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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- The pre-sales for the year ended 31 December 2018 of RMB65,502.0 million, representing an increase of 72.2% as compared with the financial year of 2017.
- Proportionate revenue for the year ended 31 December 2018 amounted to RMB22,594.4 million, an increase of 9.2% as compared with the financial year of 2017.
- Profit attributable to owners of the Company amounted to RMB4,035.4 million, an increase of 11.5% as compared with the financial year of 2017.
- Core profit of the Company for the year amounted to RMB3,811.8 million, representing an increase of 8.2% as compared with the financial year of 2017.
- Proportionate core gross profit margin and proportionate net profit margin were 35.5% and 18.4%, respectively.
- Earnings per share increased by 9.4% to RMB128 cents as compared with the financial year of 2017.
- Proposed to declare final dividend of RMB31 cents per ordinary share. Including interim dividend, full year dividend was equivalent to RMB56 cents per ordinary share.

The board of directors (the "**Board**") of KWG Group Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	6	**7,477,471**	11,543,072
Cost of sales		**(5,026,202)**	(7,523,140)
Gross profit		**2,451,269**	4,019,932
Other income and gains, net	6	**2,703,427**	632,914
Selling and marketing expenses		**(532,080)**	(432,506)
Administrative expenses		**(1,313,835)**	(936,814)
Other operating expenses, net		**(1,727)**	(501,770)
Fair value gains on investment properties, net		**1,714,657**	1,204,881
Finance costs	7	**(1,070,059)**	(329,505)
Share of profits and losses of:			
Associates		**(279)**	(2,514)
Joint ventures		**1,439,857**	1,900,410
PROFIT BEFORE TAX	8	**5,391,230**	5,555,028
Income tax expenses	9	**(1,236,396)**	(1,950,015)
PROFIT FOR THE YEAR		**4,154,834**	3,605,013
Attributable to:			
Owners of the Company		**4,035,415**	3,620,071
Non-controlling interests		**119,419**	(15,058)
		4,154,834	3,605,013
Earnings per share attributable to owners of the Company	11		
– Basic		**RMB128 cents**	RMB117 cents
– Diluted		**RMB127 cents**	RMB117 cents

Details of the dividends proposed for the year are disclosed in note 10.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**4,154,834**	3,605,013
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**(792,154)**	1,032,056
Share of exchange differences on translation of joint ventures	**(183,622)**	254,141
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(975,776)**	1,286,197
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**(277,393)**	119,849
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(277,393)**	119,849
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(1,253,169)**	1,406,046
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,901,665**	5,011,059
Attributable to:		
Owners of the Company	**2,782,246**	5,026,117
Non-controlling interests	**119,419**	(15,058)
	2,901,665	5,011,059

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	12	**5,351,448**	4,173,873
Investment properties		**17,490,590**	13,718,600
Land use rights		**1,109,471**	1,071,688
Interests in associates		**3,452,270**	740,629
Interests in joint ventures		**34,715,581**	32,091,230
Deferred tax assets		**1,642,044**	1,410,904
Total non-current assets		**63,761,404**	53,206,924
CURRENT ASSETS			
Properties under development		**47,302,324**	30,908,445
Completed properties held for sale		**8,919,658**	6,540,415
Trade receivables	13	**957,665**	535,665
Prepayments, other receivables and other assets		**6,406,463**	2,963,398
Due from a joint venture		**30,069**	30,065
Tax recoverables		**482,606**	292,805
Restricted cash		**4,099,329**	1,268,364
Cash and cash equivalents		**52,577,643**	39,198,957
Total current assets		**120,775,757**	81,738,114
CURRENT LIABILITIES			
Trade and bills payables	14	**4,077,063**	2,644,265
Other payables and accruals		**21,728,682**	8,455,136
Due to joint ventures		**39,294,914**	27,929,009
Due to associates		**592,204**	—
Interest-bearing bank and other borrowings		**17,363,932**	3,740,551
Tax payables		**6,851,772**	6,638,355
Total current liabilities		**89,908,567**	49,407,316
NET CURRENT ASSETS		**30,867,190**	32,330,798
TOTAL ASSETS LESS CURRENT LIABILITIES		**94,628,594**	85,537,722
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**60,418,315**	55,904,620
Deferred tax liabilities		**1,647,439**	1,385,367
Deferred revenue		**2,042**	2,042
Total non-current liabilities		**62,067,796**	57,292,029

	2018 *RMB'000*	2017 *RMB'000*
NET ASSETS	**32,560,798**	28,245,693
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**303,909**	302,355
Treasury shares	**(125)**	—
Reserves	**29,263,569**	27,304,929
	29,567,353	27,607,284
Non-controlling interests	**2,993,445**	638,409
TOTAL EQUITY	**32,560,798**	28,245,693

Notes:

1. CORPORATE AND GROUP INFORMATION

The Company was a limited liability company incorporated in the Cayman Islands under the name of KWG Property Holding Limited. Pursuant to a special resolution passed on 16 July 2018, the Company's name was changed from KWG Property Holding Limited to KWG Group Holdings Limited. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- 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.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the dates on which the Group obtains control, and continue to be consolidated until the dates that such control ceases.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The Company has set up a trust (the "Trust") for the purpose of purchasing, administering and holding the Company's shares for the share award scheme adopted on 19 January 2018. The Group has the power to govern the financial and operating policies of the Trust and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group. The assets and liabilities of the Trust are included in the consolidated statement of financial position and the shares held by the Trust are presented as a deduction in equity as shares held for the share award scheme.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

Other than as explained below regarding the impact of HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these consolidated financial statements.

HKFRS 15

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was immaterial and no opening balance of retained profits as at 1 January 2018 was adjusted. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on OCI or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018：

	Notes	HKFRS 15	Previous HKFRS	Increase/ (decrease)
		Amounts prepared under		
	Notes	**HKFRS 15** *RMB'000*	**Previous HKFRS** *RMB'000*	**Increase/ (decrease)** *RMB'000*
Revenue	(i)	7,477,471	5,345,758	2,131,713
Cost of sales	(i)	(5,026,202)	(3,521,565)	(1,504,637)
Gross profit		2,451,269	1,824,193	627,076
Selling and marketing expenses		(532,080)	(519,674)	(12,406)
Administrative expenses		(1,313,835)	(1,301,436)	(12,399)
Share of profits and losses of associates	(i)	(279)	(23,720)	23,441
Share of profits and losses of joint ventures	(i)	1,439,857	1,193,624	246,233
Profit before tax		5,391,230	4,519,285	871,945
Income tax expenses	(i),(iv)	(1,236,396)	(989,928)	(246,468)
Profit for the year		4,154,834	3,529,357	625,477
Attributable to:				
Owners of the Company		4,035,415	3,492,641	542,774
Non-controlling interests	(iv)	119,419	36,716	82,703
		4,154,834	3,529,357	625,477
Earnings per share attributable to owners of the Company				
— Basic		128	110	18
— Diluted		127	110	17

