,114)**	(1,381)
Fair value gains on investment properties, net		**3,054,930**	1,185,987
Finance costs	5	**(1,004,738)**	(641,782)
Share of profits and losses of:			
Associates		**82,259**	(2,443)
Joint Ventures		**2,600,096**	387,933
PROFIT BEFORE TAX	6	**8,307,158**	2,925,884
Income tax expenses	7	**(2,157,922)**	(761,666)
PROFIT FOR THE PERIOD		**6,149,236**	2,164,218
Attributable to:			
Owners of the Company		**5,963,507**	2,171,439
Non-controlling interests		**185,729**	(7,221)
		6,149,236	2,164,218
Earnings per share attributable to owners of the Company			
– Basic	9	**RMB187.9 cents**	RMB68.8 cents
– Diluted	9	**RMB187.7 cents**	RMB68.8 cents

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**6,149,236**	2,164,218
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**(111,051)**	(175,954)
Share of exchange differences on translation of joint ventures	**(9,225)**	(36,130)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(120,276)**	(212,084)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**(26,787)**	(34,271)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	**(26,787)**	(34,271)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(147,063)**	(246,355)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**6,002,173**	1,917,863
Attributable to:		
Owners of the Company	**5,816,444**	1,925,084
Non-controlling interests	**185,729**	(7,221)
	6,002,173	1,917,863

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June	31 December
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**6,074,957**	5,351,448
Investment properties		**24,489,422**	17,490,590
Land use rights		**1,146,761**	1,109,471
Interests in associates		**3,759,286**	3,452,270
Interests in joint ventures		**37,850,682**	34,715,581
Deferred tax assets		**1,627,934**	1,642,044
Other non-current assets		**211,928**	—
Total non-current assets		**75,160,970**	63,761,404
CURRENT ASSETS			
Properties under development		**48,256,144**	47,302,324
Completed properties held for sale		**9,613,461**	8,919,658
Trade receivables	10	**2,025,544**	957,665
Prepayments, other receivables and other assets		**7,791,101**	6,406,463
Due from a joint venture		**30,058**	30,069
Tax recoverables		**691,186**	482,606
Restricted cash		**3,069,703**	4,099,329
Cash and cash equivalents		**55,487,905**	52,577,643
Total current assets		**126,965,102**	120,775,757
CURRENT LIABILITIES			
Trade and bills payables	11	**5,207,120**	4,077,063
Lease liabilities		**240,914**	—
Other payables and accruals		**24,498,417**	22,517,471
Due to joint ventures		**37,488,248**	39,294,914
Due to associates		**1,038,266**	592,204
Interest-bearing bank and other borrowings		**12,320,219**	17,363,932
Tax payables		**7,920,257**	6,851,772
Total current liabilities		**88,713,441**	90,697,356
NET CURRENT ASSETS		**38,251,661**	30,078,401
TOTAL ASSETS LESS CURRENT LIABILITIES		**113,412,631**	93,839,805

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Lease liabilities	**1,919,462**	—
Interest-bearing bank and other borrowings	**73,641,305**	60,418,315
Deferred tax liabilities	**2,332,498**	1,647,439
Deferred revenue	**2,042**	2,042
Total non-current liabilities	**77,895,307**	62,067,796
NET ASSETS	**35,517,324**	31,772,009
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**303,909**	303,909
Treasury shares	**—**	(125)
Reserves	**33,400,795**	28,474,780
	33,704,704	28,778,564
Non-controlling interests	**1,812,620**	2,993,445
TOTAL EQUITY	**35,517,324**	31,772,009

Notes:

1. CORPORATE INFORMATION

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

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

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

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

The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company and approved by the Board for issue on 28 August 2019.

2. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations).

3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised HKFRSs effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)—Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards above will not have a material effect on the Group's interim condensed consolidated financial information. The nature and impact of HKFRS 16 *Leases* are described below:

HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties, vehicles, leasehold land and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments and initial direct costs relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets included in property, plant and equipment, investment properties, land use rights, properties under development and completed properties held for sale in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income) previously identified as operating leases, the Group included them as investment properties at 1 January 2019. They are measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in property, plant and equipment	437,847
Increase in investment properties	1,406,000
Increase in land use rights	31,465
Decrease in prepayments, other receivables and other assets	(44,542)
Increase in total assets	1,830,770
Liabilities	
Increase in lease liabilities	2,097,472
Increase in deferred tax liabilities	12,959
Decrease in other liabilities	(318,538)
Increase in total liabilities	1,791,893
Increase in retained earnings	38,877

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	2,206,028
Weighted average incremental borrowing rate as at 1 January 2019	5.00%
Discounted operating lease commitments as at 1 January 2019	1,781,603
Add: Other lease commitments	315,869
Lease liabilities as at 1 January 2019	2,097,472

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as properties under development and completed properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "property under development" and "completed properties held for sale". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The movement of the carrying amounts of the Group's right-of-use assets (excluded the lands and buildings owned by the Group within the property, plant and equipment, land use rights, properties under development, completed properties held for sale and investment properties) and lease liabilities and the movement during the period are as follow:

	Right-of-use assets				
	Buildings *RMB'000*	**Vehicles** *RMB'000*	**Property, plant and equipment sub-total** *RMB'000*	**Investment properties** *RMB'000*	**Lease liabilities** *RMB'000*
As at 1 January 2019	**437,847**	**474,336**	**912,183**	**1,406,000**	**2,097,472**
Additions	**107,243**	**—**	**107,243**	**1,047**	**101,968**
Depreciation charge	**(26,854)**	**(15,262)**	**(42,116)**	**—**	**—**
Interest expense	**—**	**—**	**—**	**—**	**59,382**
Decrease in fair value	**—**	**—**	**—**	**(16,047)**	**—**
Payments	**—**	**—**	**—**	**—**	**(98,446)**
As at 30 June 2019	**518,236**	**459,074**	**977,310**	**1,391,000**	**2,160,376**

The Group recognised rental expenses from short-term leases of approximately RMB3,707,000, no variable lease payments and rental income from subleasing right-of-use assets, which were subsequently transferred to investment properties, of approximately RMB10,708,000 for the six months ended 30 June 2019.

