

Build Home
With Heart
Create Future
With Aspiration

2020 INTERIM REPORT

KWG GROUP HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability

Stock Code: 1813

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CORPORATE INFORMATION

Directors

Executive Directors

KONG Jianmin (*Chairman*)
KONG Jiantao
(*Chief Executive Officer*)
KONG Jiannan
CAI Fengjia

Independent Non-executive Directors

LEE Ka Sze, Carmelo *JP*
TAM Chun Fai
LI Binhai

Company Secretary

CHAN Kin Wai

Authorised Representatives

KONG Jianmin
CHAN Kin Wai

Audit Committee

TAM Chun Fai (*Chairman*)
LEE Ka Sze, Carmelo *JP*
LI Binhai

Remuneration Committee

TAM Chun Fai (*Chairman*)
KONG Jianmin
LI Binhai

Nomination Committee

KONG Jianmin (*Chairman*)
TAM Chun Fai
LI Binhai

Registered Office

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

Principal Place of Business in Hong Kong

Units 8503-05A, Level 85
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Principal Share Registrar and Transfer Agent

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor
Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of
China Limited
The Bank of East Asia (China) Limited
Bank of China Limited
Standard Chartered Bank (Hong Kong)
Limited
Industrial and Commercial Bank of
China (Asia) Limited
Shanghai Pudong Development Bank
Co., Ltd.
China Minsheng Banking Corp. Ltd.
The Hongkong and Shanghai Banking
Corporation Limited
China CITIC Bank Corporation Limited

Auditors

Ernst & Young

Legal Advisors

as to Hong Kong law:
Sidley Austin

as to Cayman Islands law:
Conyers Dill & Pearman

Website

www.kwggroupholdings.com

Stock Code

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

Founded in 1995, KWG Group Holdings Limited (“KWG” or the “Company”, together with its subsidiaries, collectively the “Group”) is now one of the leading large-scale property developers in Guangzhou. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 1813) in July 2007. Since its establishment, KWG Group has been focusing on the development, sales, operation and management of high-quality properties.

Over the past 25 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including mid- to high-end residential properties, serviced apartments, villas, offices, hotels and shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou, Shenzhen, Foshan as its hub for South China, Shanghai, Hangzhou, Suzhou, Hefei for East China, Chengdu, Chongqing, Nanning for Southwest China, Beijing, Tianjin for North China, Wuhan for Central China and the Group’s footprint has been expanded to Hong Kong since 2017.

The Group’s current land bank is sufficient for development in the coming 3 to 5 years.

The Group will focus on the development of residential properties and commercial properties while seeking to deploy more resources for the establishment of a diversified property development in the future. In order to keep the profit portfolio steady, spread the investment risks and ensure stable development, the Group will strengthen the residential properties as the main force by implementing a fast growth strategy since 2017, while maintaining the proportion of commercial properties, such as offices, hotels and shopping malls, to be held in long term as investment properties.

CHAIRMAN'S STATEMENT

I am pleased to present the interim results of the Group for the six months ended 30 June 2020. The Group recorded proportionate revenue of approximately RMB20,606.9 million, representing an increase of 20.4% as compared to the same period of 2019. Core profit amounted to RMB3,302.3 million, representing an increase of 31.4% year-on-year.

The board of directors of the Company (the "Board" and the "Directors" respectively) has resolved to declare an interim dividend of RMB40 cents per share for the six months ended 30 June 2020.

1. Stable Sales Growth Facilitating the Accomplishment of Full-year Target

At the beginning of 2020, the sudden outbreak of COVID-19 pandemic led to a nationwide suspension of production and sales activities, which posed a tough challenge to the property enterprises. Taking into account of the situation, the Group proactively sought for reform and launched an online sales platform namely "KWG Cloud for Home Purchase". The platform enables customers to purchase and learn about the updates of all properties of the Group without having to travel. Meanwhile, it utilises vertical media and live streaming platforms such as Kuaishou and Tik Tok to increase website traffic.

2020 marks the 25th anniversary of the establishment of KWG Group, hence the Group initiated the campaign "KWG Tribute to China – 25th Anniversary Property Sales (合禮中國·守望同行—25週年合禮好房季)". It aims to address the purchasing needs of home buyers amidst the current obstacles posed by the pandemic through an innovative and convenient online marketing model. Accordingly, the contracted sales of the Group in the first half of the year increased steadily to RMB36.764 billion.