Consolidated statement of financial position as at 31 December 2018：

	Notes	Amounts prepared under HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) RMB'000
Properties under development	(i)	47,302,324	48,806,962	(1,504,638)
Prepayments, other receivables and other assets	(iii)	6,406,463	6,430,926	(24,463)
Tax recoverables	(iv)	482,606	497,364	(14,758)
Interest in associates	(i)	3,452,270	3,428,830	23,440
Interest in joint ventures	(i)	34,715,581	34,469,347	246,234
Deferred tax assets	(iv)	1,642,044	1,772,814	(130,770)
Total assets		184,537,161	185,942,116	(1,404,955)
Other payables and accruals	(i),(ii)	21,728,682	23,860,054	(2,131,372)
Tax payable	(iv)	6,851,772	6,758,469	93,303
Deferred tax liabilities	(iv)	1,647,439	1,639,802	7,637
Total liabilities		151,976,363	154,006,795	(2,030,432)
Net assets		32,560,798	31,935,321	625,477
Reserve	(i),(iv)	29,263,569	28,720,795	542,774
Non-controlling interests	(iv)	2,993,445	2,910,742	82,703
Total equity		32,560,798	31,935,321	625,477

The reasons for the significant changes in the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Accounting for revenue from sales of properties

In prior years, the Group accounted for sales of completed properties when the significant risks and rewards of ownership of the properties were transferred to the purchasers, which is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured.

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The adoption of HKFRS 15 has had significant impact on the timing of revenue recognition from sales of properties for the year ended 31 December 2018.

(ii) Consideration received from customers in advance

Accounting for significant financing component for sales of properties

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

Upon adoption of HKFRS 15, for contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sale of completed properties is adjusted for the effects of a financing component, if significant, and the Group recognised contract liabilities for the interest on the sales proceeds received from customers if the financing component is significant. The Group elected to apply the practical expedient and did not recognise the effects of the interest with a significant financing component if the time period is one year or less.

Classification of the consideration received from customers in advance

Reclassifications have been made as contract liabilities for the outstanding balance of sales proceeds from customers.

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is recorded as "contract liabilities" before the relevant sale revenue is recognised.

As at 31 December 2018, under HKFRS 15, approximately RMB11,943,271,000 was reclassified as contract liabilities in relation to the consideration received from customers in advance for the sale of properties and the provision of property management services.

(iii) Accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract

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

(iv) Other adjustments

In addition to the adjustments described above, other items of the primary financial statements such as tax and non-controlling interests were adjusted as necessary.

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)–Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that, except that HKFRS 16 Leases may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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 recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. The Group is in the process of assessing the impact of HKFRS 16, and does not expect that the adoption of HKFRS 16 will have a significant impact on its opening balance of retained earnings.

5. OPERATING SEGMENT INFORMATION

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 year are all located in Mainland China and Hong Kong.

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

The Group's revenue from external customers is derived solely from its operations in Mainland China. As the Group's major operations and customers are located in Mainland China, no further geographical segment information is provided.

During 2018, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

During 2017, revenue of approximately RMB2,371,183,000 was derived from sales by the property development segment to a single external customer.

Year ended 31 December 2018

	Property development *RMB'000*	Property investment *RMB'000*	Hotel operation *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	**6,064,248**	**379,321**	**468,181**	**565,721**	**7,477,471**
Segment results	**2,688,619**	**1,993,513**	**204,017**	**116,635**	**5,002,784**
Reconciliation:					
Interest income and unallocated income					**2,703,427**
Unallocated expenses					**(1,244,922)**
Finance costs					**(1,070,059)**
Profit before tax					**5,391,230**
Income tax expenses					**(1,236,396)**
Profit for the year					**4,154,834**
Other segment information:					
Depreciation and amortisation	**50,073**	**2,585**	**103,329**	**1,690**	**157,677**
Fair value gains on investment properties, net	—	**1,714,657**	—	—	**1,714,657**
Share of profits and losses of:					
Associates	**(279)**	—	—	—	**(279)**
Joint ventures	**1,439,857**	—	—	—	**1,439,857**

Year ended 31 December 2017

	Property development *RMB'000*	Property investment *RMB'000*	Hotel operation *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	10,432,094	231,166	424,479	455,333	11,543,072
Segment results	4,922,417	1,418,006	147,493	99,223	6,587,139
Reconciliation:					
Interest income and unallocated income					632,914
Unallocated expenses					(1,335,520)
Finance costs					(329,505)
Profit before tax					5,555,028
Income tax expenses					(1,950,015)
Profit for the year					3,605,013
Other segment information:					
Depreciation and amortisation	42,768	5,057	98,106	1,347	147,278
Fair value gains on investment properties, net	–	1,204,881	–	–	1,204,881
Share of profits and losses of:					
Associates	(2,514)	–	–	–	(2,514)
Joint ventures	1,900,410	–	–	–	1,900,410

6. REVENUE, OTHER INCOME AND GAINS, NET

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

	2018	2017
	RMB'000	*RMB'000*
Revenue:		
Revenue from contracts with customers		
Sale of properties	**6,064,248**	10,432,094
Hotel operation income	**468,181**	424,479
Property management fee income	**565,721**	455,333
Revenue from other sources		
Gross rental income	**379,321**	231,166
	7,477,471	11,543,072
Other income and gains, net:		
Interest income	**482,259**	323,340
Foreign exchange differences, net	**683,693**	–
Management fee income	**213,520**	196,402
Gain on disposal of a subsidiary	**1,167,368**	–
Others	**156,587**	113,172
	2,703,427	632,914

Set out below is the disaggregation of the Group's revenue from contracts with customers for the year ended 31 December 2018:

	Property development *RMB'000*	Hotel operation *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Type of revenue recognition:				
Sales of properties	6,064,248	—	—	6,064,248
Provision of services	—	468,181	565,721	1,033,902
Total revenue from contracts with customers	6,064,248	468,181	565,721	7,098,150
Timing of revenue recognition:				
Recognised at a point in time	3,932,535	—	—	3,932,535
Recognised over time	2,131,713	468,181	565,721	3,165,615
Total revenue from contracts with customers	6,064,248	468,181	565,721	7,098,150

7. FINANCE COSTS

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

	2018 *RMB'000*	2017 *RMB'000*
Interest on bank and other borrowings	**4,594,210**	3,098,567
Less: Interest capitalised	**(3,524,151)**	(2,769,062)
	1,070,059	329,505