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

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

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Revenue from contracts with customers		
Sale of properties	**9,712,757**	2,853,411
Hotel operation income	**250,696**	222,704
Property management fee income	**363,239**	252,876
Revenue from other sources		
Gross rental income	**320,428**	134,747
	10,647,120	3,463,738
Other income and gains, net:		
Interest income	**401,857**	275,874
Management fee income	**197,459**	68,353
Foreign exchange differences, net	**44,440**	114,082
Gain on disposal of a subsidiary	**—**	1,167,368
Gain on disposal of a joint venture	**134,095**	—
Others	**361,878**	48,223
	1,139,729	1,673,900

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

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

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

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

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

The Group's revenue from contracts with customers for the six months ended 30 June 2019 as follows:

	Property development *RMB'000* **(Unaudited)**	**Hotel operation** *RMB'000* **(Unaudited)**	**Property management** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Type of revenue recognition:				
Sales of properties	**9,712,757**	**—**	**—**	**9,712,757**
Provision of services	**—**	**250,696**	**363,239**	**613,935**
Total revenue from contracts with customers	**9,712,757**	**250,696**	**363,239**	**10,326,692**
Timing of revenue recognition:				
Recognised at a point in time	**8,147,438**	**—**	**—**	**8,147,438**
Recognised over time	**1,565,319**	**250,696**	**363,239**	**2,179,254**
Total revenue from contracts with customers	**9,712,757**	**250,696**	**363,239**	**10,326,692**

The Group's revenue from contracts with customers for the six months ended 30 June 2018 as follows:

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

The segment results for the six months ended 30 June 2019 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	**9,712,757**	**320,428**	**250,696**	**363,239**	**10,647,120**
Segment results	**5,563,020**	**3,322,175**	**71,163**	**50,453**	**9,006,811**
Reconciliation:					
Interest income and unallocated income					**1,139,729**
Unallocated expenses					**(834,644)**
Finance costs					**(1,004,738)**
Profit before tax					**8,307,158**
Income tax expenses					**(2,157,922)**
Profit for the period					**6,149,236**

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

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses	**2,953,005**	2,103,210
Less: Interest capitalised	**(1,948,267)**	(1,461,428)
	1,004,738	641,782

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**6,513,656**	2,093,758
Less: Government grant released	**(195)**	(19)
	6,513,461	2,093,739
Depreciation	**108,208**	68,540
Amortisation of land use rights	**17,148**	15,924
Less: Amount capitalised in assets under construction	**(11,324)**	(11,626)
	5,824	4,298
Loss/(gain) on disposal of items of property, plant and equipment	**172**	(146)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**760,366**	468,377
Share based compensation expenses	**8,331**	12,044
Pension scheme contributions	**60,198**	43,076
	828,895	523,497
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	**(202,493)**	(122,306)
	626,402	401,191

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – in the People's Republic of China ("PRC")		
Corporate income tax ("CIT")	**854,346**	492,493
Land appreciation tax ("LAT")	**640,951**	158,202
	1,495,297	650,695
Deferred	**662,625**	110,971
Total tax charge for the period	**2,157,922**	761,666

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 2019 and 2018.

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 2019 and 2018, 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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interim dividend of RMB32 cents (2018: RMB25 cents) per ordinary share	**1,015,703**	788,789

Subsequent to the end of the reporting period, the Board declared the payment of an interim dividend of approximately RMB1,015,703,000 (six months ended 30 June 2018: approximately RMB788,789,000) representing RMB32 cents per share, based on the number of shares in issue as at 30 June 2019, in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: RMB25 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 2019 is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 3,173,912,249 (30 June 2018: 3,155,155,055) in issue during the period.

For the six months ended 30 June 2019, 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 3,173,912,249 (30 June 2018: 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 3,816,704 (30 June 2018: 1,951,462).

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company	**5,963,507**	2,171,439

	Number of shares Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**3,173,912,249**	3,155,155,055
Effect of dilution — share options	**—**	16,815
Effect of dilution — awarded shares	**3,816,704**	1,934,647
Weighted average number of ordinary shares used in diluted earnings per share calculation	**3,177,728,953**	3,157,106,517

10. TRADE RECEIVABLES

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

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**1,591,426**	800,653
4 to 6 months	**35,995**	32,356
7 to 12 months	**321,946**	87,605
Over 1 year	**76,177**	37,051
	2,025,544	957,665

11. TRADE AND BILLS PAYABLES

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

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**5,207,120**	4,077,063

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

12. SUBSEQUENT EVENTS

On 3 July 2019, the Company issued 5.875% senior notes with an aggregate principal amount of US$225,000,000 (equivalent to approximately RMB1,544,400,000) (to be consolidated and form a single series with the US$400,000,000 5.875% senior notes due 2024 issued on 10 November 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 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 November 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 25 June 2019 and 3 July 2019.

On 29 July 2019, the Company issued 7.4% senior notes with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,064,630,000). 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 March 2024. The senior notes carry interest at a rate of 7.4% per annum, which is payable semi-annually in arrears on 5 March and 5 September of each year commencing on 5 September 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 22 July 2019, 23 July 2019, and 29 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties, (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 RMB10,647.1 million in the first half of 2019, representing a significant increase of 207.4% from approximately RMB3,463.7 million for the corresponding period in 2018.

The revenue generated from property development, property investment, hotel operation and property management were approximately RMB9,712.8 million, RMB320.4 million, RMB250.7 million and RMB363.2 million, respectively, during the six months ended 30 June 2019.

Proportionate revenue amounted to approximately RMB17,110.1 million in the first half of 2019, representing a significant increase of 68.7% from approximately RMB10,144.7 million for the corresponding period in 2018.