The annual sales target of the Group in 2020 is RMB103.3 billion. The Group will launch about 20 brand new projects in the second half of the year, primarily located in cities with greater market demand such as Guangzhou, Shenzhen, Hangzhou, Suzhou, Chengdu and Chongqing. We believe our presence in Greater-Bay-Area and Yangtze-River-Delta Area, as well as our sufficient and premium sellable resources in tier-one and tier-two cities will bolster the continual sales growth of the Group and facilitate the accomplishment of its annual sales target.

2. Sound Investment and Expansion through Penetrating in Greater-Bay-Area and Yangtze-River-Delta Area and Focusing on the Development of Tier-one and Tier-two Cities

As a time-honoured property enterprise in Guangdong with solid foundation in Guangzhou and extensive presence nationwide, the Group has penetrated in Greater-Bay-Area over the past 25 years. Out of the 9 cities and 2 regions constituting Greater-Bay-Area, the Group has established presence in 8 cities and 1 region, including major cities namely Guangzhou, Shenzhen, Foshan and Hong Kong, as well as hub cities being Zhongshan, Jiamen, Zhaoqing, Dongguan and Huizhou. The Group has also formed a geographical layout in 17 cities of Yangtze-River-Delta Area, which is represented mainly by Hangzhou, Shanghai and Suzhou, and extends to higher tier-two and tier-three cities in the peripheral of tier-one cities. In addition to the two bay areas, the Group has established scattered presence in the Bohai Rim Region represented mainly by Beijing and Tianjin, as well as Southwest Region represented mainly by Chengdu, Chongqing and Nanning.

In the first half of 2020, the supply of land market was scarce in general. The Group acquired land sites mainly through auctions and joint development, while taking vigorous moves to facilitate urban redevelopment. Looking forward to the second half of the year, the local governments are expected to speed up the launch of land sites, hence more opportunities in the acquisition and merger market. The Group will further penetrate and expand into the core regions with existing businesses as well as major tier-one and tier-two cities using different land acquisition methods.

As for urban redevelopment projects, the Group has successfully renovated Liede Village in Guangzhou, which served as an exemplar of redevelopment. Leveraging on its strength and advantages in residential development as well as the comprehensive operation of commercial properties, the Group has set up a dedicated urban redevelopment team in the past few years. This year, the Group is well-positioned to speed up its redevelopment projects in accordance with the guiding policies of urban redevelopment in Greater-Bay-Area. The demolition of projects in Hongwei Village, Shuangsha Village and Nangang Village has begun in March of this year. With the support and encouragement of the government for urban redevelopment, we managed to commence construction of the projects as scheduled during the challenging time of pandemic. Some of the urban redevelopment projects are expected to consummate this year. Looking forward to the more distant future, urban redevelopment will replenish the Group's premium land reserve within the one-hour economic circle of central districts in core cities in Greater-Bay-Area and continue to furnish sellable resources. Meanwhile rental properties will also generate rental income constantly, providing stable cash flow to the Group.

3. Seizing the Opportunities for Financing to Maintain Sound Financial Position and High Profit Margin

For domestic bonds, Guangzhou Hejing Holdings Group Limited, the single largest entity under the Group obtained a RMB4.5 billion quota for the public issuance of corporate bonds and a RMB8.0 billion quota for the non-public issuance of corporate bonds from the Stock Exchange. It has successfully completed the non-public issuance of corporate bonds of RMB1.0 billion at coupon rate of 5.75% for a term of 2+1 years in March this year and successfully completed the public issuance of corporate bonds of RMB1.8 billion at coupon rate of 5.6% for a term of 2+1 years in August. With respect to overseas bonds, the Group seized the opportunities for debt issuance for refinancing. In January this year, the Group successfully issued US\$300 million bonds at coupon rate of 7.40% for a term of 7 years, and in August successfully issued US\$200 million bonds at coupon rate of 5.95% for a term of 5 years. Under the backdrop of a relatively relaxed liquidity position this year, the financing costs in the market have reduced and are expected to drop further in a full year context. The successful issuance of domestic and overseas bonds reflected the management's keen insight into the capital market and was underpinned by a wide recognition of the Group from domestic and overseas investors.

