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## **KWG GROUP HOLDINGS LIMITED**

### **合景泰富集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1813)**

## **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

### **HIGHLIGHTS**

- Proportionate revenue for the six months ended 30 June 2020 amounted to RMB20,606.9 million, an increase of 20.4% as compared with the corresponding period in 2019.
- Core profit of the Company for the period amounted to RMB3,302.3 million, representing an increase of 31.4% as compared with the corresponding period in 2019.
- Gross profit margin and core profit margin for the period were 32.9% and 24.5%, respectively.
- Basic earnings per share attributable to owners of the Company for the period amounted to RMB110.7 cents, compared with RMB187.9 cents for the corresponding period in 2019.
- Interim dividend of RMB40 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 2020, together with the comparative figures for the corresponding period in 2019, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 together with audited comparative figures as at 31 December 2019. The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>13,483,183</b>	10,647,120
Cost of sales		<b>(9,043,069)</b>	(6,915,418)
<b>Gross profit</b>		<b>4,440,114</b>	3,731,702
Other income and gains, net	4	<b>1,223,988</b>	1,139,729
Selling and marketing expenses		<b>(419,388)</b>	(374,853)
Administrative expenses		<b>(813,550)</b>	(912,853)
Other operating expenses, net		<b>(3,269)</b>	(9,114)
Fair value gains on investment properties, net		<b>352,174</b>	3,054,930
Finance costs	5	<b>(546,461)</b>	(1,004,738)
Share of profits and losses of:			
Associates		<b>66,439</b>	82,259
Joint Ventures		<b>1,064,074</b>	2,600,096
<b>PROFIT BEFORE TAX</b>	6	<b>5,364,121</b>	8,307,158
Income tax expenses	7	<b>(1,704,006)</b>	(2,157,922)
<b>PROFIT FOR THE PERIOD</b>		<b>3,660,115</b>	6,149,236
Attributable to:			
Owners of the Company		<b>3,515,813</b>	5,963,507
Non-controlling interests		<b>144,302</b>	185,729
		<b>3,660,115</b>	6,149,236
<b>Earnings per share attributable to owners of the Company</b>			
– Basic	9	<b>RMB110.7 cents</b>	RMB187.9 cents
– Diluted	9	<b>RMB110.6 cents</b>	RMB187.7 cents

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>PROFIT FOR THE PERIOD</b>	<b>3,660,115</b>	<b>6,149,236</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	(395,229)	(111,051)
Share of exchange differences on translation of joint ventures	<u>(25,872)</u>	<u>(9,225)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<b>(421,101)</b>	<b>(120,276)</b>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	<u>(201,841)</u>	<u>(26,787)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(201,841)</u>	<u>(26,787)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<u><b>(622,942)</b></u>	<u><b>(147,063)</b></u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><b>3,037,173</b></u>	<u><b>6,002,173</b></u>
Attributable to:		
Owners of the Company	<b>2,892,871</b>	5,816,444
Non-controlling interests	<u><b>144,302</b></u>	<u>185,729</u>
	<u><b>3,037,173</b></u>	<u><b>6,002,173</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2020	31 December 2019
	<i>Notes</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		6,778,622	6,411,151
Investment properties		29,075,790	27,263,329
Land use rights		1,117,007	1,152,384
Interests in associates		4,242,336	4,670,441
Interests in joint ventures		47,068,628	42,996,460
Deferred tax assets		2,078,314	1,872,238
Other non-current assets		211,928	211,928
		<u>90,572,625</u>	<u>84,577,931</u>
<b>CURRENT ASSETS</b>			
Properties under development		51,670,355	51,760,690
Completed properties held for sale		10,392,775	10,928,887
Trade receivables	10	2,435,225	2,166,759
Prepayments, other receivables and other assets		7,595,185	7,401,565
Due from a joint venture		30,059	30,062
Tax recoverables		761,405	722,780
Restricted cash		5,834,098	5,356,141
Cash and cash equivalents		48,605,723	51,377,864
		<u>127,324,825</u>	<u>129,744,748</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	9,141,538	9,072,301
Lease liabilities		220,321	230,445
Other payables and accruals		29,733,500	27,627,042
Due to joint ventures		35,383,120	37,742,306
Due to associates		1,565,764	1,345,495
Interest-bearing bank and other borrowings		33,432,437	23,728,043
Tax payables		10,556,733	9,926,137
		<u>120,033,413</u>	<u>109,671,769</u>
<b>NET CURRENT ASSETS</b>		<u>7,291,412</u>	<u>20,072,979</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>97,864,037</u>	<u>104,650,910</u>

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>1,887,691</b>	1,895,326
Interest-bearing bank and other borrowings	<b>47,885,440</b>	61,849,507
Deferred tax liabilities	<b>2,677,326</b>	2,661,444
Deferred revenue	<b>2,042</b>	2,042
	<hr/>	<hr/>
Total non-current liabilities	<b>52,452,499</b>	66,408,319
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>45,411,538</b>	38,242,591
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<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>304,163</b>	303,972
Reserves	<b>38,378,290</b>	35,490,786
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	<b>38,682,453</b>	35,794,758
<b>Non-controlling interests</b>	<b>6,729,085</b>	2,447,833
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<b>TOTAL EQUITY</b>	<b>45,411,538</b>	38,242,591
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Notes:

## 1. CORPORATE INFORMATION

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

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

- Property development
- Property investment
- 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 27 August 2020.

## 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 2019, 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 2019, except for the adoption of the new and revised HKFRSs effective as of 1 January 2020.

Amendments to HKFRS 3

*Definition of a Business*

Amendments to HKFRS 9, HKAS 39  
and HKFRS 7

*Interest Rate Benchmark Reform*

Amendments to HKFRS 16

*Covid-19-Related Rent Concessions (early adopted)*

Amendments to HKAS 1 and HKAS 8

*Definition of Material*

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

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

Revenue, which is also the Group's turnover, represents the gross proceeds 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:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue:</b>		
Revenue from contracts with customers		
Sale of properties	<b>12,449,085</b>	9,712,757
Hotel operation income	<b>134,824</b>	250,696
Property management fee income	<b>547,155</b>	363,239
Revenue from other sources		
Gross rental income	<b>352,119</b>	320,428
	<b>13,483,183</b>	10,647,120
<b>Other income and gains, net:</b>		
Interest income	<b>386,942</b>	401,857
Management fee income	<b>188,979</b>	197,459
Foreign exchange differences, net	<b>239,245</b>	44,440
Gain on disposal of a joint venture	—	134,095
Others	<b>408,822</b>	361,878
	<b>1,223,988</b>	1,139,729