Property development

Revenue generated from property development significantly increased by 240.4% to approximately RMB9,712.8 million for the six months ended 30 June 2019 from approximately RMB2,853.4 million for the corresponding period in 2018, primarily due to an increase in the total gross floor area ("GFA") delivered to 646,900 sq.m. in the first half of 2019 from 256,419 sq.m. for the corresponding period in 2018. The increase in revenue was also attributable to an increase in the recognised average selling price ("ASP") to RMB15,014 per sq.m. from RMB11,129 per sq.m. in the corresponding period in 2018. The increase 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 2018.

Proportionate revenue generated from property development significantly increased by 69.7% to approximately RMB16,175.7 million for the six months ended 30 June 2019 from approximately RMB9,534.3 million for the corresponding period in 2018, primarily due to an increase in the proportionate total GFA delivered to 967,740 sq.m. in the first half of 2019 from 617,687 sq.m. for the corresponding period in 2018. The proportionate recognised ASP increased to RMB16,715 per sq.m. in the first half of 2019 from RMB15,436 per sq.m. in the corresponding period in 2018.

Property investment

Revenue generated from property investment significantly increased by 137.9% to approximately RMB320.4 million for the six months ended 30 June 2019 from approximately RMB134.7 million for the corresponding period in 2018, primarily attributable to an increase in leased investment properties.

Hotel operation

Revenue generated from hotel operation increased by 12.6% to approximately RMB250.7 million for the six months ended 30 June 2019 from approximately RMB222.7 million for the corresponding period in 2018, primarily due to our Suzhou Courtyard commenced its launch in September 2018.

Property management

Revenue generated from property management significantly increased by 43.6% to approximately RMB363.2 million for the six months ended 30 June 2019 from approximately RMB252.9 million for the corresponding period in 2018, primarily attributable to an increase in the number of properties under management.

Cost of Sales

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

Cost of sales significantly increased by 189.8% to approximately RMB6,915.4 million for the six months ended 30 June 2019 from approximately RMB2,385.9 million for the corresponding period in 2018, primarily due to the increase of total GFA delivered in sales of properties.

Land cost per sq.m. significantly increased from RMB2,078 for the corresponding period in 2018 to RMB4,312 for the six months ended 30 June 2019, due to the change in delivery portfolio with different city mix as compared with that for the corresponding period in 2018.

Construction cost per sq.m. decreased from RMB4,854 for the corresponding period in 2018 to RMB4,265 for the six months ended 30 June 2019, primarily attributable to an increase in delivery of mid-end properties with relatively lower construction cost.

Proportionate cost of sales significantly increased by 62.8% to approximately RMB10,927.8 million for the six months ended 30 June 2019 from approximately RMB6,713.5 million for the corresponding period in 2018, primarily due to the increase of total proportionate GFA delivered in sales of properties.

Gross Profit

Gross profit of the Group significantly increased by 246.2% to approximately RMB3,731.7 million for the six months ended 30 June 2019 from approximately RMB1,077.9 million for the corresponding period in 2018. The increase of gross profit was principally due to the increase in the total revenue and recognised ASP in the first half of 2019. The Group reported gross profit margin of 35.0% for the six months ended 30 June 2019 (2018: 31.1%).

Proportionate gross profit of the Group significantly increased by 80.2% to approximately RMB6,182.3 million for the six months ended 30 June 2019 from approximately RMB3,431.1 million for the corresponding period in 2018. The increase of proportionate gross profit was principally due to the increase in the proportionate revenue and recognised ASP in the first half of 2019. The Group reported proportionate gross profit margin of 36.1% for the six months ended 30 June 2019 (2018: 33.8%).

Other Income and Gains, Net

Other income and gains, significantly decreased by 31.9% to approximately RMB1,139.7 million for the six months ended 30 June 2019 from approximately RMB1,673.9 million for the corresponding period in 2018, and mainly comprised gain on disposal of a joint venture, interest income and management fee income related to our joint venture projects of approximately RMB134.1 million, RMB401.9 million and RMB197.5 million respectively.

Selling and Marketing Expenses

Selling and marketing expenses of the Group significantly increased by 80.2% to approximately RMB374.9 million for the six months ended 30 June 2019 from approximately RMB208.1 million for the corresponding period in 2018, mainly due to an increase in sales commission, which was in line with the increase in revenue generated from sales of properties during the period. The increase was also attributable to an increase in advertising and promotion expenses during the period.

Administrative Expenses

Administrative expenses of the Group significantly increased by 67.2% to approximately RMB912.9 million for the six months ended 30 June 2019 from approximately RMB546.1 million for the corresponding period in 2018, 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 RMB9.1 million for the six months ended 30 June 2019 (2018: approximately RMB1.4 million).

Fair Value Gains on Investment Properties, Net

The Group reported fair value gains on investment properties of approximately RMB3,054.9 million for the six months ended 30 June 2019 (2018: approximately RMB1,186.0 million), mainly related to various leasable commercial properties in various regions.

Finance Costs

Finance costs of the Group being approximately RMB1,004.7 million for the six months ended 30 June 2019 (2018: approximately RMB641.8 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 significantly increased by 183.3% to approximately RMB2,157.9 million for the six months ended 30 June 2019 from approximately RMB761.7 million for the corresponding period in 2018, primarily due to an increase in provision of LAT and CIT as a result of the increase in the total GFA delivered from sales of properties in the first half of 2019.

Profit for the Period

The Group reported profit for the period of approximately RMB6,149.2 million for the six months ended 30 June 2019 (2018: approximately RMB2,164.2 million). For the six months ended 30 June 2019, proportionate net profit margin was 35.9% (2018: 21.3%).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2019, the carrying amounts of the Group's cash and bank balances were approximately RMB58,557.6 million (31 December 2018: approximately RMB56,677.0 million), representing an increase of 3.3% as compared to that as at 31 December 2018.