Currently, the Group has sufficient cash on hand, which improves the liquidity to better address the impacts and possible risks arising from the pandemic. During the reporting period, the Group recorded a decrease of 0.2 percentage points in the average financing costs to 6.2%. Gross profit margin and core gross profit margin sustained at a relative high level among industry peers of 32.9% and 24.5% respectively. In pursuit of scaling up, the Group has kept the scale of interest-bearing debts under control while achieving high profit margin and sound financial position with a reasonable level of finance costs. Looking into the second half of 2020, the Group will focus on enhancing cash turnover to generate profits with positive cash flow, as well as to strike balance between profits and cash turnover rate.

4. Technology Empowers and Integrates Comprehensive Diversified Businesses

KWG has continuously made breakthroughs with new technologies and ideas, as well as achieved steady value growth with innovations. On the basis of consolidating the real estate business, the Group actively integrates diversified business segments through the SAP system to closely fuse capital management with business. In order to prevent and regulate operational risks, the Group implemented control of approval procedures, business specifications, budgets, and accounting policies throughout the entire business operation. Through unifying the front-end and back-end data of the business, the Group integrates various resource management centres such as customers, suppliers, projects, products, units, bank accounts, etc. With the enhancement of reliability, authenticity and timeliness of data, the Group has achieved scale operations.

Meanwhile, in order to improve the commercial sector, the Group upgraded the post-server system consisting of four major areas: property management, customer service, membership management, and “KWG Cloud” platform. The Group also established the “CoKWG” online platform to integrate business operations, property services, asset services and other diverse services. With an aim to improve people’s quality of life, the Group built a closed-loop ecosystem by means of technological empowerment and co-creation.

5. Outlook

The epidemic has gradually stabilised over the past six months, changing the consumption behavior of society, industries and consumers. The Group has always adhered to quality development and actively copes with changes in the external environment. It vigorously innovates to adjust strategies and deploy resources, while responding to market changes with a positive attitude.

For the future, we are full of expectations. We believe the real estate market will maintain a steady recovery. The Group will always seek a balanced development comprising of scale, efficiency and profitability, focus on customers and product quality, renew iterative products, and provide services attentively. The Group will take the coordinated development of integrated businesses as the strategy, in order to achieve a symbiosis and win-win situation, and embrace the next 12 years of KWG Group!

6. Appreciation

On behalf of the Group and the Board, I would like to express uttermost gratitude to all shareholders, investors, business partners and customers who have been offering tremendous support and assistance to us all along. Thanks are also owed to each and every director, manager and staff, whose brilliant minds and incessant dedication have been instrumental to the growth and development of KWG Group. For the second half of 2020, all KWG members will work in unity and diligence to overcome hardship, strive for new heights to create a brand new era of KWG Group.

KONG Jianmin

Chairman

27 August 2020

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 Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
1	The Summit	Guangzhou	Residential/villa/serviced apartment/office/commercial	1,372	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

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

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

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

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
62	Egret Bay (formerly known as Hainan Lingao Project)	Hainan	Residential/commercial	34	20
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

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

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

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

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

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

OTHER INFORMATION

Interests of the Directors and Chief Executive in Securities

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

(i) Long positions in shares and underlying shares of the Company

Name of Director	Number of shares held				Total	% of the issued voting shares ⁽¹⁾
	Personal Interests (held as beneficial owner)	Family Interests (interests of spouse or child under 18)	Corporate Interests (interests of controlled corporation)	Other Interests		
KONG Jianmin	-	-	1,592,317,652 ⁽³⁾	399,053,500 ^{(2)&(3)}	1,991,371,152	62.68%
KONG Jiantao	-	-	256,804,687 ⁽⁴⁾	1,443,385,000 ^{(2)&(4)}	1,700,189,687	53.52%
KONG Jiannan	-	-	144,338,500 ⁽⁵⁾	1,553,761,500 ^{(2)&(5)}	1,698,100,000	53.45%
CAI Fengjia	148,732 ⁽⁶⁾	112,000 ⁽⁷⁾	-	280,500 ⁽⁸⁾	541,232	0.02%
LEE Ka Sze, Carmelo <i>JP</i>	30,000	-	-	-	30,000	0.00%
TAM Chun Fai	30,000	-	-	-	30,000	0.00%

Notes:

- (1) The approximate percentage was calculated based on the total number of issued shares of the Company (i.e. 3,176,933,463 ordinary shares) as at 30 June 2020.
- (2) On 30 December 2018, Mr. KONG Jianmin, Mr. KONG Jiantao, Mr. KONG Jiannan, Plus Earn Consultants Limited (“Plus Earn”), Right Rich Consultants Limited (“Right Rich”) and Peace Kind Investments Limited (“Peace Kind”) entered into an equity reorganization agreement (the “Equity Reorganization Agreement”), pursuant to which (i) Plus Earn agreed to transfer 179,715,000 shares of the Company to Right Rich and 144,338,500 shares of the Company to Peace Kind; (ii) Mr. KONG Jiantao agreed to transfer 15% equity interest in Plus Earn to Mr. KONG Jianmin and Mr. KONG Jiannan agreed to transfer 8.5% equity interest in Plus Earn to Mr. KONG Jianmin; and (iii) Mr. KONG Jianmin agreed to transfer 76.5% equity interest in Right Rich to Mr. KONG Jiantao and Mr. KONG Jiannan agreed to transfer 8.5% equity interest in Right Rich to Mr. KONG Jiantao (the “Equity Reorganization”). The Equity Reorganization was completed on 30 December 2018. Upon completion of the Equity Reorganization, (i) Plus Earn is wholly owned by Mr. KONG Jianmin and directly holds 1,299,046,500 shares of the Company; (ii) Right Rich is wholly owned by Mr. KONG Jiantao and directly holds 254,715,000 shares of the Company; and (iii) Peace Kind is wholly owned by Mr. KONG Jiannan and directly holds 144,338,500 shares of the Company.

On 30 December 2018, Plus Earn, Right Rich and Peace Kind entered into a shareholders’ agreement (the “Shareholders’ Agreement”) to regulate their dealings in the shares of the Company. As such, each party to the Shareholders’ Agreement was deemed to have interest in the shares and/or underlying shares held by the other parties pursuant to the Shareholders’ Agreement under Section 317(1)(a) of the SFO.
- (3) Mr. KONG Jianmin is deemed to be interested in a total of 1,991,371,152 shares of the Company including (i) 1,299,046,500 shares held by Plus Earn which is wholly owned by Mr. KONG Jianmin; (ii) 293,271,152 shares held by Hero Fine Group Limited which is wholly owned by Mr. KONG Jianmin; and (iii) 254,715,000 shares held by Right Rich and 144,338,500 shares held by Peace Kind pursuant to the Shareholders’ Agreement.
- (4) Mr. KONG Jiantao is deemed to be interested in a total of 1,700,189,687 shares of the Company including (i) 254,715,000 shares held by Right Rich which is wholly owned by Mr. KONG Jiantao; (ii) 1,109,587 shares held by Excel Wave Investments Limited (“Excel Wave”) which is wholly owned by Mr. KONG Jiantao; (iii) 980,100 shares held by Wealth Express Investments Limited which is wholly owned by Mr. KONG Jiantao; and (iv) 1,299,046,500 shares held by Plus Earn and 144,338,500 shares held by Peace Kind pursuant to the Shareholders’ Agreement.
- (5) Mr. KONG Jiannan is deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 144,338,500 shares held by Peace Kind which is wholly owned by Mr. KONG Jiannan; and (ii) 1,299,046,500 shares held by Plus Earn and 254,715,000 shares held by Right Rich pursuant to the Shareholders’ Agreement.
- (6) As at 30 June 2020, a total of 231,000 awarded shares granted to Mr. CAI Fengjia by the Company were vested, of which 82,268 awarded shares were sold by the trustee for the purpose of covering the PRC withholding tax, pursuant to the Share Award Scheme (as defined hereinafter). Further details of awarded shares are set out in the section headed “Share Award Scheme” in this Report.
- (7) These shares were held by Mr. CAI Fengjia’s spouse.
- (8) These shares represent the interests in awarded shares granted to Mr. CAI Fengjia by the Company which remain unvested.

(ii) Interests in debentures of the Company

Name of Director	Capacity/Nature of Interests	Amount of debentures interested
KONG Jiantao	Interest of spouse ⁽¹⁾	US\$3,000,000
	Interest of a controlled corporation ⁽¹⁾	US\$2,000,000

Note:

- (1) The spouse of Mr. KONG Jiantao and Excel Wave, a company wholly owned by Mr. KONG Jiantao, held US\$3,000,000 and US\$2,000,000 of the 7.40% senior notes due 2024 in the aggregate principal amount of US\$300 million issued by the Company (the "Senior Notes") respectively. Accordingly, Mr. KONG Jiantao is deemed to be interested in the aforesaid amount of the Senior Notes held by his spouse and Excel Wave respectively under the SFO.