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 2020 as follows:

	<b>Property development RMB'000 (Unaudited)</b>	<b>Hotel operation RMB'000 (Unaudited)</b>	<b>Property management RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<i>Type of revenue recognition:</i>				
Sales of properties	12,449,085	—	—	12,449,085
Provision of services	—	134,824	547,155	681,979
Total revenue from contracts with customers	<u>12,449,085</u>	<u>134,824</u>	<u>547,155</u>	<u>13,131,064</u>
<i>Timing of revenue recognition:</i>				
Recognised at a point in time	10,798,139	—	—	10,798,139
Recognised over time	1,650,946	134,824	547,155	2,332,925
Total revenue from contracts with customers	<u>12,449,085</u>	<u>134,824</u>	<u>547,155</u>	<u>13,131,064</u>

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

	<b>Property development RMB'000 (Unaudited)</b>	<b>Hotel operation RMB'000 (Unaudited)</b>	<b>Property management RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<i>Type of revenue recognition:</i>				
Sales of properties	9,712,757	—	—	9,712,757
Provision of services	—	250,696	363,239	613,935
Total revenue from contracts with customers	<u>9,712,757</u>	<u>250,696</u>	<u>363,239</u>	<u>10,326,692</u>
<i>Timing of revenue recognition:</i>				
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	<u>9,712,757</u>	<u>250,696</u>	<u>363,239</u>	<u>10,326,692</u>



The segment results for the six months ended 30 June 2020 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)
<b>Segment revenue:</b>					
Sales to external customers	<u>12,449,085</u>	<u>352,119</u>	<u>134,824</u>	<u>547,155</u>	<u>13,483,183</u>
<b>Segment results</b>	<b>4,611,500</b>	<b>652,034</b>	<b>1,553</b>	<b>151,350</b>	<b>5,416,437</b>
<i>Reconciliation:</i>					
Interest income and unallocated income					1,223,988
Unallocated expenses					(729,843)
Finance costs					<u>(546,461)</u>
Profit before tax					5,364,121
Income tax expenses					<u>(1,704,006)</u>
Profit for the period					<u><u>3,660,115</u></u>

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)
<b>Segment revenue:</b>					
Sales to external customers	<u>9,712,757</u>	<u>320,428</u>	<u>250,696</u>	<u>363,239</u>	<u>10,647,120</u>
<b>Segment results</b>	<b>5,563,020</b>	<b>3,322,175</b>	<b>71,163</b>	<b>50,453</b>	<b>9,006,811</b>
<i>Reconciliation:</i>					
Interest income and unallocated income					1,139,729
Unallocated expenses					(834,644)
Finance costs					<u>(1,004,738)</u>
Profit before tax					8,307,158
Income tax expenses					<u>(2,157,922)</u>
Profit for the period					<u><u>6,149,236</u></u>

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

## 5. FINANCE COSTS

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	2,949,687	2,893,623
Interest on lease liabilities	57,274	59,382
Less: Interest capitalised	(2,460,500)	(1,948,267)
	<u>546,461</u>	<u>1,004,738</u>

## 6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of properties sold	8,625,982	6,513,656
Less: Government grant released	(9)	(195)
	<u>8,625,973</u>	<u>6,513,461</u>
Depreciation	131,270	108,208
Amortisation of land use rights	17,182	17,148
Less: Amount capitalised in assets under construction	(11,490)	(11,324)
	<u>5,692</u>	<u>5,824</u>
Loss on disposal of items of property, plant and equipment	11	172
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	899,100	760,366
Share based compensation expenses	8,622	8,331
Pension scheme contributions (defined benefit plans)	13,095	60,198
	<u>920,817</u>	<u>828,895</u>
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	(271,353)	(202,493)
	<u>649,464</u>	<u>626,402</u>

## 7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current – in the People's Republic of China (“PRC”)		
Corporate income tax (“CIT”)	1,093,362	854,346
Land appreciation tax (“LAT”)	800,883	640,951
	<u>1,894,245</u>	<u>1,495,297</u>
Deferred	(190,239)	662,625
	<u>1,704,006</u>	<u>2,157,922</u>

### Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2020 and 2019.

### 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 2020 and 2019, 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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interim dividend of RMB40 cents (2019: RMB32 cents) per ordinary share	<u>1,270,773</u>	<u>1,015,703</u>

Subsequent to the end of the reporting period, the Board declared the payment of an interim dividend of approximately RMB1,270,773,000 (2019: approximately RMB1,015,703,000) representing RMB40 cents per share, based on the number of shares in issue as at 30 June 2020, in respect of the six months ended 30 June 2020 (2019: RMB32 cents). The interim dividend for the period shall be made out of the reserves 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 2020 is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 3,176,279,425 (2019: 3,173,912,249) in issue during the period.

For the six months ended 30 June 2020, 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 3,176,279,425 (2019: 3,173,912,249) 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 3,896,204 (2019: 3,816,704).

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit attributable to owners of the Company	<u><b>3,515,813</b></u>	<u><b>5,963,507</b></u>
	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	<b>3,176,279,425</b>	3,173,912,249
Effect of dilution — share options	<b>18,220</b>	—
Effect of dilution — awarded shares	<u><b>3,877,984</b></u>	<u>3,816,704</u>
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u><b>3,180,175,629</b></u>	<u><b>3,177,728,953</b></u>

## 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 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Within 3 months	1,607,261	1,654,053
4 to 6 months	29,467	22,434
7 to 12 months	560,395	363,656
Over 1 year	238,102	126,616
	<u>2,435,225</u>	<u>2,166,759</u>

## 11. TRADE AND BILLS PAYABLES

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

	As at	
	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Within one year	<u>9,141,538</u>	<u>9,072,301</u>

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

## 12. SUBSEQUENT EVENTS

- (a) On 10 August 2020, the Company issued 5.95% senior notes with an aggregate principal amount of US\$200,000,000 (equivalent to approximately RMB1,392,980,000). 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 10 August 2025. The senior notes carry interest at a rate of 5.95% per annum, which is payable semi-annually in arrears on 10 February and 10 August of each year commencing on 10 February 2021. For further details on the senior notes, please refer to the related announcements of the Company dated 4 August 2020 and 10 August 2020.
- (b) On 24 August 2020, Guangzhou Hejing Holdings Group Limited, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,800,000,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Revenue*

Revenue of the Group comprises primarily the (i) gross proceeds from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties, (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 RMB13,483.2 million in the first half of 2020, representing an increase of 26.6% from approximately RMB10,647.1 million for the corresponding period in 2019.