8. PROFIT BEFORE TAX

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

	2018 *RMB'000*	2017 *RMB'000*
Cost of properties sold	**4,419,555**	7,040,436
Less: Government grant released	**(336)**	(48)
	4,419,219	7,040,388
Cost of services provided	**606,983**	482,704
Depreciation	**148,916**	141,814
Amortisation of land use rights	**31,464**	25,864
Less: Amount capitalised in assets under construction	**(22,703)**	(20,400)
	8,761	5,464
Premium paid on early redemption of senior notes*	**—**	174,540
Employee benefit expense** (excluding directors' and chief executive's remuneration):		
Wages and salaries	**1,036,599**	634,317
Share based compensation expenses	**24,905**	—
Pension scheme contributions (defined benefit plans)	**99,028**	69,129
	1,160,532	703,446
Less: Amounts capitalised in assets under construction, properties under development and investment properties under development	**(255,208)**	(121,520)
	905,324	581,926
Foreign exchange difference, net	**(683,693)**	321,777
Gains on disposal of investment properties, net	**(2,199)**	(2,981)
Loss on disposal of items of property, plant and equipment*	**112**	879
Direct operating expenses (including repairs and maintenance arising on rental investment properties)	**30,708**	22,538

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

* Employee benefit expenses are included in "cost of sales", "selling and marketing expenses" and "Administrative expenses" in the consolidated statements of profit or loss.

9. INCOME TAX EXPENSES

	2018 *RMB'000*	2017 *RMB'000*
Current – PRC		
Corporate income tax ("CIT")	**886,009**	1,061,634
Land appreciation tax ("LAT")	**322,156**	843,254
	1,208,165	1,904,888
Deferred	**28,231**	45,127
Total tax charge for the year	**1,236,396**	1,950,015

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 years ended 31 December 2018 and 2017.

PRC CIT

PRC CIT in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2018 and 2017, based on existing legislation, interpretations and practices in respect thereof.

PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

10. DIVIDENDS

	2018 *RMB'000*	2017 *RMB'000*
Proposed final dividend (with scrip option) – RMB31 cents (2017: final dividend (with scrip option) of RMB31 cents) per ordinary share	**983,962**	978,098
Interim dividend declared – RMB25 cents (2017: RMB10 cents) per ordinary share	**788,789**	305,380
	1,772,751	1,283,478

On 28 August 2018, the Board declared the payment of a 2018 interim dividend of approximately RMB788,789,000 representing RMB25 cents per share, based on the number of shares in issue as at 30 June 2018 (30 June 2017: RMB10 cents). The interim dividend for the year is made out of the retained profit of the Company.

The proposed final dividend for the year, to be made out of the share premium account of the Company, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("2019 AGM").

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 3,162,393,416 (2017: 3,097,952,915) in issue during the year.

For the year ended 31 December 2018, the calculation of the diluted earnings per share amounts is based on the profit for the year 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 year, as used in the basic earnings per share calculation of 3,162,393,416 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 4,049,519.

Diluted earnings per share amount for the year ended 31 December 2017 is the same as the basic earnings per share as no diluting events existed during the year.

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

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the Company	**4,035,415**	3,620,071

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**3,162,393,416**	3,097,952,915
Effect of dilution – awarded shares	**4,049,519**	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	**3,166,442,935**	3,097,952,915

12. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2018, the Group had additions of property, plant and equipment at a total cost of approximately RMB1,326,611,000 (2017: approximately RMB430,931,000).

13. 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, whilst the Group's trading terms with its customers in relation to the provision of rental, property management and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within 12 months for major customers. An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**800,653**	246,623
4 to 6 months	**32,356**	24,431
7 to 12 months	**87,605**	247,070
Over 1 year	**37,051**	17,541
	957,665	535,665

14. TRADE AND BILLS PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within one year	**4,077,063**	2,644,265

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

15. SUBSEQUENT EVENTS

On 1 March 2019, the Company issued 7.875% senior notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,343,495,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific period prior to the maturity date of 1 September 2023. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 1 March and 1 September of each year, commencing on 1 September 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 21 February 2019, 22 February 2019 and 1 March 2019.

On 22 March 2019, the Company issued additional 7.875% senior notes (the "Additional Notes") with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,343,040,000) which was consolidated and form a single class with the above senior notes issued on 1 March 2019(the "Original Notes"). The principal terms of the Additional Notes are the same as the terms of the Original Notes as set forth in the announcement of the Company dated 22 February 2019. The Additional Notes will mature on 1 September 2023, unless earlier redeemed in accordance with the terms thereof. For further details on the senior notes, please refer to the related announcements of the Company dated 19 March 2019 and 22 March 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 RMB7,477.5 million in 2018, representing a significant decrease of 35.2% from approximately RMB11,543.1 million in 2017.

In 2018, the revenue generated from property development, property investment, hotel operation and property management were approximately RMB6,064.2 million, RMB379.3 million, RMB468.2 million and RMB565.8 million, respectively.

Proportionate revenue amounted to approximately RMB22,594.4 million in 2018, representing an increase of 9.2% from approximately RMB20,684.9 million in 2017. In 2018, the Group disposed 100% equity interest of a subsidiary, a project company of the Star I, at total consideration of approximately RMB3,046.3 million. Such transaction was an ordinary course of business and was considered as sales of properties in substance by the management. Therefore the calculation of proportionate revenue and cost of sales had taken into account the effect of such transaction. The net gain of disposal of a subsidiary was included in "Other income and gain, net" in the consolidated statement of profit or loss.

Property development

Revenue generated from property development significantly decreased by 41.9% to approximately RMB6,064.2 million in 2018 from approximately RMB10,432.1 million in 2017, primarily due to a decrease in the total gross floor area ("GFA") delivered to 400,602 sq.m. in 2018 from 705,390 sq.m. in 2017.

Despite the decrease in GFA delivered, the Group maintained a high recognised average selling price ("ASP") at RMB15,137 per sq.m., as compared to RMB14,789 per sq.m. in 2017, reflecting a better product mix as well as an upgrade on city mix.

Proportionate revenue generated from property development increased by 8.2% to approximately RMB21,181.1 million in 2018 from approximately RMB19,573.9 million in 2017.

Property investment

Revenue generated from property investment significantly increased by 64.1% to approximately RMB379.3 million in 2018 from approximately RMB231.2 million in 2017, primarily due to an increased leaseable GFA from leased investment properties.

Hotel operation

Revenue generated from hotel operation increased by 10.3% to approximately RMB468.2 million in 2018 from approximately RMB424.5 million in 2017, primarily due to an increase in occupancy rate of the hotels.