(iii) Long positions in shares of associated corporations

Name of Director	Name of Associated Corporation	Number of shares held	% of the issued voting shares
KONG Jianmin	Plus Earn Consultants Limited	1,000	100%

Save as disclosed above and under the sections headed "Interests of Substantial Shareholders and Other Persons" and "Share Award Scheme" on pages 29 and 32 respectively, as at 30 June 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders and Other Persons

As at 30 June 2020, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of shares held in long position (L)/ short position (S)/ lending pool (LP)	% of the issued voting shares ⁽¹⁾
Plus Earn Consultants Limited ("Plus Earn") ⁽²⁾	Beneficial owner	1,299,046,500 (L)	40.89%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	399,053,500 (L)	12.56%
Hero Fine Group Limited ("Hero Fine") ⁽³⁾	Beneficial owner	293,271,152 (L)	9.23%
Right Rich Consultants Limited ("Right Rich") ⁽⁴⁾	Beneficial owner	254,715,000 (L)	8.02%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	1,443,385,000 (L)	45.43%
Peace Kind Investments Limited ("Peace Kind") ⁽⁵⁾	Beneficial owner	144,338,500 (L)	4.54%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	1,553,761,500 (L)	48.91%
Citigroup Inc.	Interests of controlled corporations	157,275,592 ⁽⁶⁾ (L) 40,066,631 ⁽⁶⁾ (S)	4.95% 1.26%
	Approved lending agent	116,205,852 ⁽⁶⁾ (L & LP)	3.66%

OTHER INFORMATION

Notes:

- (1) The approximate percentage was calculated based on the total number of issued shares of the Company (i.e. 3,176,933,463 ordinary shares) as at 30 June 2020.
- (2) Plus Earn is legally and beneficially owned as to 100% by Mr. KONG Jianmin. Pursuant to the SFO, Plus Earn is interested and deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 1,299,046,500 shares directly held by it; and (ii) 254,715,000 shares held by Right Rich and 144,338,500 shares held by Peace Kind, pursuant to the Shareholders' Agreement.
- (3) Hero Fine is legally and beneficially owned as to 100% by Mr. KONG Jianmin.
- (4) Right Rich is legally and beneficially owned as to 100% by Mr. KONG Jiantao. Pursuant to the SFO, Right Rich is interested and deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 254,715,000 shares directly held by it; and (ii) 1,299,046,500 shares held by Plus Earn and 144,338,500 shares held by Peace Kind, pursuant to the Shareholders' Agreement.
- (5) Peace Kind is legally and beneficially owned as to 100% by Mr. KONG Jiannan. Pursuant to the SFO, Peace Kind is interested and deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 144,338,500 shares directly held by it; and (ii) 1,299,046,500 shares held by Plus Earn and 254,715,000 shares held by Right Rich, pursuant to the Shareholders' Agreement.
- (6) The long position interests of Citigroup Inc. were held through its various controlled corporations or in the capacity as approved lending agent. Such long position included interests arising through physically settled unlisted equity derivatives. The short position interests were held through its various controlled corporations. Such short position included interests arising through physically settled unlisted equity derivatives and cash settled unlisted equity derivatives.

Save as disclosed above, as at 30 June 2020, no other person (other than the Directors or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

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

During the six months ended 30 June 2020, details of the share options under the Share Option Scheme are as follows:

Grantees	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options				Closing price per share immediately before the date of grant (HK\$)	
				as at 1 January 2020	Granted during the period	Exercised during the period	Cancelled/lapsed during the period		as at 30 June 2020
Employees ⁽¹⁾	13.02.2018	13.02.2019 to 13.02.2022 ⁽²⁾	11.12	1,494,000	-	(184,000)	(141,000)	1,169,000	10.70
Total				1,494,000	-	(184,000)	(141,000)	1,169,000	

Notes:

- (1) During the period, all of the share options were granted to certain employees of the Group. None of the grantees is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the Listing Rules).
- (2) (i) One-third of the respective options granted are exercisable from the first anniversary of the date of grant (i.e. 13 February 2019); (ii) one-third of the respective options granted are exercisable from the second anniversary of the date of grant (i.e. 13 February 2020); and (iii) the respective remaining options granted are exercisable from the date of the third anniversary of the date of grant (i.e. 13 February 2021).

Valuation of Share Options

The Company has been using the binomial option pricing model (the "Model") to value the share options granted. The fair value of the share options determined at the date of grant using the Model was approximately RMB3,282,000. The fair value of options was estimated on the date of grant using the following assumptions:

Dividend Yield	7.18%
Expected Volatility	43.35%
Risk-free Interest Rate	0.84%
Expected Life of Share Options (years)	4 years
Weighted Average Share Price	HK\$11.12

For the six months ended 30 June 2020, the Group has recognised approximately RMB217,000 in share-based payment expenses in the statement of profit or loss (2019: approximately RMB580,000).