The revenue generated from property development, property investment, hotel operation and property management were approximately RMB12,449.1 million, RMB352.1 million, RMB134.8 million and RMB547.2 million, respectively, during the six months ended 30 June 2020.

Proportionate revenue amounted to approximately RMB20,606.9 million in the first half of 2020, representing an increase of 20.4% from approximately RMB17,110.1 million for the corresponding period in 2019.

#### *Property development*

Revenue generated from property development increased by 28.2% to approximately RMB12,449.1 million for the six months ended 30 June 2020 from approximately RMB9,712.8 million for the corresponding period in 2019, primarily due to an increase in the total gross floor area (“GFA”) delivered to 1,001,696 sq.m. in the first half of 2020 from 646,900 sq.m. for the corresponding period in 2019. Despite the increase in GFA delivered, the average selling price (“ASP”) decreased from RMB15,014 per sq.m. for the corresponding period in 2019 to RMB12,428 per sq.m. for the six months ended 30 June 2020, reflecting a change in delivery portfolio with different city mix and product mix as compared with that for the corresponding period in 2019.

Proportionate revenue generated from property development increased by 20.5% to approximately RMB19,493.8 million for the six months ended 30 June 2020 from approximately RMB16,175.7 million for the corresponding period in 2019, primarily due to an increase in the proportionate total GFA delivered to 1,505,381 sq.m. in the first half of 2020 from 967,740 sq.m. for the corresponding period in 2019. The proportionate recognised ASP decreased to RMB12,949 per sq.m. in the first half of 2020 from RMB16,715 per sq.m. in the corresponding period in 2019.

### *Property investment*

Revenue generated from property investment increased by 9.9% to approximately RMB352.1 million for the six months ended 30 June 2020 from approximately RMB320.4 million for the corresponding period in 2019, primarily attributable to an increase in leased investment properties.

### *Hotel operation*

Revenue generated from hotel operation decreased by 46.2% to approximately RMB134.8 million for the six months ended 30 June 2020 from approximately RMB250.7 million for the corresponding period in 2019, primarily due to the adverse impact of the unexpected outbreak of coronavirus (COVID-19).

### *Property management*

Revenue generated from property management increased by 50.7% to approximately RMB547.2 million for the six months ended 30 June 2020 from approximately RMB363.2 million for the corresponding period in 2019, 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 increased by 30.8% to approximately RMB9,043.1 million for the six months ended 30 June 2020 from approximately RMB6,915.4 million for the corresponding period in 2019, primarily due to the increase of total GFA delivered in sales of properties.

Land cost per sq.m. decreased from RMB4,312 for the corresponding period in 2019 to RMB3,852 for the six months ended 30 June 2020, due to the change in delivery portfolio with different city mix as compared with that for the corresponding period in 2019.

Construction cost per sq.m. decreased from RMB4,265 for the corresponding period in 2019 to RMB3,447 for the six months ended 30 June 2020, primarily attributable to an increase in delivery of mid-end properties with relatively lower construction cost.

Proportionate cost of sales increased by 26.8% to approximately RMB13,855.5 million for the six months ended 30 June 2020 from approximately RMB10,927.8 million for the corresponding period in 2019, primarily due to the increase of total proportionate GFA delivered in sales of properties.

### ***Gross Profit***

Gross profit of the Group increased by 19.0% to approximately RMB4,440.1 million for the six months ended 30 June 2020 from approximately RMB3,731.7 million for the corresponding period in 2019. The increase of gross profit was principally due to the increase in the total revenue in the first half of 2020. The Group reported gross profit margin of 32.9% for the six months ended 30 June 2020 (2019: 35.0%).

Proportionate gross profit of the Group increased by 9.2% to approximately RMB6,751.4 million for the six months ended 30 June 2020 from approximately RMB6,182.3 million for the corresponding period in 2019. The increase of proportionate gross profit was principally due to the increase in the proportionate revenue in the first half of 2020. The Group reported proportionate gross profit margin of 32.8% for the six months ended 30 June 2020 (2019: 36.1%).

### ***Other Income and Gains, Net***

Other income and gains increased by 7.4% to approximately RMB1,224.0 million for the six months ended 30 June 2020 from approximately RMB1,139.7 million for the corresponding period in 2019, and mainly comprised interest income and management fee income related to our joint venture projects of approximately RMB386.9 million and RMB189.0 million respectively.

### ***Selling and Marketing Expenses***

Selling and marketing expenses of the Group increased by 11.9% to approximately RMB419.4 million for the six months ended 30 June 2020 from approximately RMB374.9 million for the corresponding period in 2019, mainly due to an increase in sales commission, which was in line with the increase in revenue generated from sales of properties during the period.

### ***Administrative Expenses***

Administrative expenses of the Group decreased by 10.9% to approximately RMB813.6 million for the six months ended 30 June 2020 from approximately RMB912.9 million for the corresponding period in 2019. The decrease was primarily attributable to the strict control over the administrative expenses of the Group.



### ***Other Operating Expenses, Net***

Other operating expenses of the Group were approximately RMB3.3 million for the six months ended 30 June 2020 (2019: approximately RMB9.1 million).

### ***Fair Value Gains on Investment Properties, Net***

The Group reported fair value gains on investment properties of approximately RMB352.2 million for the six months ended 30 June 2020 (2019: approximately RMB3,054.9 million), mainly related to various leasable commercial properties in various regions.

### ***Finance Costs***

Finance costs of the Group being approximately RMB546.5 million for the six months ended 30 June 2020 (2019: approximately RMB1,004.7 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 21.0% to approximately RMB1,704.0 million for the six months ended 30 June 2020 from approximately RMB2,157.9 million for the corresponding period in 2019, primarily due to a decrease on profit before tax as a result of the decrease in fair value gains on investment properties in the first half of 2020.

### ***Profit for the Period***

The Group reported profit for the period of approximately RMB3,660.1 million for the six months ended 30 June 2020 (2019: approximately RMB6,149.2 million). For the six months ended 30 June 2020, proportionate net profit margin was 17.8% (2019: 35.9%).

## **Liquidity, Financial and Capital Resources**

### ***Cash Position***

As at 30 June 2020, the carrying amounts of the Group's cash and bank balances were approximately RMB54,439.8 million (31 December 2019: approximately RMB56,734.0 million), representing a decrease of 4.0% as compared to that as at 31 December 2019.

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 2020, the carrying amount of the restricted cash was approximately RMB5,834.1 million (31 December 2019: approximately RMB5,356.1 million).