Property management

Revenue generated from property management increased by 24.2% to approximately RMB565.8 million in 2018 from approximately RMB455.3 million in 2017, primarily due to an increase in the number of properties under management.

Cost of Sales

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

Cost of sales significantly decreased by 33.2% to approximately RMB5,026.2 million in 2018 from approximately RMB7,523.1 million in 2017, mainly due to the decrease in total GFA delivered in sales of properties.

Land cost per sq.m. slightly increased from RMB3,617 in 2017 to RMB3,750 in 2018.

Construction cost per sq.m. increased from RMB4,329 in 2017 to RMB5,829 in 2018, due to the change in delivery portfolio with different city mix compared with that in 2018.

Proportionate core cost of sales increased by 11.3% to approximately RMB14,574.8 million in 2018 from approximately RMB13,090.3 million in 2017, primarily due to the increase of total proportionate GFA delivered in sales of properties.

Gross Profit

Gross profit of the Group significantly decreased by 39.0% to approximately RMB2,451.3 million in 2018 from approximately RMB4,019.9 million in 2017. The decrease of gross profit was principally due to the decrease in the total revenue in 2018. The Group reported gross profit margin of 32.8% for 2018 as compared with 34.8% for 2017.

Proportionate core gross profit of the Group decreased by 5.6% to approximately RMB8,019.5 million in 2018 from approximately RMB7,594.6 million in 2017. The Group reported proportionate core gross profit margin of 35.5% in 2018 (2017: 36.7%).

Other Income and Gains, Net

Other income and gains significantly increased by 327.1% to approximately RMB2,703.4 million in 2018 from approximately RMB632.9 million in 2017, mainly comprising gain on disposal of a subsidiary, foreign exchange gain and interest income of approximately RMB1,167.4 million, RMB683.7 million and RMB482.3 million respectively.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 23.0% to approximately RMB532.1 million in 2018 from approximately RMB432.5 million in 2017, mainly due to an increase in advertising expenses in conjunction with launching of 18 new grand projects during 2018.

Administrative Expenses

Administrative expenses of the Group increased by 40.2% to approximately RMB1,313.8 million in 2018 from approximately RMB936.8 million in 2017, primarily attributable to increased headcounts to catch up with the rapid development of the Group in various regional offices in order to achieve its long term goal. The Group believes that people are key elements for future growth and grasping the opportunities ahead. The Group also provided extensive training, built incentive schemes as well as a teamwork-oriented corporate culture with high sense of belonging to retain experienced employees.

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB1.7 million in 2018 (2017: approximately RMB501.8 million).

Fair Value Gains on Investment Properties, Net

The Group reported fair value gains on investment properties of approximately RMB1,714.7 million for 2018 (2017: approximately RMB1,204.9 million), mainly related to various leaseable commercial properties in various regions. The fair value gains attributable to those leaseable commercial properties, including KWG Centre II in Beijing, The Star in Guangzhou and KWG Centre I in Beijing, were approximately RMB1,280.9 million for 2018. Fair value gains in respect of properties owned by the Group's joint ventures are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

Finance Costs

Finance costs of the Group being approximately RMB1,070.1 million in 2018 (2017: approximately RMB329.5 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, thus they have not been capitalised.

Income Tax Expenses

Income tax expenses decreased by 36.6% to approximately RMB1,236.4 million in 2018 from approximately RMB1,950.0 million in 2017, primarily due to a decrease in provision of LAT as a result of the decrease in the total GFA delivered from sales of properties in 2018.

Profit for the Year

The Group reported profit for the year of approximately RMB4,154.8 million in 2018 (2017: approximately RMB3,605.0 million). Proportionate net profit margin was 18.4% (2017: 17.4%).

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2018, the carrying amounts of the Group's cash and bank balances were approximately RMB56,677.0 million (31 December 2017: approximately RMB40,467.3 million).

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 31 December 2018, the carrying amount of the restricted cash was approximately RMB4,099.3 million (31 December 2017: approximately RMB1,268.4 million).

Borrowings and Charges on the Group's Assets

As at 31 December 2018, the Group's bank and other loans, senior notes, domestic corporate bonds and finance lease payable were approximately RMB29,783.0 million, RMB20,501.7 million, RMB27,179.0 million and RMB318.5 million respectively. Amongst the bank and other loans, approximately RMB5,202.3 million will be repayable within 1 year, approximately RMB17,793.7 million will be repayable between 2 and 5 years and approximately RMB6,787.0 million will be repayable over 5 years. Amongst the senior notes, approximately RMB4,067.0 million will be repayable within 1 year, approximately RMB13,836.3 million will be repayable between 2 and 5 years and approximately RMB2,598.4 million will be repayable over 5 years. Amongst the domestic corporate bonds, approximately RMB8,030.5 million will be repayable within 1 year and approximately RMB19,148.5 million will be repayable between 2 and 5 years. Amongst the finance lease payable, approximately RMB64.1 million will be repayable within 1 year and approximately RMB254.4 million will be repayable between 2 and 5 years.

As at 31 December 2018, the Group's bank and other loans of approximately RMB26,762.3 million were secured by buildings, land use rights, investment properties, properties under development, completed properties held for sale and time deposit of the Group with total carrying value of approximately RMB28,252.8 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares. As at 31 December 2018, the Group's finance lease payable of approximately RMB318.5 million were secured by an aircraft of the Group with carrying value of approximately RMB474.3 million.

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 RMB5,538.8 million as at 31 December 2018 which were denominated in Hong Kong dollar of approximately RMB3,737.5 million and denominated in U.S. dollar of approximately RMB1,801.3 million 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 RMB4,045.6 million which were charged at fixed interest rates as at 31 December 2018. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2018. The Group's domestic corporate bonds were denominated in RMB and charged at fixed interest rates as at 31 December 2018. The Group's finance lease payable were denominated in RMB and charged at fixed interest rate as at 31 December 2018.

Gearing Ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 31 December 2018, the gearing ratio was 64.8% (31 December 2017: 67.9%).

Risk of Exchange Rate Fluctuation

The Group mainly operates in Mainland China, so most of its revenues and expenses are measured in RMB. In addition, except for the above mentioned, the Company's domestic corporate bonds were denominated 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 the 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.

During 2018, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar increased and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

(i) As at 31 December 2018, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB8,085.2 million (31 December 2017: approximately RMB5,036.1 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

    The fair value of the guarantees is not significant and the Board considers that in case of default in payments, 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 provision has been made in the financial statements as at 31 December 2018 and 2017 for the guarantees.