Share Award Scheme

The share award scheme (the "Share Award Scheme") was adopted by the Board on 19 January 2018 (the "Adoption Date") in order to recognize and motivate the contributions by certain employees of the Company and/or any member of the Group (the "Eligible Participant(s)") and to give incentives thereto in order to retain them for the continual operation and development of the Group; to attract suitable personnel for further development of the Group; and to provide certain Eligible Participants with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants. Pursuant to the rules governing the Share Award Scheme (the "Scheme Rules"), the Board may, from time to time, at its absolute discretion select any Eligible Participant (other than any excluded participant as defined under the Scheme Rules) for participation in the Share Award Scheme as a selected participant (the "Selected Participant"), and determine the number of shares to be granted to the Selected Participant.

During the six months ended 30 June 2020, details of the awarded shares under the Share Award Scheme are set out below:

Awardees	Date of grant	Vesting date	Number of awarded shares				as at 30 June 2020
			as at 1 January 2020	Granted during the period	Vested during the period	Lapsed during the period	
CAI Fengjia (Executive Director)	19.01.2018	(1)	185,000	—	(92,500) ⁽⁴⁾	—	92,500
	08.04.2019	(2)	138,000	—	(46,000) ⁽⁴⁾	—	92,000
	14.04.2020	(3)	—	96,000	—	—	96,000
Directors of certain subsidiaries of the Company	19.01.2018	(1)	1,160,000	—	(580,000) ⁽⁵⁾	(41,500)	538,500
	08.04.2019	(2)	636,000	—	(212,000) ⁽⁵⁾	—	424,000
	14.04.2020	(3)	—	415,500	—	—	415,500
Other Eligible Participants	19.01.2018	(1)	199,000	—	(99,500)	—	99,500
	08.04.2019	(2)	148,500	—	(49,500)	—	99,000
	14.04.2020	(3)	—	78,000	—	—	78,000
Other independent Eligible Participants	19.01.2018 & 18.10.2018	(1)	1,037,000	—	(518,500) ⁽⁵⁾	(41,500)	477,000
	08.04.2019	(2)	1,068,000	—	(335,500) ⁽⁵⁾	(102,500)	630,000
	14.04.2020	(3)	—	1,348,500	—	—	1,348,500
Total			4,571,500	1,938,000	(1,933,500)	(185,500)	4,390,500

Notes:

- (1) The awarded shares granted on 19 January 2018 and 18 October 2018 shall be vested in three tranches with the vesting date on 19 January of each year from 2019 to 2021, or an earlier date as approved by the Board, pursuant to the Scheme Rules.
- (2) The awarded shares granted on 8 April 2019 shall be vested in three tranches with the vesting date on 8 April of each year from 2020 to 2022, or an earlier date as approved by the Board, pursuant to the Scheme Rules.
- (3) The awarded shares granted on 14 April 2020 shall be vested in three tranches with the vesting date on 14 April of each year from 2021 to 2023, or an earlier date as approved by the Board, pursuant to the Scheme Rules.
- (4) A total of 138,500 awarded shares granted to Mr. CAI Fengjia by the Company and vested during the period, of which 26,567 awarded shares and 22,811 awarded shares were sold by the trustee at an average price of HK\$10.9498 and HK\$11.5993 respectively, for the purpose of covering PRC withholding tax pursuant to the Scheme Rules.
- (5) A total of 1,646,000 awarded shares granted to directors of its certain subsidiaries and other independent Eligible Participants by the Company and vested during the period, of which 224,301 awarded shares and 159,689 awarded shares were sold by the trustee at an average price of HK\$10.9498 and HK\$11.5993 respectively, for the purpose of covering PRC withholding tax pursuant to the Scheme Rules.

Share Incentive Arrangement of a Subsidiary

On 24 June 2020, KWG Living Group Holdings Limited (“KWG Living”, a then wholly-owned subsidiary of the Company) adopted an employee share incentive arrangement (“Share Incentive Arrangement”).

As part of the Share Incentive Arrangement of KWG Living, on 24 June 2020, the Company subscribed 35 shares of KWG Living at par. Upon completion of such subscription, KWG Living became owned as to approximately 97.22% by the Company and 2.78% by Happy Harmony International Limited (“Happy Harmony”, a wholly-owned subsidiary of the Company), respectively.