### ***Borrowings and Charges on the Group's Assets***

As at 30 June 2020, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB28,456.9 million, RMB27,583.2 million and RMB25,277.8 million respectively. Amongst the bank and other loans, approximately RMB8,721.2 million will be repayable within 1 year, approximately RMB11,527.5 million will be repayable between 2 and 5 years and approximately RMB8,208.2 million will be repayable over 5 years. Amongst the senior notes, approximately RMB3,883.7 million will be repayable within 1 year, approximately RMB21,720.3 million will be repayable between 2 and 5 years and approximately RMB1,979.2 million will be repayable over 5 years. Amongst the domestic corporate bonds, approximately RMB20,827.5 million will be repayable within 1 year, approximately RMB4,450.3 million will be repayable between 2 and 5 years.

As at 30 June 2020, the Group's bank and other loans of approximately RMB25,266.8 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 RMB27,851.5 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares. The Group's domestic corporate bonds were guaranteed by the Company.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately RMB2,735.5 million and RMB2,351.0 million as at 30 June 2020 which were denominated in Hong Kong dollar and U.S. dollar respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of approximately RMB3,699.2 million which were charged at fixed interest rates as at 30 June 2020. 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 2020.

### ***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 2020, the gearing ratio was 59.2% (31 December 2019: 75.4%).

### ***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 2020, 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 2020, the Group had the contingent liabilities relating to guarantees given to banks in respect of mortgage facilities for certain purchasers amounting to approximately RMB16,549.3 million (31 December 2019: approximately RMB16,765.5 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 2020 and the financial statements as at 31 December 2019 for the guarantees.

- (ii) As at 30 June 2020 and 31 December 2019, the Group had provided guarantees in respect of certain bank loans for its joint ventures and associates.

## Market Review

Looking back to the first half of 2020, the sudden outbreak of the pandemic struck a heavy blow to China's economy and real estate market. In order to cope with the impact of the pandemic, the government made greater counter-cyclical adjustment in macro policies, while more flexible regulatory measures were implemented for different cities. Under the guiding principle of "housing properties for accommodation, not for speculative trading" persisted by local governments, property prices remained relatively stable. Property prices did not plunge due to the low transaction volume during the pandemic nor notably surge during market recovery as the pandemic situation stabilised. As the pandemic came under control, the previously pent-up home purchase demand was unleashed gradually, facilitating the ongoing recovery of the real estate market. According to the data of the National Bureau of Statistics of China, in the first half of 2020, nationwide property development investment increased 1.9% year-on-year to approximately RMB6.3 trillion with a decrease of 0.3% during January to May. Nationwide commodity properties sales decreased 5.4% year-on-year to around RMB6.7 trillion, with the decline narrowing by 5.2% as compared to the period between January and May.

In the first half of 2020, the world economy experienced substantial change as a result of the pandemic. Being the first hit by the pandemic, China was the quickest to contain it as well as to resume operation and production. China's economic turnaround and fundamental re-engineering bear symbolic and leading meaning to the world economy. For real estate industry, the Central Government continued to uphold the principle of "housing properties for accommodation, not for speculative trading". The responsibilities of stabilising land prices, property prices and market expectations were delegated to local governments of respective cities. The recovery of market productivity was enhanced by relaxed liquidity as the People's Bank of China cut the reserve requirement ratio for three times to release long-term funds of approximately RMB1.75 trillion; the loan prime rate (LPR) was reduced twice, with a decrease in the LPR for loans of 5 years or above amounting to 15 base points aggregately. The housing mortgage rate showed a downward trend and reached a new trough since 2018 in May and June this year in a row. Besides, policies regarding land grant and property trading were implemented to alleviate pressure on the market and enterprises. Policies in respect of land grant included the lifting of restrictions, increase in supply of premium land sites, extension of payment or instalment payment of land premium, and extension of completion deadline. Policies in respect of property trading involved the easing of pre-sales activities, easing of price restriction, the new home purchase policy for talents which served as an alternative form of reducing purchase restrictions, home purchase subsidy, as well as the adjustment of provident fund policy.

## Business Review

Facing the complicated and volatile external environment, the Group continued to improve the operation quality steadily. In the first half of 2020, the Group's pre-sales amounted to RMB36.8 billion, representing a year-on-year increase of 2%. ASP stood at approximately RMB16,700 per sq.m., similar to that in the corresponding period of 2019. Among the 120 projects currently for sale, analysed by contribution to pre-sales amount, 37% were from Greater-Bay-Area and 37% were from Yangtze-River-Delta Area; analysed by the ranking of cities, 87% were from tier-one and tier-two cities.

In the first half of 2020, the Group launched brand new projects including Beijing New Chang'an Mansion, Ningbo Cloud Mansion, Taicang Jinzhu Tianyi Huayuan and Kunming Salar de Uyuni. The projects are differentiated with exquisite geographical location and premium product quality, which have aroused keen interest in the market.

The Group persists with a customer-centric approach and the quest for innovative changes. With the consistent supply of premium products and effort to improve customer service standards, the Group has enhanced customer loyalty and extensive brand recognition in the industry. In the first half of 2020, given the comprehensive strength of the Group and its business segments, the Group claimed a number of accolades by renowned institutions such as China Index Academy, China Real Estate Association and Guandian: Top 30 Listed PRC Property Developers, Top 10 Developers of Profitability among the Top 100 PRC Property Enterprises, Top 10 PRC Property Developers by Enterprise Comprehensive Development, China Mainland Top 10 Real Estate Companies Listed in Hong Kong by Comprehensive Strengths, Noteworthy Real Estate Enterprises in Capital Market, Top 100 Commercial Property Enterprises (the 8th), and Top 100 PRC Leading Property Service Enterprises by Service Quality.

In the first half of 2020, 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. During the reporting period, the Group successfully acquired 10 projects in cities including Guangzhou, Hangzhou, Suzhou and Chengdu through tenders, auctions and listings in the public market, as well as joint developments. It added 1.11 million sq.m. of gross GFA for a total gross land cost of RMB9.3 billion and 0.88 million sq.m. of attributable GFA for an attributable land cost of RMB7.2 billion, which increased the gross sellable resources by approximately RMB23 billion. Analysed by land costs, the attributable interest of newly acquired land was 77% in the first half of the year, indicating an increase in the equity interest; Greater-Bay-Area and Yangtze-River-Delta Area accounted for 89% as the two regions remained the key development focus; and tier-one and tier-two cities accounted for 91%, showing that our focus strategy remained unchanged.