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 2019, the carrying amount of the restricted cash was approximately RMB3,069.7 million (31 December 2018: approximately RMB4,099.3 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2019, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB37,665.0 million, RMB21,297.9 million and RMB26,998.6 million respectively. Amongst the bank and other loans, approximately RMB7,175.9 million will be repayable within 1 year, approximately RMB22,947.9 million will be repayable between 2 and 5 years and approximately RMB7,541.2 million will be repayable over 5 years. Amongst the senior notes, approximately RMB18,687.7 million will be repayable between 2 and 5 years and approximately RMB2,610.2 million will be repayable over 5 years. Amongst the domestic corporate bonds, approximately RMB5,144.4 million will be repayable within 1 year, approximately RMB21,854.2 million will be repayable between 2 and 5 years.

As at 30 June 2019, the Group's bank and other loans of approximately RMB33,893.5 million were secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying value of approximately RMB35,566.7 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 RMB5,444.6 million and RMB1,745.6 million as at 30 June 2019 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 RMB7,142.8 million which were charged at fixed interest rates as at 30 June 2019. 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 2019.

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 2019, the gearing ratio was 77.2% (31 December 2018: 66.4%).

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 2019, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar slightly 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 2019, the Group had the contingent liabilities relating to guarantees given to banks in respect of mortgage facilities for certain purchasers amounting to approximately RMB12,006.0 million (31 December 2018: approximately RMB8,117.1 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments by the purchasers, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provisions have been made in the financial information as at 30 June 2019 and the financial statements as at 31 December 2018 for the guarantees.

(ii) As at 30 June 2019 and 31 December 2018, the Group had provided guarantees in respect of certain bank loans for its joint ventures and associates.

Market Review

The nationwide property market in general was less heated in the first half of 2019 as compared to the corresponding period of 2018, as the overall market followed the downward trend of the market in the second half of 2018. Against this backdrop, the government's regulatory policy for the property market was aimed mainly at maintaining stability, and differentiated regulatory policies were adopted for different cities. Since March, the market has become more stabilized with notable improvements in market sentiments. According to data published by the National Bureau of Statistics, nationwide property development investment for the first six months of 2019 amounted to RMB6,160.9 billion, representing a year-on-year increase of 10.9%; property developers acquired land sites with an aggregate area of 80.35 million sq.m., representing a year-on-year decrease of 27.5%; land premium paid amounted to RMB381.1 billion, decreasing by 27.6%, year-on-year. With the rigorous implementation of the price cap policy, property prices are expected to stabilize. For the first half of 2019, sales volume and sales amount for national commodity properties amounted to 757.86 million sq.m. and RMB7,069.8 billion, respectively, representing a year-on-year decrease of 1.8% and a year-on-year increase of 5.6%, respectively.

During the first half of 2019, uncertainties prevailed in the China-U.S. trade war and there was notable volatility in international exchange rates. Against such macro-environment, China reported a 6.3% year-on-year GDP growth in a continuation of the trend of general stability with growth. Regarding the real estate industry, the Central Government continued to reiterate the principle of "housing properties for accommodation, not speculative trading" and adopted the policies of "each city adopting its own specific measures" and "differentiated regulatory policies for different cities". The general government policy prevailing in the first quarter led to optimism in expectations. For example, in certain cities, the upper cap for housing loan interest rates was lowered, while prices restrictions and the lot-drawing policy were relaxed. Many local regions encouraged talents to seek settlement by building security housing to attract the demand for home purchases by talents. Nevertheless, the land market turned active in tandem with improving consumers' confidence and market sentiments. Since April, purchase and sale restrictions have been escalated in certain cities with heated market sentiments, while some cities adjusted their land acquisition rules to achieve the aim of policy regulation in stabilizing land prices, property prices and market expectations.

Business Review

The Group's pre-sales for the reporting period amounted to RMB36.0 billion in aggregate, representing a year-on-year increase of 11%. ASP stood at approximately RMB17,000 per sq.m., which was similar to that for the corresponding period of 2018. Analyzed by contribution to pre-sales amount, among the 95 projects currently for sale, 47% were from Yangtze-River-Delta Area and 28% were from Greater-Bay-Area; analyzed by the ranking of cities, 89% were from tier-one and tier-two cities.

During the reporting period, the Group launched 15 brand new projects, including Taizhou Star Mansion, Jiaxing Yaozhuang Project, Wuxi Exquisite Palace, Foshan Apex, Chongqing The Moon Mansion and Nanning Impression Discovery Bay etc. The Group continued to prioritize quality and persist in a consumer-centered approach, bringing the consolidated strengths afforded by the diversity of the Group's businesses, delivering integrated services that covered accommodation, consumption, education and healthcare in its commitment to building homes and serving with heart. Over the past six months, the Group has won wide recognition in the industry, claiming accolades in the brand, residential and commercial categories by renowned institutions such as China Index Academy, www.guandian.cn and etc., among others: 2019 Top 30 Listed PRC Property Developers, 2019 China Mainland Top 10 Real Estate Companies Listed in Hong Kong by Comprehensive Strengths, 2019 Leader in Service Quality among Top 100 PRC Real Estate Companies in Property Management Service, 2019 Most Influential Residence in Chongqing, 2019 Major Contributor to Urban Residential Living in Guangxi Real Estate Expo, Emerging Hotel Brand in China (The Mulian Hotels), 2019 Must-visit Shopping Malls List on Dazhong Dianping (Chengdu U Fun and Suzhou U Fun).

During the reporting period, the Group continued to further explore opportunities in Greater-Bay-Area and Yangtze-River-Delta Area with a strong focus on tier-one and tier-two cities. The Group acquired premium land sites through tenders, auctions and listings in the public market, while also actively participating in mergers and acquisitions and joint developments to obtain land at more favorable costs. During the reporting period, the Group successfully acquired 16 projects in tier-one cities including Beijing and Guangzhou and top tier-two cities such as Hangzhou and Chongqing through tenders, auctions and listings in the public market, mergers and acquisitions as well as joint developments, adding 1.75 million sq.m. of attributable GFA. Analyzed by GFA, approximately 50% of the new attributable GFA was acquired through tenders, auctions and listings in the public market, reflecting our success in acquiring and replenishing premium land reserves at reasonable costs by seizing opportunities in primary market during the first half of the year.