Immediately after completion of the above subscription, on 24 June 2020, in order to award Mr. TSUI Kam Tim (“Mr. Tsui”), the general manager of the investment department and senior consultant of KWG Living Group, for his contribution to KWG Living and its subsidiaries (“KWG Living Group”) and to increase his morale and his loyalty to KWG Living Group, the board of Directors of the Company, the then sole shareholder of Happy Harmony, which in turn held one share of KWG Living, approved the transfer of the entire issued share capital of Happy Harmony to Mr. Tsui at a consideration of US\$6,075,000, which was determined with reference to the fair value of the share held by Happy Harmony as of 31 May 2020 and taking into account the contribution by Mr. Tsui to KWG Living Group. The share transfer was completed, and the consideration was fully settled on 24 June 2020 and had been funded by a loan from Mr. KONG Jianmin, the controlling shareholder of the Company.

Upon completion of such share transfer, KWG Living became owned as to approximately 97.22% by the Company and 2.78% by Mr. Tsui through Happy Harmony, respectively.

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 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.

Change in Information of Director

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Director since the Company's 2019 Annual Report are set out below:

- Mr. LEE Ka Sze, Carmelo *JP* has retired as an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 2601) at its annual general meeting held on 12 May 2020.

Review by Audit Committee

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

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.

Disclosures Pursuant to Rule 13.18 of the Listing Rules

Facility Agreement dated 27 January 2017

On 27 January 2017, the Company as borrower, and certain of the subsidiaries of the Company, as original guarantors, entered into a facility agreement (the “Facility Agreement I”) with, among others, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, The Bank of East Asia, Limited and Chong Hing Bank Limited as original lenders, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and The Bank of East Asia, Limited, as mandated lead arrangers and bookrunners and Standard Chartered Bank (Hong Kong) Limited as agent in relation to a transferrable dual currency term loan facility in the amount of HK\$1,485 million and US\$150 million respectively with a greenshoe option of US\$250 million to the Company for a term of 48 months commencing from the date of the Facility Agreement I.

Pursuant to the terms of the Facility Agreement I, the Company has undertaken to procure that Mr. KONG Jianmin, being the controlling shareholder of the Company, at all times: (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the Facility Agreement I. Further details of the transaction are disclosed in the announcement of the Company dated 27 January 2017.

Facility Agreement dated 5 June 2018

On 5 June 2018, the Company, as the borrower, and certain of the subsidiaries of the Company, as the original guarantors, entered into a facility agreement (the “Facility Agreement II”) with, among others, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as original lenders, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as mandated lead arrangers and bookrunners and Standard Chartered Bank (Hong Kong) Limited as agent in relation to a transferrable HKD and USD dual currency term loan facility with a greenshoe option of US\$500 million to the Company for a term of 48 months commencing from the date of the Facility Agreement II.

Pursuant to the terms of the Facility Agreement II, among others, the Company has undertaken to procure that Mr. KONG Jianmin, being the controlling shareholder of the Company, at all times: (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute as an event of default under the Facility Agreement II. Further details of the transaction are disclosed in the announcement of the Company dated 5 June 2018.