As at 30 June 2020, the Group owned 165 projects in 40 cities across Mainland China and Hong Kong with an attributable land bank of approximately 16.36 million sq.m., gross GFA of approximately 24.75 million sq.m. and gross sellable resources of approximately RMB510 billion, which is sufficient for the Group's development in the next 3 to 5 years.

Under the backdrop of limited scale in urban development, major cities in China have moved from a quantity-driven development stage to an inventory-centric stage, and urban redevelopment will therefore become the new growth model. The Group accurately interprets the prevailing trend and continues to proceed with the "Three Old Transformation" in order to benefit from the urban redevelopment policy of Greater-Bay-Area. Currently, the Group has 32 urban redevelopment projects in progress in Guangzhou, Foshan and Shenzhen, 3 projects in Guangzhou have commenced the demolition and relocation since the beginning of this year, and another 1 project has been successfully recognised. The Group has been taking pragmatic actions to accelerate urban redevelopment and foster robust growth of the cities in Greater-Bay-Area.

## **Investment Properties**

Originally based in Guangzhou and expanded throughout China, KWG Group focuses on core regions including Greater-Bay-Area, Yangtze-River-Delta Area, Bohai-Rim Region, Chengdu, Chongqing and Nanning. After years of development, the Group has a total of 34 commercial projects in operation, including 8 shopping malls, 8 office buildings and 18 hotels. By identifying the commercial potential and delivering long-term commercial value, the Group boosts development of the cities. All commercial properties in operation are located in core areas and new CBDs in tier-one and tier-two cities, providing the Group with stable cash inflow and profit on an ongoing basis.

### ***(1) Shopping mall***

In adherence to the philosophy of "art, ecology and LOHAS", KWG Group established three product lines of shopping mall under the brands "M · Cube", "U Fun" and "Ufun Walk", aiming at inheriting the city cultural heritage with accurate positioning of each commercial complex development. Through introducing a rich variety of brands, high quality dining and entertainment facilities, the Group meets the needs of families for leisure and entertainment, enabling a closed-loop of city life.



In the first half of 2020, the outbreak of the pandemic significantly affected customer traffic of shopping malls nationwide during the Lunar New Year Holiday, posing new challenges to the retail industry. In an effort to assist the control and prevention of the pandemic, the Group took practical measures to safeguard the interest of merchants, including the launch of an online-to-offline sales platform for merchants, as well as the offering of a 50% rent reduction for 20 days to all merchants in the commercial projects under the Group to relieve their hardship during the difficult time. Following the stabilisation of the pandemic situation in China since the second quarter, the shopping malls under the Group recorded a sales growth of over 50% and resumed 85% of its overall customer traffic during the May Day Holiday with an addition of 20,000 new members. As the control and prevention measures of the pandemic continued to achieve positive outcome, schools have been reopened across the country, indicating that the containment of the pandemic has entered into the stage of normalisation. Currently, customer traffic of the shopping malls under the Group has basically reverted back to the level before the outbreak. The overall occupancy rate and rental income of the shopping malls in the first half of the year remained at roughly the same level as in the corresponding period of last year.

Currently, the Group has 8 shopping malls in operation, variously located in Guangzhou, Beijing, Shanghai, Chengdu, Suzhou and Foshan with an aggregate GFA of 700,000 sq.m. in operation. In the second half of the year, we will welcome the grand opening of Chengdu M · Cube and U8 Pub Street. Together with Chengdu U Fun, which is already in operation, as well as the surrounding residential properties and ancillary facilities, Chengdu M · Cube and U8 Pub Street will form a comprehensive business cluster in Chengdu Financial High-tech District, offering a one-stop lifestyle shopping experience.

In the future, more new shopping malls will be coming on stream in tier-one and tier-two cities such as Beijing, Guangzhou, Chengdu, Suzhou, Nanning and Chongqing. Given the steady growth in rental and occupancy rates for shopping malls in operation as they become well-developed, coupled with the shopping malls to be opened in the future serving as a new engine for rental income growth, the Group expects a rapid growth in rental income generated from shopping malls in the coming few years.

## **(2) Office**

With the offering of numerous high-end office projects and industry headquarters, KWG Group integrates financial resources in core districts of cities including Guangzhou, Shanghai, Chengdu, Suzhou and Nanning. Currently, the Group has 8 offices in operation. Offices in Guangzhou that have commenced operation include International Finance Place and International Metropolitan Plaza in Pearl River New Town, International Commerce Place in Pazhou and Colorland Center in Nansha. Office in Shanghai is International Metropolitan Plaza in Pudong Bund. Offices in Chengdu, Suzhou and Nanning include Chengdu International Commerce Place in the Financial High-tech District, Leader Plaza in Suzhou Industrial Park and Guangxi International Finance Place at the headquarters in Nanning Wuxiang New District.

As the offices owned by the Group are situated in the CBDs of tier-one and core tier-two cities, which have a superior and stable tenant portfolio comprising mainly renowned banks and multinational corporations, a high level of occupancy rate and rental collection rate were sustained despite the arduous environment during the pandemic. Taking advantage of the excellent geographical location, the Group's office segment employs an innovative one-stop services business model, under which the buildings are equipped with 5A intelligent hardware with the implementation of total quality management (TQM). It aims at establishing a comprehensive and multi-functional business system, as well as an efficient and convenient business space.

Looking to the future, more office buildings will come into operation, such as KWG Center in the core canal zone of Tongzhou District, a sub-civic centre in Beijing, and KWG Center in Guangzhou Development Zone, which will contribute to the rapid growth of rental income of the Group.

## **(3) Hotel**

Currently, the Group has 18 hotels in operation, which include hotels operated under international brands, as well as our own brand of The Mulian Hotel. Over the past seven years, The Mulian Hotel has accumulated extensive experience of joint operation with international hotel brands, while focusing on the exploration of internal connection with Chinese customers. It fulfils the needs of middle- to high-end business travellers and new middle class, which serves to realise and unleash the spending potential of customers. Through the creation of multiple product lines and the iterative development of the brand, The Mulian Hotel is endeavoured to provide multi-dimensional travel experience to the new generation to satisfy the travel needs of different consumer groups.



The outbreak of the pandemic presented challenges to the development of the hotel industry in the first half of the year. Subsequent to the effective control of the pandemic in China, the hotel operation of the Group stabilised as business travel gradually got back to the normal track. Looking to the second half of 2020, we will welcome the opening of Chengdu W Hotel in southern Chengdu, a prosperous sleepless city, which incorporates the elements of design, music, fashion and vitality. The Mulian Hotel, on the other hand, will expand in major tier-one and tier-two cities in China with a combination of asset-heavy and asset-light approaches. From the earlier model of asset-heavy operation within property complexes to the asset-light model combining lease and franchise adopted during the past year, The Mulian Hotel has expanded rapidly. In the next five years, The Mulian Hotel will establish solid foothold in Guangdong Province while seeking business expansion across the country, in order to form a unique hotel industry chain.