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

Market Review

Following the implementation of stringent regulation in 2017, the nationwide property market as a whole was trending relatively stable in general in 2018 with the introduction of differentiated regulatory policies for different cities. According to data released by the National Bureau of Statistics, for 2018, nationwide investments in property development amounted to RMB12,026.4 billion, representing a year-on-year growth of 9.5%. The areas of land acquired by property developers amounted to 291.42 million sq.m., representing a year-on-year increase of 14.2%. Accrued land premium paid amounted to RMB1,610.2 billion, representing a year-on-year increase of 18.0%.

With the rigorous implementation of the price cap policy, property prices are expected to trend stably. For 2018, sales volume and sales amount for commodity properties amounted to 1,716.54 million sq.m. and RMB14,997.3 billion, respectively, representing a year-on-year increase of 1.3% and 12.2%, respectively.

In 2018, downside pressure of macro-environment and rising frictions associated with the Chinese and U.S. trade war resulted in unclear global economic outlook and volatile international exchange rates. Hence, macro-environment became weak. Meanwhile, property development companies continued to be subject to a relatively tightened financing environment. Under such circumstances, the real estate industry became a main pillar supporting GDP growth. Regulatory policies for real estate market were generally stable in the second half of 2018, although easing was noted in selected cities, such as the narrowing premium in mortgage interest rates, easing of purchase restrictions and the policy concerning "Hukou" citizenship registration for talents, lifting of price caps for purchase registration to prevent dual contracts and easing of the policy relating to the purchase of apartments, all of which constituting favourable factors for the real estate market as a whole. Under the primary principle of maintaining a long-term effective mechanism for healthy development, policies relating to property development are expected to remain stable in 2019, and buyers' sentiments are expected to improve over the previously prevailing holding back to "wait and see" stance.

Business Review

During the reporting period, the Group's pre-sales amounted to RMB65.5 billion in aggregate, representing a year-on-year increase of 72%, with an ASP of approximately RMB16,500 per sq.m, which was largely level with that for the same period of 2017. Analyzed by contributions to pre-sales amount, amongst the 80 projects currently for sale, 30% were from Greater-Bay-Area, while 45% were from Yangtze-River-Delta Area.

During the reporting period, the Group launched a total of 30 brand new projects, including Chongqing The Cosmos, Xuzhou Fragrant Season, Taizhou Top of World Residence I, Suzhou The Moon Mansion, Guangzhou Nansha River Paradise and Beijing The Core of Center, etc. In particular, the Group reported stellar performances in Chongqing, Xuzhou and Taizhou, cities where the Group newly entered in 2017.

During the reporting period, the Group continued to prioritise quality and persist in its focus on consumers' requirements, consolidating strengths underpinned by the diversity of its business with full efforts to deliver one-stop services covering clothing, food, accommodation, transportation, education and healthcare, in fulfillment of its pledge to build homes and serve customers with heart. The Group's achievements were well-recognised in the industry, and it received a number of awards for brand influence, residential sales and product quality during the past year, such as "Top 50 PRC Property Development Enterprises 2018", "Noteworthy Property Companies in the Capital Markets 2018", "Top 100 PRC Property Service Enterprises in Service Quality 2018", "Most Anticipated Property Developments in Taizhou 2018", "Most Anticipated Commercial Complex in Chengdu 2018" and others.

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 to obtain land at more favourable costs. Mergers and acquisitions have become the primary means through which the Group acquires new land reserve. During the reporting period, the Group acquired 38 projects to adding attributable GFA by 4.14 million sq.m. at an average cost of RMB5,400 per sq.m. The Group successfully acquired projects with vast potential in Beijing, Shenzhen and Huizhou etc.. Approximately 80% of new land acquisitions during 2018 were through mergers and acquisitions and joint development.

As at 31 December 2018, the Group owned 136 projects in 36 cities across Mainland China and Hong Kong with an attributable land bank with GFA of approximately 16.58 million sq.m.

Staff co-investment programmes have been extensively implemented in more than 40 new projects, providing a significant boost to staff motivation and commitment that has accelerated project turnover. The establishment and comprehensive implementation of a standardised management system with uniform standards has facilitated centralised procurement and effectively reduced unit cost to expedite completion of every stage in operation of projects.

Properties for Recurring Income

(1) *Shopping mall*

During the reporting period, the Group celebrated the grand opening of shopping malls in Beijing, Suzhou, Chengdu and Guangzhou under its brands "M • Cube" and "U Fun". Suzhou U Fun and Chengdu U Fun, which had been opened since the first half of the year, reported occupancy rates of above 90% with a thriving business atmosphere as branded tenants continued to settle in operation. In the second half of the year, Beijing M • Cube and Guangzhou The Summit U Fun newly opened, further complementing the Group's nationwide deployment of investment properties.

Built upon Chongwenmen Subway Station inside the Second Ring of Beijing, Beijing M • Cube is a benchmark shopping mall of KWG commanding tremendous effort. Designed by MVRDV, a world-renowned Dutch design firm, Beijing M • Cube Shopping Mall has a novel modernistic appearance resembling an elusive crystal magic cube. The project is positioned as a fashionable shopping hub offering trendy exquisite goods, popular international brands, coldplays, innovative dining under one roof, making it as the first landmark of all-around fashion in the Chongwenmen commercial zone. Beijing M • Cube has a lease rate of 100%. Its grand opening attracted a large crowd and more than 50,000 people visited on the first day. Its two leading tenants registered record nationwide sales, as NIKE KICKS LOUNGE reported the largest single-store one-day sales nationwide for the day, while AAPE claimed top spot for single-store one-day sales nationwide.

Situated at a prime location in the economic and technological development zone in Zengcheng District in eastern part of Guangzhou, Guangzhou The Summit U Fun is located at a 2.5 million sq.m. large community complex with star-rated hotels, offices, retail shops, residential buildings and apartments of The Summit. The open-air shopping mall is designed to provide an entertainment park where families in the neighborhood can spend some quality time after work, while the working class from the nearby offices can relax and cherish moments of childlikeness. The lead designer for the overall design of the shopping mall is AGC Design from Hong Kong, who has blended the FUN idea with unique architectural aesthetics to form natural green space. The sky screen above the atrium, the submerged stairs of the plaza and the rooftop amusement park complement each other in the creation of a large theme park for children, such that shopping needs and family leisure are both attended to.

With the successive opening of Suzhou U Fun, Chengdu U Fun, Beijing M • Cube and Guangzhou The Summit U Fun, 2018 marked a year of grand opening and thriving development of the Group's shopping malls, and the nationwide presence of KWG's commercial properties are coming into full shape. Looking to 2019, the Group will welcome the opening of further shopping malls, including Guangzhou Nansha U Fun and Foshan Oriental Bund U Fun. Currently, six shopping malls are in operation, and two more will be scheduled to be opened in 2019, offering steady increase in rental income, and the Group will embrace a period of rapid growth in rental income in the next two years.