As at 30 June 2019, the Group owned 153 projects in 38 cities across Mainland China and Hong Kong with an attributable land bank of approximately 17.72 million sq.m., sufficient for the Group's development in the next 3 to 5 years.

Recurring Income

During the reporting period, the Group's recurring income boosted significant growth of 51% to RMB1,071 million, compared with the same period last year. Currently, 8 offices, 8 shopping centers and 13 hotels are in operation, all of which are in core areas and new CBDs in tier-one and tier-two cities, supporting stable recurring income for the Group. Operating profit margins for mature shopping centers and The Mulian hotels approached 50%, and for mature office buildings reached 80%. Investment properties have entered into harvesting season, sustaining cash inflows and profits for the Group.

(1) Shopping malls

During the reporting period, the Group welcomed the grand openings of Guangzhou Nansha U Fun and Foshan U Fun Shopping Centers. Located in Jiaomen River Central District in Nansha Free Trade Area of Guangzhou, adjacent to the office of the Nansha District Government, Nansha U Fun occupies an area of 650,000 sq.m. within integrated complex of The Horizon Nansha, comprising residential buildings, villas, apartments, offices and The Mulian Hotel. Foshan U Fun is designed to be an architecture with semi-open space to create a pedestrian walk for leisure metropolitan life, bringing shopping center, cruisine paradise and artistic park under one roof. As new landmarks in Nansha and Foshan, the two shopping centers provide consumers in nearby areas with a one-stop destination for rendezvous, leisure, residential facilities and kids' activities.

Currently, the Group has eight shopping malls in operation, variously located in Guangzhou, Shanghai, Beijing, Chengdu, Suzhou and Foshan in core districts with a strong commercial presence. Four of them, namely, Suzhou U Fun, Chengdu U Fun, Beijing M • Cube and Guangzhou The Summit U Fun, are now housing premium brands as stable tenants after nearly one year in operation, supported by residential facilities in nearby area and an increasing mature commercial presence, underpinned by an occupancy rate of over 80% and providing assurance for growth in the Group's rental income for the first half of 2019. The Group will continue to uphold its brand philosophy of "art, ecology and happy life", bringing fresh vitality to the city life through its two meticulously forged proprietary brands of "U Fun" and "M • Cube".

(2) Hotels

Since the beginning of 2019, the Group's Mulian Hotel segment has so far been stellar in performance, with four new Mulian Hotels opened at Canton Fair, Nansha Phoenix Lake and Luogang Science City in Guangzhou, and Bantian in Shenzhen.

The Mulian Hotel at Guangzhou Canton Fair is located on the International Biological Island in Haizhu District, Guangzhou. Convenient transportation access is provided by Guanzhou Station of Guangzhou Metro Line 4 right beneath the hotel. The Guangzhou International Biological Island is a key incubation base for bio-technology and pharmaceutical research developed by the Guangzhou Municipal Government that hosts a number of biotech companies. As a high-end boutique hotel with a strong artistic aura on the Guangzhou International Biological Island within walking distance from the biotech companies in the neighborhood, it is also an unmistakable choice for tourists and leisure stays given its pleasant environment and proximity to scenic spots such as Diecui Park and Shuimo Park.

The Mulian Hotel at Phoenix Lake, Nansha, Guangzhou is located within The Horizon complex in Nansha District, Guangzhou. Surrounded by well-developed residential buildings, villas and apartments and complemented by the recently opened Guangzhou Nansha U Fun Shopping Center, it benefits from a rich array of life and entertainment facilities in a mature residential area. The hotel is positioned as a middle- to high-end facility for light-luxury business travelers, offering cosy and restful accommodation as well as convenient residential facilities to business people.

The Mulian Hotel at Bantian, Shenzhen stands near the headquarters of Huawei in Longgang District, Shenzhen, on the side of the entrance of Meiguan Expressway. Its excellent geographic location is capped by convenient transportation access. The hotel is equipped with a variety of room types in a bid to provide a solid experience in unique accommodation for customer groups with different needs.

The 13 hotels under the Group currently in operation include hotels managed and operated under international brands, such as Guangzhou W Hotel, Guangzhou Conrad, Guangzhou Dongpu Four Points by Sheraton and Suzhou Courtyard, as well as proprietary brands such as The Mulian Hotels in Pearl River New Town, Huadu District, Biological Island, The Horizon Nansha and Science City in Guangzhou, Bantian in Shenzhen, Future Science City in Hangzhou, Financial High-tech Zone in Chengdu and North High-speed Rail Station in Suzhou. As the proprietary hotel brand of KWG Group, The Mulian Hotels are positioned to middle- to high-end market, targeting modern-day business travelers with unique key brand catchwords such as “elegance”, “inspiration” and “fashion”. It seeks to foster an elegant, cosy and charming living space with a minimalist style in artistic design, providing discerning business travelers with a solid experience in accommodation and enjoyment and fostering a brand new traveler lifestyle underpinned by art and aesthetics.

In the future, the Group will continue to operate and promote its boutique brand of The Mulian Hotel through an asset-light model, with plans to open hotels in major tier-one and tier-two cities. Looking to the longer term, the Group expects The Mulian Hotel to export brand on the back of its brand value and market influence.