The Group will continue to further explore different business opportunities of commercial properties to create city value and establish a complete business chain. As KWG's commercial segment continues to develop, its commercial projects will continue to expand over the next few years, and commercial GFA in operation will continue to grow. In the future, the KWG commercial segment will seek optimisation in resource allocation and delicacy management through its sophisticated regimes, platforms, teams and brands, as well as consolidation of services under the property development and asset management segments through "CoKWG" APP to create a one-stop service platform for its customers.

## **Outlook**

Looking forward to the second half of 2020, the nationwide market will remain stable and the key policy of "housing properties for accommodation, not for speculative trading; differentiated regulatory policies for different cities with stable development" will continue to prevail in the real estate industry. With further implementation of "differentiated regulatory policies for different cities" amid gradual market recovery, it is expected that policies will continue to provide support for the supply side, while strong stimulating policy for the demand side is unlikely to be promulgated. Home purchase subsidy and the easing of residency for talents will form a long-term reform mechanism. In the meantime, with a view to stabilising employment and the economy, the monetary policy for the second half of the year will focus on ensuring sufficient funding liquidity, thereby unleashing the market demand and further improving the capital flow of property enterprises.

2020 is the year for China to establish a comprehensive well-off society, and also the handover year from the 13th Five Year Plan to the 14th Five Year Plan. The goal of the policies is not limited to achieving short-term effect, but also stresses the medium to long term structural change. The latest “Government Work Report” has proposed “the acceleration of regional development strategies” and emphasised “moving forward with the synergic development of Beijing, Tianjin and Hebei, the construction of Greater-Bay-Area, and the integrated development of Yangtze-River-Delta Area”. The Group will thereby continue to further explore opportunities in Greater-Bay-Area and Yangtze-River-Delta Area with a focus on tier-one and tier-two cities. Following years of development in the two aforesaid main regions, its land bank and sellable resources in these two regions account for 57% and 68% of the total attributable land bank and total gross sellable resources respectively. Looking into the second half of 2020, the Group will launch around 20 brand new projects, including Guangzhou The Corniche, Shenzhen Grand Oasis, Hangzhou Oriental Dawn, Suzhou Blessedness Seasons, Chengdu The Jadeite and Chongqing The Riviera. The sellable resources of the Group in the second half of 2020 is amounted to RMB130 billion. Analysed by geographic region, Greater-Bay-Area and Yangtze-River-Delta Area accounted for 45% and 30% of the sellable resources respectively; analysed by the ranking of cities, 87% were from tier-one and tier-two cities.

Following years of exploration and effort, the Group has created a favourable environment for its business segments underpinned by complementary strength, integration of resources and synergic development, laying a solid foundation for KWG’s future development. In connection with the property development segment, the Group will deepen its development in the two main economic regions with a strong focus on tier-one and tier-two cities. As a result of the prudent land bank investment and expansion, the Group currently holds sufficient premium land reserve and sellable resources. Together with the accelerating urban redevelopment projects, it will provide strong support for the Group’s continuous sales growth in the future. For the investment property segment, the Group will focus on core districts in tier-one and tier-two cities, where more commercial properties will be opened in the future to drive rapid growth in rental income. Looking ahead, the Group will continue to develop its core business and enhance product offerings with a customer-centric approach, striving to become a lead in the industry.

## Overview of the Group's Property Development

As at 30 June 2020, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing, Foshan, Hefei, Wuhan, Xuzhou, Jiaxing, Taizhou, Jinan, Changshu, Lishui, Chongqing, Taicang, Wuxi, Zhaoqing, Zhongshan, Nantong, Liuzhou, Shenzhen, Shaoxing, Huizhou, Jiangmen, Wenzhou, Dongguan, Yangzhou, Ningbo, Meishan, Chenzhou, Wuzhou, Xi'an, Kunming and Hong Kong.

No.	Project	District	Type of Product	Total GFA	Interest
				Attributable to the Group's Interest	Attributable to the Group
				( <i>'000 sq.m.</i> )	(%)
1	The Summit	Guangzhou	Residential/villa/serviced apartment/office/commercial	1,372	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	44	33.33
4	The Star	Guangzhou	Office/commercial	84	100
5	Top of World	Guangzhou	Villa/serviced apartment/office/commercial/hotel	323	100
6	The Eden	Guangzhou	Residential/commercial	2	50
7	Zengcheng Li Lake	Guangzhou	Villa/hotel	43	100
8	Essence of City	Guangzhou	Residential/villa/commercial	115	100
9	International Commerce Place	Guangzhou	Office/commercial	50	50
10	CFC (including Mayfair and International Finance East)	Guangzhou	Serviced apartment/office/commercial	68	33.33
11	The Horizon	Guangzhou	Residential/villa/serviced apartment/office/commercial/hotel	14	50
12	Blooming River	Guangzhou	Residential/villa/commercial	164	50
13	Nansha River Paradise	Guangzhou	Residential/commercial	28	40
14	The Jadeite	Guangzhou	Residential	15	40
15	V-city	Guangzhou	Serviced apartment/commercial	168	70
16	Montkam	Guangzhou	Residential/villa	26	30
17	E-city	Guangzhou	Serviced apartment/commercial	506	67
18	Guangzhou Luogang M • Cube	Guangzhou	Commercial/hotel	15	60
19	KWG Center	Guangzhou	Office/commercial	8	50