(2) Hotel

During the reporting period, two new hotels commenced operation, namely Suzhou Courtyard and Suzhou CRH North Station The Mulian. Suzhou Courtyard is jointly operated by Marriot Group, located within the complex of Suzhou Apex to complement U Fun Shopping Center. Suzhou CRH North Station The Mulian is run by the Group's boutique hotel brand "The Mulian", and is located within Suzhou Wan Hui Plaza complex next to Suzhou CRH North Station in a neighborhood of well-developed facilities.

As at 31 December 2018, the Group had nine hotels in operation, including hotels run by international leading brands, such as Guangzhou W Hotel, Guangzhou Conrad (a JV project), Guangzhou Dongpu Four Points by Sheraton and Suzhou Courtyard, as well as boutique hotel brand "The Mulian" in Pearl River New Town and Huadu District of Guangzhou, Hangzhou, Chengdu and Suzhou.

Through previous efforts in cooperation with international hotel groups, such as Marriot, Hyatt and Hilton etc., the Group had gained increasing experience in hotel operations, and it opened the first The Mulian Hotel, its boutique hotel brand in 2014. Currently, located in either city centers or central business districts, The Mulian Hotels in operation are intended primarily as business hotels. The Mulian Hotel Group, positioned to cater to a diverse range of positions, such as business travelers, light-luxury consumers and young people, with the offering of different types of The Mulian Hotels under different sub-brands to meet the needs of different cities, areas and markets, will underline one of the future focuses of the Group. In 2019, the Group will operate and promote its boutique brand of The Mulian Hotel through an asset-light expansion model, with plans to open hotels in cities such as Shenzhen, Wuhan and Xi'an that would provide vigor to fuel the growth of the boutique The Mulian Hotel. In future, the Group expects The Mulian Hotel brand to grow into a franchise chain with a brand export model in a significant enhancement of brand value and market influence.

(3) Office

At present, offices owned by the Group in core districts in tier-one and top tier-two cities, such as Guangzhou, Shanghai, Chengdu, Nanning and etc., have commenced operation, and will provide stable cash flow for the Group 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. Offices in Shanghai that have commenced operation include International Metropolitan Plaza in Pudong Bund and Amazing Bay in Xinjiangwan. 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 enjoy comprehensive transportation access with subway stations nearby and high occupancy rates, being local or district landmarks built according to international quality standards.

(4) Long-term Rental Apartments

Responding to Central Government's initiation for the operation of long-term rental apartments and relevant policies in support, the Group has adopted a combination of asset-light and asset-heavy approaches in rolling out its deployment of long-term rental apartments with the design of three major brands, namely, "譽舍PRIMCASA", "昕舍RISCASA" and "陸舍NOVUSCASA", targeting high-end business elites, middle-end massive market and new talents, respectively. 2018 marked the beginning of KWG Group's operation of long-term rental apartments. During the reporting period, the Group commenced pilot operations in Guangzhou, Foshan, Beijing, Shanghai, Nanjing and Suzhou.

Outlook

In 2019, the Central Government will continue to uphold the principle of "housing properties for accommodation, not for speculative trading" and the primary tone of regulation over the property market will remain unchanged. The government will continue to step up with measures to develop multi-agent supply, multi-channel support and a purchase-lease mechanism, in an effort to facilitate and improve the long-term mechanism for stable and healthy development of the real estate market.

With the basic completion of the Group's deployment in Greater-Bay-Area and Yangtze-River-Delta Area, two key areas for its business development, the Group will continue to penetrate Greater-Bay-Area and Yangtze-River-Delta Area in future for further development, and will focus on tier-one and tier-two cities. In 2019, the Group expects to launch more new projects, including the Beijing Niulanshan Project, Suzhou Taihu New Town Project, Nanjing Yuhuatai Project, Taizhou Star Mansion, Guangzhou Tianhe Project, Guangzhou Baiyun Project, Foshan Longjiang Project, Shenzhen Yantian Project, Hong Kong Kai Tak Project, Nanning Impression Discovery Bay and Chongqing The Moon Mansion, etc. The Group's sellable resources for 2019 will amount to RMB150 billion, and sales target at RMB85 billion. Analyzed by regions, Greater-Bay-Area will contribute 37%, while Yangtze-River-Delta Area will contribute 35%, regarding sellable resources value. Analyzed by the ranking of cities, tier-one and tier-two cities will comprise approximately 90% of sellable resources value. All management and staff of the Group are committed to accomplishing the full-year sales target in a concerted effort.

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, abundant sellable resources, well-recognized quality brands and products, experienced operation teams and improving management systems, fast growth in recurring income driven by the opening of commercial properties, as well as synergy effects between the diverse segments and the property segment will combine to facilitate quality, rapid growth for KWG Group in the future, such that progression will be made both in scale and profitability!