(3) Offices

At present, offices owned by the Group in core districts in tier-one and top tier-two cities, such as Guangzhou, Shanghai, Chengdu and Nanning, among others, have commenced operation, and will provide stable cash flow to the Group in future in the form of rental income. Offices in Guangzhou that have commenced operation include International Finance Place and International Metropolitan Plaza in Pearl River New Town and International Commerce Place in Pazhou. Office in Shanghai that has commenced operation includes International Metropolitan Plaza in Pudong Bund. Offices in Chengdu and Nanning that have commenced operation include Chengdu Cosmos International Center and Guangxi International Finance Place. All of the offices mentioned above are located within the CBDs in core cities, boasting high occupancy rates as they benefit from comprehensive transportation access to metro stations and main driveways nearby. As local or district landmarks built according to international quality standards, they serve as a fine testament to the Group's image as a premium company with all-round capabilities in the design, construction and management of Grade A office towers.

Outlook

The "2019 Government Work Report" has called for the solving of the mass housing problem in a more effective manner with the cities taking on the main responsibility and the reform and improvement of the housing market regime and the security regime, in order to facilitate stable and healthy development of the property market. In 2019, the Ministry of Housing and Urban-Rural Development will implement in a prudent manner the work plan of the long-term mechanism for the stable and healthy development of the real estate market and uphold the principle of "housing properties for accommodation, not for speculative trading", differentiated regulatory policies for different cities and giving instructions in a categorized manner, with a special emphasis on implementing the responsibility for stabilizing land prices, housing prices and market expectations and maintaining policy continuity and stability.

Given the prevailing principle of "housing properties for accommodation but not speculative trading and differentiated regulatory policies for different cities" upheld by the Central Government and the macro-economic landscape, the Group will continue to further explore opportunities in Greater-Bay-Area and Yangtze-River-Delta Area with a strong focus on tier-one and tier-two cities in the second half of 2019. Following years of development in the two aforesaid main regions, our land bank and sellable resources in these two regions account for 55% and 71% of our total attributable land bank and total gross sellable resources. Looking to the second half of 2019, the Group expects to launch approximately 20 brand new projects, including Hangzhou Linping Project, Suzhou Taihu New Town Project, Wuxi Star Mansion, Hong Kong Upper RiverBank, Guangzhou Montkam Garden, Foshan China Image, Jiangmen Apex, Beijing Niulanshan 1107# Project and Chongqing Jiangzhou Jinyun Project etc. The Group's sellable resources for the second half of 2019 will amount to RMB100 billion, of which Greater-Bay-Area and Yangtze-River-Delta Area will account for 33% and 32%, respectively, as analyzed by region, while tier-one and tier-two cities will account for 88% as analyzed by the ranking of cities.

We believe that, with the Group's geographic deployment penetrating Greater-Bay-Area and Yangtze-River-Delta Area, strategy of focusing on tier-one and tier-two cities, premium land reserves and abundant premium sellable resources, a solid foundation will be in place for the Group's sales growth. Moreover, the Group will enhance its construction work quality and production safety through optimized operational and management processes, as well as increase the speed and efficiency of its work through standardized construction, in order to accelerate the turnover cycle while assuring the premium quality of our products. The management and the staff at all levels of the Group are unwaveringly committed to the primacy of our customers, continually deliver value with heart and create exquisite products with meticulous craftsmanship. As for our commercial segment, with operations of properties for recurring income growing in maturity, we can expect ongoing rapid growth in our recurring income. The synergetic effects arising from the co-development of our diverse segments and our property and commercial segments will contribute to our Group's development into a widely-recognized and leading integrated city operator in China.

Overview of the Group's Property Development

As at 30 June 2019, 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, Dongguan, Yangzhou, Ningbo, Meishan, Chenzhou, Wuzhou, Xi'an 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	1,490	100
2	International Metropolitan Plaza	Guangzhou	Office/commercial	40	50
3	Tian Hui Plaza (including The Riviera and Top Plaza)	Guangzhou	Serviced apartment/office/commercial/hotel	45	33.3
4	The Star	Guangzhou	Serviced apartment/office/commercial	84	100
5	Top of World	Guangzhou	Villa/serviced apartment/office/commercial/hotel	395	100
6	The Eden	Guangzhou	Residential/commercial	2	50
7	Zengcheng Gua Lv Lake	Guangzhou	Villa/hotel	43	100
8	Essence of City	Guangzhou	Residential/villa/commercial	173	100
9	International Commerce Place	Guangzhou	Office/commercial	50	50
10	CFC (including Mayfair and International Finance East)	Guangzhou	Serviced apartment/office/commercial	79	33.3
11	The Horizon	Guangzhou	Residential/villa/serviced apartment/office/commercial/hotel	17	50
12	Fortunes Season	Guangzhou	Residential/villa/commercial	214	50
13	Nansha River Paradise	Guangzhou	Residential/commercial	61	40
14	The Jadeite (formerly known as Guangzhou Tianhe Project)	Guangzhou	Residential	16	40
15	V-city	Guangzhou	Serviced apartment/commercial	182	70
16	Montkam Garden (formerly known as Guangzhou Baiyun Project)	Guangzhou	Residential/villa	26	30
17	E-city	Guangzhou	Serviced apartment/commercial	506	67