No.	Project	District	Type of Product	Total GFA	
				Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
20	Guangzhou Science City Hotel A Project	Guangzhou	Villa/serviced apartment/commercial/hotel	14	60
21	Guangzhou Science City Hotel B Project	Guangzhou	Villa/serviced apartment/office/commercial	16	60
22	The Corniche (formerly known as Guangzhou New Financial City Project)	Guangzhou	Residential/serviced apartment/commercial	79	80
23	Clover Shades (formerly known as Fragrant Seasons)	Guangzhou	Residential/commercial	78	62.5
24	The Emerald (formerly known as Guangzhou Zengcheng Luogang Project)	Guangzhou	Residential	86	100
25	Guangzhou Southern Medical Industrial Park	Guangzhou	Villa/serviced apartment/office/commercial	192	80
26	Guangzhou Conghua City South Project	Guangzhou	Residential/commercial	92	100
27	Guangzhou Conghua City North Project	Guangzhou	Residential/commercial	284	100
28	IFP	Guangzhou	Office/commercial	61	100
29	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
30	The Mulian Huadu	Guangzhou	Hotel	25	100
31	W Hotel/W Serviced Apartments	Guangzhou	Hotel/serviced apartment	80	100
32	The Mulian Guangzhou	Guangzhou	Hotel	8	100
33	The Sapphire	Suzhou	Residential/serviced apartment/office/commercial/hotel	33	100
34	Suzhou Apex	Suzhou	Residential/serviced apartment/commercial/hotel	111	100
35	Suzhou Emerald	Suzhou	Residential/commercial	1	100
36	Leader Plaza	Suzhou	Serviced apartment/office/commercial	26	100
37	Fortune Building	Suzhou	Office/commercial/hotel	32	100
38	Suzhou Jade Garden	Suzhou	Residential/commercial	2	100
39	Orient Aesthetics	Suzhou	Residential/commercial	4	20
40	Orient Moon Bay	Suzhou	Residential	16	50
41	Swan Harbor Park	Suzhou	Residential/serviced apartment/office/commercial	66	20

No.	Project	District	Type of Product	Total GFA	Interest
				Attributable to the Group's Interest ('000 sq.m.)	Attributable to the Group (%)
42	Lunar River	Suzhou	Residential/commercial	48	51
43	Blessedness Seasons	Suzhou	Residential/commercial	38	49
44	The Vision of the World	Chengdu	Residential/serviced apartment/commercial	53	100
45	Chengdu Cosmos	Chengdu	Residential/serviced apartment/office/commercial/hotel	244	100
46	Chengdu Sky Ville	Chengdu	Residential/serviced apartment/office/commercial	147	50
47	Yunshang Retreat	Chengdu	Residential/villa/serviced apartment/commercial/hotel	589	55
48	The Jadeite	Chengdu	Residential/villa/commercial/hotel	62	100
49	Fragrant Seasons	Beijing	Residential/villa/serviced apartment/commercial	2	100
50	La Villa	Beijing	Residential/villa/commercial	10	50
51	Beijing Apex	Beijing	Residential/villa/serviced apartment/commercial	28	50
52	M • Cube	Beijing	Commercial	16	100
53	Summer Terrace	Beijing	Residential/commercial	16	100
54	Uptown Riverside I (formerly known as KWG Center I)	Beijing	Serviced apartment/office/commercial	128	100
55	Uptown Riverside II (formerly known as KWG Center II)	Beijing	Serviced apartment/office/commercial	124	100
56	Rose and Ginkgo Mansion	Beijing	Residential/villa/office/commercial	27	33
57	The Core of Center	Beijing	Residential/villa/serviced apartment/commercial/hotel	201	100
58	Beijing Niulanshan 1107# Project	Beijing	Residential	39	100
59	New Chang'an Mansion	Beijing	Residential/office/commercial/hotel	29	51
60	Pearl Coast	Hainan	Residential/villa/hotel	117	100
61	Villa Como	Hainan	Residential/villa/commercial/hotel	343	100
62	Egret Bay (formerly known as Hainan Lingao Project)	Hainan	Residential/commercial	34	20

No.	Project	District	Type of Product	Total GFA	Interest
				Attributable to the Group's Interest ('000 sq.m.)	Attributable to the Group (%)
63	International Metropolis Plaza	Shanghai	Office/commercial	30	75.5
64	Shanghai Apex	Shanghai	Residential/serviced apartment/commercial/hotel	19	51
65	Shanghai Sapphire	Shanghai	Serviced apartment/commercial	26	51
66	Amazing Bay	Shanghai	Residential/serviced apartment/office/commercial/hotel	49	50
67	Vision of World	Shanghai	Residential/serviced apartment/commercial/hotel	54	51
68	Glory Palace	Shanghai	Residential	60	100
69	Shanghai Qingpu Project	Shanghai	Office/commercial	121	90
70	Jinnan New Town	Tianjin	Residential/villa/serviced apartment/commercial	418	25
71	Tianjin The Cosmos	Tianjin	Residential/villa/commercial	262	100
72	Tianjin Apex	Tianjin	Residential/office/commercial/hotel	105	100
73	The Core of Center	Nanning	Residential/villa/serviced apartment/commercial	261	100
74	International Finance Place	Nanning	Office/commercial	60	100
75	Top of World	Nanning	Residential/villa/serviced apartment/commercial/hotel	160	100
76	Fragrant Season	Nanning	Residential/villa/commercial	76	100
77	Impression Discovery Bay I	Nanning	Residential/commercial	99	34
78	Impression Discovery Bay II	Nanning	Residential/commercial	50	34
79	Emerald City	Nanning	Residential/serviced apartment/commercial	421	100
80	The Mulian Hangzhou	Hangzhou	Commercial/hotel	18	100
81	The Moon Mansion	Hangzhou	Residential/villa	2	51
82	Sky Ville	Hangzhou	Residential/villa	37	100
83	Puli Oriental	Hangzhou	Residential/commercial	8	50
84	Urban Artwork (formerly known as Hangzhou Linping Project)	Hangzhou	Serviced apartment/commercial	15	60
85	Malus Moon	Hangzhou	Residential/villa/commercial	46	100

No.	Project	District	Type of Product	Total GFA	Interest
				Attributable to the Group's Interest ('000 sq.m.)	Attributable to the Group (%)
86	Oriental Dawn	Hangzhou	Residential/commercial	64	50
87	Precious Mansion	Hangzhou	Residential/villa/office/commercial	104	100
88	Season Mix	Hangzhou	Residential/commercial/hotel	46	25
89	Shine City	Nanjing	Residential/office/commercial	2	50
90	South Bank Palace (formerly known as Nanjing Yuhuatai Project)	Nanjing	Residential/commercial	15	19.75
91	Ruyi Palace	Nanjing	Residential/commercial	21	50
92	Oriental Bund	Foshan	Residential/villa/serviced apartment/office/commercial	1,049	50
93	The Riviera	Foshan	Residential/commercial	105	51
94	One Palace	Foshan	Residential/serviced apartment/commercial	80	33.3
95	Foshan Apex	Foshan	Residential/serviced apartment/commercial	21	50
96	China Image	Foshan	Residential/commercial	37	34
97	Water Moon	Hefei	Residential/commercial	138	100
98	City Moon	Hefei	Residential/commercial	1	100
99	The One	Hefei	Residential/commercial	110	80
100	Park Mansion	Hefei	Residential	1	50
101	Joyful Season	Wuhan	Residential/villa/commercial	78	60
102	The Buttonwood Season I	Wuhan	Residential/villa/commercial	55	100
103	The Buttonwood Season II	Wuhan	Residential/villa/commercial	142	100
104	Exquisite Bay	Xuzhou	Residential/commercial	1	50
105	Fragrant Season	Xuzhou	Residential/commercial	11	50
106	Xuzhou Tongshan Project I	Xuzhou	Residential	1	33
107	Xuzhou Tongshan Project II	Xuzhou	Residential/commercial	34	33
108	Oriental Milestone	Xuzhou	Residential	155	100
109	Majestic Mansion	Jiaxing	Residential/commercial	22	100
110	Star City	Jiaxing	Residential	4	25
111	Noble Peak	Jiaxing	Residential	52	100
112	Top of World Residence I	Taizhou	Residential	3	100
113	Top of World Residence II	Taizhou	Residential/commercial	11	80