Overview of the Group's Property Development

As at 31 December 2018, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing, Foshan, Hefei, Wuhan, Xuzhou, Jiaxing, Taizhou, Jinan, Changshu, Lishui, Chongqing, Taicang, Wuxi, Zhaoqing, Zhongshan, Nantong, Liuzhou, Shenzhen, Huizhou, Jiangmen, Wenzhou, Dongguan, Yangzhou, Ningbo, Meishan, Chenzhou 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	1,554	100
2	International Metropolitan Plaza	Guangzhou	Office / commercial	40	50
3	Tian Hui Plaza (including The Riviera and Top Plaza)	Guangzhou	Service apartment / office / commercial / hotel	45	33.3
4	The Star	Guangzhou	Office / commercial	84	100
5	Top of World	Guangzhou	Villa / serviced apartment / office / commercial / hotel	412	100
6	The Eden	Guangzhou	Residential / commercial	3	50
7	Zengcheng Gua Lv Lake	Guangzhou	Villa / hotel	43	100
8	Essence of City	Guangzhou	Residential / villa / commercial	245	100
9	International Commerce Place	Guangzhou	Office / commercial	50	50
10	CFC (including Mayfair and International Finance East)	Guangzhou	Service apartment / office / commercial	85	33.3
11	The Horizon	Guangzhou	Residential / villa / serviced apartment / office / commercial / hotel	19	50
12	Fortunes Season	Guangzhou	Residential / villa / commercial	216	50
13	Nansha River Paradise	Guangzhou	Residential / commercial	63	40
14	Guangzhou Tianhe Project	Guangzhou	Residential	16	40
15	V-city	Guangzhou	Serviced apartment / commercial	182	70
16	Guangzhou Baiyun Project	Guangzhou	Residential / villa	26	30
17	E-city	Guangzhou	Serviced apartment / commercial	506	67
18	IFP	Guangzhou	Office / commercial	61	100
19	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
20	The Mulian Huadu	Guangzhou	Hotel	25	100
21	W Hotel/W Serviced Apartments	Guangzhou	Hotel / service apartment	80	100
22	The Mulian Guangzhou	Guangzhou	Hotel	8	100
23	The Sapphire	Suzhou	Residential / serviced apartment / office / commercial / hotel	45	100
24	Suzhou Apex	Suzhou	Residential / serviced apartment / commercial / hotel	115	100
25	Suzhou Emerald	Suzhou	Residential / commercial	3	100
26	Leader Plaza	Suzhou	Service apartment / office / commercial	36	100
27	Wan Hui Plaza	Suzhou	Service apartment / office / commercial / hotel	33	100
28	Suzhou Jade Garden	Suzhou	Residential / commercial	4	100
29	Enjoy The Exquisite Life	Suzhou	Residential	60	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
30	Orient Aesthetics (formerly known as Suzhou Beiqiao Project)	Suzhou	Residential / commercial	46	20
31	Orient Moon Bay (formerly known as Suzhou Pingwang Project)	Suzhou	Residential	29	50
32	The Moon Mansion	Suzhou	Residential / villa	58	100
33	Suzhou Taihu New Town Project	Suzhou	Residential / serviced apartment / office / commercial / hotel	99	29
34	The Vision of the World	Chengdu	Residential / serviced apartment / commercial	54	100
35	Chengdu Cosmos	Chengdu	Residential / serviced apartment / office / commercial / hotel	314	100
36	Chengdu Sky Ville	Chengdu	Residential / serviced apartment / office / commercial	191	50
37	Yunshang Retreat	Chengdu	Residential / villa / commercial / hotel	611	55
38	Fragrant Seasons	Beijing	Residential / villa / serviced apartment / commercial	2	100
39	La Villa	Beijing	Residential / villa / commercial	10	50
40	Beijing Apex	Beijing	Residential / villa / serviced apartment / commercial	27	50
41	M · Cube	Beijing	Commercial	16	100
42	Summer Terrace	Beijing	Residential / commercial	19	100
43	KWG Center I	Beijing	Service apartment / office / commercial	128	100
44	KWG Center II	Beijing	Service apartment / office / commercial	125	100
45	Rose and Ginkgo Mansion	Beijing	Villa	27	33
46	The Core of Center	Beijing	Residential / villa / serviced apartment / commercial / hotel	202	100
47	Beijing Niulanshan 1107# Project	Beijing	Residential	39	100
48	Pearl Coast	Hainan	Residential / villa / hotel	160	100
49	Villa Como	Hainan	Residential / villa / commercial / hotel	363	100
50	Hainan Lingao Project	Hainan	Residential	34	20
51	International Metropolis Plaza	Shanghai	Office / commercial	45	100
52	The Core of Center	Shanghai	Residential / serviced apartment / office / commercial	29	50
53	Shanghai Apex	Shanghai	Residential / serviced apartment / commercial / hotel	37	100
54	Shanghai Sapphire	Shanghai	Serviced apartment / commercial / hotel	51	100
55	Amazing Bay	Shanghai	Residential / serviced apartment / office / commercial / hotel	54	50
56	Vision of World	Shanghai	Residential / serviced apartment / commercial / hotel	122	100
57	Glory Palace	Shanghai	Residential	121	100
58	Jinnan New Town	Tianjin	Residential / villa / serviced apartment / commercial	495	25
59	Tianjin The Cosmos	Tianjin	Residential / villa / commercial	262	100
60	Tianjin Jinghai Project	Tianjin	Residential	115	49
61	The Core of Center	Nanning	Residential / villa / serviced apartment / office / commercial	361	87
62	International Finance Place	Nanning	Office / commercial	36	100
63	Top of World	Nanning	Residential / villa / commercial	389	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
64	Fragrant Season	Nanning	Residential / villa / commercial	301	100
65	Impression Discovery Bay I	Nanning	Residential / commercial	101	34
66	Impression Discovery Bay II	Nanning	Residential / commercial	50	34
67	The Mulian Hangzhou	Hangzhou	Commercial / hotel	18	100
68	The Moon Mansion	Hangzhou	Residential / villa	2	51
69	Sky Ville (formerly known as Sky Villa)	Hangzhou	Residential / villa	56	100
70	Majestic Mansion	Hangzhou	Residential / villa	33	100
71	Puli Oriental	Hangzhou	Residential / commercial	8	50
72	Hangzhou Linping Project	Hangzhou	Serviced apartment / commercial	15	60
73	Shine City	Nanjing	Residential / office / commercial	18	50
74	Nanjing Yuhuatai Project	Nanjing	Residential / commercial	16	19.75
75	Nanjing Lukou Project	Nanjing	Residential	41	100
76	Oriental Bund	Foshan	Residential / villa / serviced apartment / office / commercial	1,168	50
77	The Riviera	Foshan	Residential / commercial	122	51
78	One Palace (formerly known as Riverine Capital)	Foshan	Residential / serviced apartment / commercial	89	33.3
79	Foshan Apex	Foshan	Residential / serviced apartment / commercial	21	50
80	Foshan Longjiang Project	Foshan	Residential / commercial	38	34
81	City Moon I	Hefei	Residential / commercial	71	51
82	City Moon II	Hefei	Residential / commercial	42	51
83	The One	Hefei	Residential / commercial	165	100
84	Park Mansion	Hefei	Residential	51	50
85	Joyful Season	Wuhan	Residential / villa / commercial	138	60
86	The Buttonwood Season I	Wuhan	Residential / villa / commercial	92	100
87	The Buttonwood Season II	Wuhan	Residential / villa / commercial	142	100
88	Exquisite Bay	Xuzhou	Residential / commercial	114	50
89	Fragrant Season	Xuzhou	Residential / serviced apartment / commercial	45	50
90	Xuzhou Tongshan Project I	Xuzhou	Residential	24	33
91	Xuzhou Tongshan Project II	Xuzhou	Residential / commercial	34	33
92	Majestic Mansion	Jiaxing	Residential / commercial	98	100
93	Star City	Jiaxing	Residential	29	25
94	Jiashan Yaozhuang Project	Jiaxing	Residential	66	100
95	Top of World Residence I (formerly known as Linhai Project I)	Taizhou	Residential	83	100
96	Top of World Residence II (formerly known as The Cullinan)	Taizhou	Residential / commercial	101	100
97	Linhai Mansion	Taizhou	Residential / commercial	100	100
98	Star Mansion	Taizhou	Residential / commercial	19	33
99	Jinan Zhangqiu Project	Jinan	Residential	151	49
100	Jinan Zhang Ma Tun C6# Project	Jinan	Residential / commercial	26	20
101	Jinan Zhang Ma Tun C8# Project	Jinan	Residential / commercial	26	20
102	Fragrant Season	Changshu	Residential	36	40
103	Changshu Qinhu Project	Changshu	Residential	17	25
104	Liu Xiang Mansion	Lishui	Residential / commercial	60	49
105	The Riviera Chongqing	Chongqing	Residential / commercial	47	100
106	The Cosmos Chongqing	Chongqing	Residential / office / commercial / hotel	388	100
107	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 *(%)*
108	Chongqing Two River New District Project C43–1/02#	Chongqing	Residential	47	50
109	Jiangsu Taicang Project	Taicang	Residential	118	100
110	Oriental Mansion (formerly known as Wuxi Xinwu Project)	Wuxi	Residential / commercial	23	20
111	Wuxi Huishan Project	Wuxi	Residential / villa / commercial	84	49
112	Exquisite Palace	Wuxi	Residential / commercial	42	45
113	Star Mansion	Wuxi	Residential / commercial	28	50
114	Vision of World	Zhaoqing	Residential / commercial	193	100
115	Zhaoqing Duanzhou Project	Zhaoqing	Residential / commercial	62	33
116	The Moon Mansion	Zhongshan	Residential / commercial	71	50
117	Serenity in Prosperity	Nantong	Residential / villa / commercial	105	51
118	Oriental Beauty	Nantong	Residential	113	70
119	The Moon Mansion	Liuzhou	Residential / villa / commercial	167	100
120	Fortunes Season	Liuzhou	Residential / commercial / hotel	1,126	100
121	Shenzhen Bantian Project	Shenzhen	Service apartment / office / commercial	119	100
122	Shenzhen Yantian Project	Shenzhen	Office / commercial	69	51
123	Life in Yueshan County	Huizhou	Residential / commercial	225	60
124	The Horizon	Jiangmen	Residential	38	100
125	Jiangmen Apex	Jiangmen	Residential / serviced apartment / commercial	132	100
126	Cullinan Mansion (formerly known as Joyful Noble Residential Area)	Wenzhou	Residential / commercial	113	100
127	Dongguan Shipai Project	Dongguan	Residential / villa / commercial	26	12.5
128	Yangzhou Apex	Yangzhou	Residential / commercial	198	100
129	Ningbo Beilun Project	Ningbo	Residential	53	49
130	Meishan Apex	Meishan	Residential / commercial	134	100
131	Chenzhou Wangxian Eco-tourism Project	Chenzhou	Residential / villa	73	50
132	Hong Kong Ap Lei Chau Project	Hong Kong	Residential	35	50
133	Hong Kong Kai Tak Project	Hong Kong	Residential	27	50