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
18	Guangzhou Science City Hotel Project	Guangzhou	Serviced apartment/hotel	14	60
19	Guangzhou New Financial City Project	Guangzhou	Residential/serviced apartment	99	100
20	Guangzhou Huadu Shiling Project	Guangzhou	Residential/commercial	124	100
21	Guangzhou Zengcheng Luogang Project	Guangzhou	Residential/commercial	86	100
22	IFP	Guangzhou	Office/commercial	61	100
23	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
24	The Mulian Huadu	Guangzhou	Hotel	25	100
25	W Hotel/W Serviced Apartments	Guangzhou	Hotel/serviced apartment	80	100
26	The Mulian Guangzhou	Guangzhou	Hotel	8	100
27	The Sapphire	Suzhou	Residential/serviced apartment/office/commercial/hotel	43	100
28	Suzhou Apex	Suzhou	Residential/serviced apartment/commercial/hotel	115	100
29	Suzhou Emerald	Suzhou	Residential/commercial	3	100
30	Leader Plaza	Suzhou	Serviced apartment/office/commercial	34	100
31	Wan Hui Plaza	Suzhou	Serviced apartment/office/commercial/hotel	33	100
32	Suzhou Jade Garden	Suzhou	Residential/commercial	4	100
33	Enjoy The Exquisite Life	Suzhou	Residential	14	100
34	Orient Aesthetics	Suzhou	Residential/commercial	25	20
35	Orient Moon Bay	Suzhou	Residential	29	50
36	The Moon Mansion	Suzhou	Residential/villa	58	100
37	Suzhou Taihu New Town Project	Suzhou	Residential/villa/serviced apartment/office/commercial/hotel	68	20
38	The Vision of the World	Chengdu	Residential/serviced apartment/commercial	54	100
39	Chengdu Cosmos	Chengdu	Residential/serviced apartment/office/commercial/hotel	304	100
40	Chengdu Sky Ville	Chengdu	Residential/serviced apartment/office/commercial/hotel	156	50

No.	Project	District	Type of Product	**Total GFA Attributable to the Group's Interest** *('000 sq.m.)*	**Interest Attributable to the Group** *(%)*
41	Yunshang Retreat	Chengdu	Residential/villa/ commercial/hotel	610	55
42	Fragrant Seasons	Beijing	Residential/villa/serviced apartment/commercial	2	100
43	La Villa	Beijing	Residential/villa/ commercial	10	50
44	Beijing Apex	Beijing	Residential/villa/serviced apartment/commercial	27	50
45	M • Cube	Beijing	Commercial	16	100
46	Summer Terrace	Beijing	Residential/commercial	19	100
47	KWG Center I	Beijing	Serviced apartment/office/ commercial	128	100
48	KWG Center II	Beijing	Serviced apartment/office/ commercial	125	100
49	Rose and Ginkgo Mansion	Beijing	Residential/villa/office/ commercial	27	33
50	The Core of Center	Beijing	Residential/villa/serviced apartment/commercial/ hotel	201	100
51	Beijing Niulanshan 1107# Project	Beijing	Residential	31	80
52	Link Chang 'an	Beijing	Residential/office/ commercial/hotel	29	51
53	Pearl Coast	Hainan	Residential/villa/hotel	137	100
54	Villa Como	Hainan	Residential/villa/ commercial/hotel	362	100
55	Hainan Lingao Project	Hainan	Residential	34	20
56	International Metropolis Plaza	Shanghai	Office/commercial	39	100
57	The Core of Center	Shanghai	Residential/serviced apartment/office/ commercial	24	50
58	Shanghai Apex	Shanghai	Residential/serviced apartment/commercial/ hotel	37	100
59	Shanghai Sapphire	Shanghai	Serviced apartment/ commercial	51	100
60	Amazing Bay	Shanghai	Residential/serviced apartment/office/ commercial/hotel	54	50

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
61	Vision of World	Shanghai	Residential/serviced apartment/commercial/ hotel	121	100
62	Glory Palace	Shanghai	Residential	85	100
63	Jinnan New Town	Tianjin	Residential/villa/serviced apartment/commercial	463	25
64	Tianjin The Cosmos	Tianjin	Residential/villa/ commercial	262	100
65	Tianjin Jinghai Project	Tianjin	Residential	115	49
66	Tianjin Apex	Tianjin	Residential/office/ commercial/hotel	109	100
67	The Core of Center	Nanning	Residential/villa/serviced apartment/office/ commercial	358	87
68	International Finance Place	Nanning	Office/commercial	35	100
69	Top of World	Nanning	Residential/villa/serviced apartment/commercial	326	100
70	Fragrant Season	Nanning	Residential/villa/ commercial	292	100
71	Impression Discovery Bay I	Nanning	Residential/commercial	101	34
72	Impression Discovery Bay II	Nanning	Residential/commercial	50	34
73	The Horizon	Nanning	Residential/commercial	343	80
74	The Mulian Hangzhou	Hangzhou	Commercial/hotel	18	100
75	The Moon Mansion	Hangzhou	Residential/villa	2	51
76	Sky Ville	Hangzhou	Residential/villa	49	100
77	Majestic Mansion	Hangzhou	Residential/villa	3	100
78	Puli Oriental	Hangzhou	Residential/commercial	8	50
79	Hangzhou Linping Project	Hangzhou	Serviced apartment/ commercial	15	60
80	Hangzhou Tangqi Project	Hangzhou	Residential/commercial	47	100
81	Shine City	Nanjing	Residential/office/ commercial	18	50
82	Nanjing Yuhuatai Project	Nanjing	Residential/commercial	16	19.75
83	Nanjing Lukou Project	Nanjing	Residential	21	50
84	Oriental Bund	Foshan	Residential/villa/serviced apartment/office/ commercial	1,124	50
85	The Riviera	Foshan	Residential/commercial	116	51
86	One Palace	Foshan	Residential/serviced apartment/commercial	89	33.3