No.	Project	District	Type of Product	Total GFA	
				Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
114	Linhai Mansion	Taizhou	Residential/commercial	92	100
115	Star Mansion	Taizhou	Residential/commercial	16	33
116	Lead Peak Mansion	Taizhou	Residential/commercial	33	100
117	Jinan Zhangqiu Project	Jinan	Residential	105	49
118	Jinan Zhang Ma Tun C6# Project	Jinan	Residential/commercial	26	20
119	Jinan Zhang Ma Tun C8# Project	Jinan	Residential/commercial	26	20
120	Fragrant Season	Changshu	Residential	13	40
121	Brown Stone Life (formerly known as Changshu Qinhu Project)	Changshu	Residential	16	25
122	Liu Xiang Mansion	Lishui	Residential/commercial	8	49
123	The Riviera Chongqing	Chongqing	Residential/commercial	47	100
124	The Cosmos Chongqing	Chongqing	Residential/serviced apartment/office/commercial/hotel	326	100
125	The Moon Mansion	Chongqing	Residential/commercial	18	39
126	Splendid City	Chongqing	Residential/commercial	47	50
127	Mansion of Jasper	Chongqing	Residential/commercial	35	50
128	Jade Moon Villa	Chongqing	Residential/commercial	71	50
129	Jinzhu Tianyi Huayuan	Taicang	Residential	118	100
130	Oriental Mansion	Wuxi	Residential/commercial	23	20
131	Exquisite Palace	Wuxi	Residential/commercial	40	45
132	Star Mansion	Wuxi	Residential/commercial	26	50
133	Vision of the World	Zhaoqing	Residential/commercial	129	100
134	River View Mansion	Zhaoqing	Residential/commercial	49	33
135	The Moon Mansion	Zhongshan	Residential/commercial	56	50
136	Serenity in Prosperity	Nantong	Residential/villa/commercial	21	51
137	Oriental Beauty	Nantong	Residential	47	70
138	Nantong Chongchuan Project	Nantong	Residential	39	100
139	The Moon Mansion	Liuzhou	Residential/villa/commercial	100	100
140	Fortunes Season	Liuzhou	Residential/commercial/hotel	1,016	100
141	Shenzhen Bantian Project	Shenzhen	Serviced apartment/office/commercial	119	100
142	KWG Topchain City Center	Shenzhen	Serviced apartment/office/commercial	66	51
143	Grand Oasis (formerly known as Shenzhen Nanshan Project)	Shenzhen	Serviced apartment/office/commercial/hotel	46	55
144	Shenzhen Longhua Project	Shenzhen	Residential	90	50



No.	Project	District	Type of Product	Total GFA	
				Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
145	Shaoxing Project	Shaoxing	Residential/villa	37	24.9
146	Life in Yueshan County	Huizhou	Residential/commercial	309	100
147	Huizhou Longmen Project-Educational#[2019]011	Huizhou	Educational	11	100
148	Huizhou Longmen Project-Educational#[2019]014	Huizhou	Educational	61	100
149	The Horizon	Jiangmen	Residential	37	100
150	Jiangmen Apex International (formerly known as Jiangmen Apex)	Jiangmen	Residential/serviced apartment/commercial	130	100
151	Cullinan Mansion	Wenzhou	Residential/commercial	81	100
152	Art Wanderland	Dongguan	Residential/villa/commercial	22	12.5
153	Dongguan Hengli Project	Dongguan	Residential/villa	50	20
154	Yangzhou Apex	Yangzhou	Residential/commercial	194	100
155	Ningbo Beilun Project	Ningbo	Residential	26	49
156	Parkview Palace (formerly known as Parkview Place)	Ningbo	Residential	50	49
157	Cloud Mansion	Ningbo	Residential	40	50
158	Meishan Apex	Meishan	Residential/commercial	119	100
159	River State	Meishan	Residential/commercial	115	34
160	Chenzhou Wangxian Eco-tourism Project	Chenzhou	Residential/villa	73	50
161	KWG Tusholdings Ice Snow (formerly known as KWG TusWorld Ice Town)	Wuzhou	Residential/commercial	256	75
162	Meet (formerly known as Xi'an Yanta Project)	Xi'an	Serviced apartment/commercial/hotel	37	100
163	Salar de Uyuni	Kunming	Residential/commercial/hotel	260	51
164	Hong Kong Ap Lei Chau Project	Hong Kong	Residential	35	50
165	Upper RiverBank	Hong Kong	Residential	27	50

## **Employees and Emolument Policies**

As at 30 June 2020, the Group employed a total of approximately 9,960 employees. The total staff costs incurred were approximately RMB920.8 million during the six months ended 30 June 2020. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

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

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

## **INTERIM DIVIDEND**

The Board resolved to declare an interim dividend of RMB40 cents per share (2019: RMB32 cents per share) for the six months ended 30 June 2020. The interim dividend shall be declared in RMB and payable in cash in Hong Kong dollars, which expected to be paid on or around Friday, 15 January 2021 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Friday, 18 September 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 14 September 2020 to Friday, 18 September 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 11 September 2020.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor's confidence and the Company's accountability and transparency, but also important to the Company's long-term success, therefore, the Group strives to attain and maintain effective corporate governance practices and procedures. The Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

## **COMPLIANCE WITH MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2020.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

## **REVIEW BY AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020. The Audit Committee comprises three members who are Independent Non-executive Directors.

## **INTERIM REPORT**

The interim report for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be published on the Company's website ([www.kwggroupholdings.com](http://www.kwggroupholdings.com)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)), and despatched to the Shareholders in due course.

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

Hong Kong, 27 August 2020

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