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2018, the Group employed a total of approximately 8,500 employees. The total staff costs incurred was approximately RMB1,160.5 million during the financial year ended 31 December 2018. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

DIVIDEND

The Board of the Company has proposed the payment of a final dividend of RMB31 cents per ordinary share for the year ended 31 December 2018. The proposed final dividend, if approved by the shareholders at the 2019 AGM, is expected to be paid on or around 2 August 2019 to the shareholders whose names appear on the register of members of the Company on 18 June 2019.

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average closing rate of the five business days preceding the date of declaration of dividend as announced by the People's Bank of China.

Payment of the final dividend are subject to the approval of the proposed final dividend at the 2019 AGM of the Company expected to be held on 6 June 2019.

A circular giving full details of the proposed final dividend together with the relevant form of election expected to be sent to the shareholders on or around 28 June 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of determining the shareholders who are entitled to attend and vote at the 2019 AGM expected to be held on 6 June 2019, the register of members of the Company expected to be closed on Monday, 3 June 2019 to Thursday, 6 June 2019, both days inclusive. In order to qualify for attending and voting at the 2019 AGM, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong expected not later than 4:30 p.m. on Friday, 31 May 2019.

(b) For the purpose of determining the shareholders who qualify for the final dividend, the register of members of the Company expected to be closed on Friday, 14 June 2019 to Tuesday, 18 June 2019, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong expected not later than 4:30 p.m. on Thursday, 13 June 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code of conduct regarding directors' securities transactions. Specific enquiries have been made with all directors of the Company regarding any non-compliance with the Model Code and all directors of the Company confirmed that they have complied with the provisions of the Model Code for the financial year ended 31 December 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor confidence and the Company's accountability and transparency but also important to the Company's long-term success. The Group, therefore, strives to attain and maintain effective corporate governance practices and procedures. The Company has complied with the code provisions in the Corporate Governance Code (the "Code Provision") as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2018.

Audit Committee

The Audit Committee was established with written terms of reference in accordance with the Code Provision as set out in Appendix 14 to the Listing Rules. The Audit Committee reports to the Board and is delegated by the Board to assess matters related to the financial statements and to perform the duties, including but not limited to, reviewing the Company's financial controls and internal control, financial and accounting policies and practices and the relationship with the external auditor.

As at 31 December 2018, the Audit Committee comprises three members who are Independent Non-executive Directors of the Company, namely Mr. Tam Chun Fai (Chairman), Mr. Lee Carmelo Ka Sze, *JP,* and Mr. Li Binhai.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2018.

Scope of Work of Ernst & Young on the Preliminary Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

Remuneration Committee

The Remuneration Committee was established with written terms of reference in accordance with the Code Provision as set out in Appendix 14 to the Listing Rules. The principal responsibilities of the remuneration committee include but not limited to formulate and make recommendations on remuneration policy and remuneration package of the directors and members of senior management to the Board. As at 31 December 2018, the Remuneration Committee comprises an Executive Director, namely Mr. Kong Jianmin, and two Independent Non-executive Directors, namely Mr. Tam Chun Fai (Chairman) and Mr. Li Binhai.

Nomination Committee

The Nomination Committee was established with written terms of reference in accordance with the Code Provision as set out in Appendix 14 to the Listing Rules. The Nomination Committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board and making recommendations to the Board on selection of candidates for directorships. As at 31 December 2018, the Nomination Committee comprises an Executive Director, namely Mr. Kong Jianmin (Chairman), and two Independent Non-executive Directors, namely Mr. Tam Chun Fai and Mr. Li Binhai.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Board confirms that the Company has maintained a sufficient public float as required by the Listing Rules during the year under review.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The results announcement of the Company for the year ended 31 December 2018 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.kwggroupholdings.com.

2019 AGM

The 2019 AGM of the Company is expected to be held on Thursday, 6 June 2019 and the notice of the 2019 AGM will be published and dispatched in the manner as required by the Listing Rules.

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

Hong Kong, 25 March 2019

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