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
87	Foshan Apex	Foshan	Residential/serviced apartment/commercial	21	50
88	China Image (formerly known as Foshan Longjiang Project)	Foshan	Residential/commercial	38	34
89	Water Moon (formerly known as City Moon I)	Hefei	Residential/commercial	139	100
90	City Moon (formerly known as City Moon II)	Hefei	Residential/commercial	40	51
91	The One	Hefei	Residential/commercial	145	100
92	Park Mansion	Hefei	Residential	44	50
93	Joyful Season	Wuhan	Residential/villa/ commercial	107	60
94	The Buttonwood Season I	Wuhan	Residential/villa/ commercial	91	100
95	The Buttonwood Season II	Wuhan	Residential/villa/ commercial	142	100
96	Exquisite Bay	Xuzhou	Residential/commercial	47	50
97	Fragrant Season	Xuzhou	Residential/serviced apartment/commercial	43	50
98	Xuzhou Tongshan Project I	Xuzhou	Residential	23	33
99	Xuzhou Tongshan Project II	Xuzhou	Residential/commercial	34	33
100	Majestic Mansion	Jiaxing	Residential/commercial	46	100
101	Star City	Jiaxing	Residential	28	25
102	Jiashan Yaozhuang Project	Jiaxing	Residential	64	100
103	Top of World Residence I	Taizhou	Residential	81	100
104	Top of World Residence II	Taizhou	Residential/commercial	79	80
105	Linhai Mansion	Taizhou	Residential/commercial	98	100
106	Star Mansion	Taizhou	Residential/commercial	18	33
107	Linhai CBD Project	Taizhou	Residential/commercial	34	100
108	Jinan Zhangqiu Project	Jinan	Residential	151	49
109	Jinan Zhang Ma Tun C6# Project	Jinan	Residential/commercial	26	20
110	Jinan Zhang Ma Tun C8# Project	Jinan	Residential/commercial	26	20
111	Fragrant Season	Changshu	Residential	24	40
112	Changshu Qinhu Project	Changshu	Residential	17	25
113	Liu Xiang Mansion	Lishui	Residential/commercial	58	49
114	The Riviera Chongqing	Chongqing	Residential/commercial	47	100
115	The Cosmos Chongqing	Chongqing	Residential/office/ commercial/hotel	383	100
116	The Moon Mansion	Chongqing	Residential	27	39

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (’000 sq.m.)	Interest Attributable to the Group (%)
117	Chongqing Jiangzhou Jinyun Project (formerly known as Chongqing Two River New District Project C43–1/02#)	Chongqing	Residential	47	50
118	Chongqing Longjing Xuefu Project	Chongqing	Residential	37	50
119	Chongqing Jingyuetai Project	Chongqing	Residential	71	50
120	Jiangsu Taicang Project	Taicang	Residential	118	100
121	Oriental Mansion	Wuxi	Residential/commercial	23	20
122	Wuxi Huishan Project	Wuxi	Residential/villa/ commercial	81	49
123	Exquisite Palace	Wuxi	Residential/commercial	42	45
124	Star Mansion	Wuxi	Residential/commercial	27	50
125	Vision of World	Zhaoqing	Residential/commercial	192	100
126	River View Mansion (formerly known as Zhaoqing Duanzhou Project)	Zhaoqing	Residential/commercial	62	33
127	The Moon Mansion	Zhongshan	Residential/commercial	67	50
128	Serenity in Prosperity	Nantong	Residential/villa/ commercial	103	51
129	Oriental Beauty	Nantong	Residential	106	70
130	The Moon Mansion	Liuzhou	Residential/villa/ commercial	166	100
131	Fortunes Season	Liuzhou	Residential/commercial/ hotel	1,124	100
132	Shenzhen Bantian Project	Shenzhen	Serviced apartment/office/ commercial	119	100
133	KWG Topchain City Center (formerly known as Shenzhen Yantian Project)	Shenzhen	Office/commercial	69	51
134	Life in Yueshan County	Huizhou	Residential/commercial	371	100
135	The Horizon	Jiangmen	Residential	37	100
136	Jiangmen Apex	Jiangmen	Residential/serviced apartment/commercial	132	100
137	Cullinan Mansion	Wenzhou	Residential/commercial	112	100
138	Art Wanderland (formerly known as Dongguan Shipai Project)	Dongguan	Residential/villa/ commercial	26	12.5
139	Dongguan Hengli Project	Dongguan	Residential/commercial	50	20
140	Yangzhou Apex	Yangzhou	Residential/commercial	197	100
141	Parkview Place (formerly known as Ningbo Beilun Project)	Ningbo	Residential	53	49

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (’000 sq.m.)	Interest Attributable to the Group (%)
142	Ningbo Yinzhou Project	Ningbo	Residential	42	50
143	Meishan Apex	Meishan	Residential/commercial	133	100
144	Meishan Nanhu Peninsula Project	Meishan	Residential/villa/ commercial	342	100
145	Chenzhou Wangxian Eco-tourism Project	Chenzhou	Residential/villa	73	50
146	KWG Qidi Ice Town	Wuzhou	Residential/commercial	285	75
147	Xi’an Yanta Project	Xi’an	Serviced apartment	37	100
148	Hong Kong Ap Lei Chau Project	Hong Kong	Residential/villa	35	50
149	Upper RiverBank (formerly known as Hong Kong Kai Tak Project)	Hong Kong	Residential	27	50

Employees and Emolument Policies

As at 30 June 2019, the Group employed a total of approximately 9,800 employees. The total staff costs incurred were approximately RMB828.9 million during the six months ended 30 June 2019. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

The Company has adopted the share award scheme and the share option scheme in order to recognize and motivate the contributions by the eligible participants of the Group.

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

INTERIM DIVIDEND

To appreciate the long-term support of shareholders of the Company (the "Shareholders"), the Board resolved to declare an interim dividend of RMB32 cents (2018: RMB25 cents) per share for the six months ended 30 June 2019. The interim dividend shall be declared in RMB and payable in cash in Hong Kong dollars and expected to be paid on or around Thursday, 16 January 2020 to the Shareholders whose names appear on the register of members of the Company on Friday, 20 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 16 September 2019 to Friday, 20 September 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents 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 Friday, 13 September 2019.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of the directors of the Company (the "Directors"). Having made specific enquiry of all Directors, the Company confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") comprises three members who are independent non-executive Directors. The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company's website (www.kwggroupholdings.com) and the HKEXnews website (www.hkexnews.hk). The interim report for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the abovementioned websites in due course.

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

Hong Kong, 28 August 2019

As at the date of this announcement, the board of Directors comprises seven Directors, of which Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao, Mr. KONG Jiannan and Mr. CAI Fengjia are executive Directors; and Mr. LEE Ka Sze, Carmelo, JP, Mr. TAM Chun Fai and Mr. LI Binhai are independent non-executive Directors.