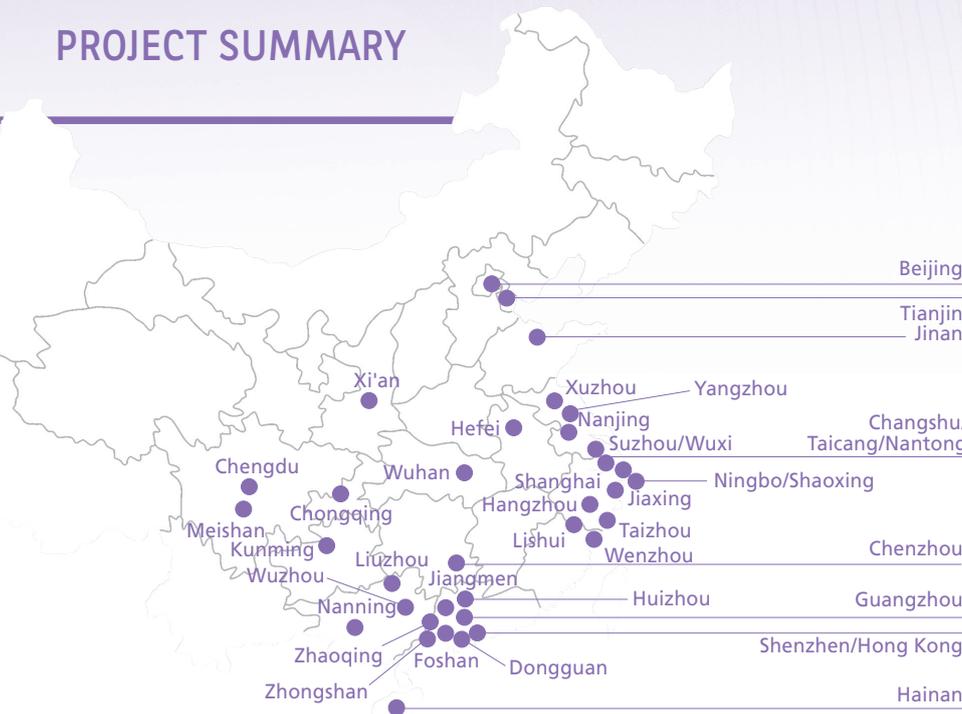
Interim Dividend

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 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.

PROJECT SUMMARY



Tianjin – 3 projects

- Total Attributable GFA approximately 786,000 sqm
- Jinnan New Town
- Tianjin The Cosmos
- Tianjin Apex

Beijing – 11 projects

- Total Attributable GFA approximately 620,000 sqm
- Fragrant Seasons
- La Villa
- Beijing Apex
- MCube
- Summer Terrace
- Uptown Riverside I (formerly known as KWG Center I)
- Uptown Riverside II (formerly known as KWG Center II)
- Rose and Ginkgo Mansion
- The Core of Center
- Beijing Niulanshan 1107# Project
- New Chang'an Mansion

Jinan – 3 projects

- Total Attributable GFA approximately 157,000 sqm
- Jinan Zhangqiu Project
- Jinan Zhang Ma Tun C8# Project
- Jinan Zhang Ma Tun C8# Project

Nanning – 7 projects

- Total Attributable GFA approximately 1,127,000 sqm
- The Core of Center
- International Finance Place
- Top of World
- Fragrant Season
- Impression Discovery Bay I
- Impression Discovery Bay II
- Emerald City

Liuzhou – 2 projects

- Total Attributable GFA approximately 1,116,000 sqm
- The Moon Mansion
- Fortunes Season

Chengdu – 5 projects

- Total Attributable GFA approximately 1,095,000 sqm
- The Vision of the World
- Chengdu Cosmos
- Chengdu Sky Ville
- Yunshang Retreat
- The Jadeite

Chongqing – 6 projects

- Total Attributable GFA approximately 544,000 sqm
- The Riviera Chongqing
- The Cosmos Chongqing
- The Moon Mansion
- Splendid City
- Mansion of Jasper
- Jade Moon Villa

Hainan – 3 projects

- Total Attributable GFA approximately 494,000 sqm
- Pearl Coast
- Villa Como
- Egret Bay (formerly known as Hainan Lingao Project)

Wuhan – 3 projects

- Total Attributable GFA approximately 275,000 sqm
- Joyful Season
- The Buttonwood Season I
- The Buttonwood Season II

Kunming – 1 project

- Total Attributable GFA approximately 260,000 sqm
- Salar de Uyuni

Wuzhou – 1 project

- Total Attributable GFA approximately 256,000 sqm
- KWG Tusholdings Ice Snow (formerly known as KWG TusWorld Ice Town)

Meishan – 2 projects

- Total Attributable GFA approximately 234,000 sqm
- Meishan Apex
- River State

Chenzhou – 1 project

- Total Attributable GFA approximately 73,000 sqm
- Chenzhou Wangxian Eco-tourism Project

Xi'an – 1 project

- Total Attributable GFA approximately 37,000 sqm
- Meet (formerly known as Xi'an Yanta Project)

Guangzhou – 32 projects

- Total Attributable GFA approximately 4,170,000 sqm
- The Summit
- International Metropolitan Plaza
- Tian Hui Plaza (including The Riviera and Top Plaza)
- The Star
- Top of World
- The Eden
- Zhengcheng Li Lake
- Essence of City
- International Commerce Place
- CFC (including Mayfair and International Finance East)
- The Horizon
- Blooming River
- Nansha River Paradise
- The Jadeite
- V-city
- Montsam
- E-city
- Guangzhou Luogang MCube
- KWG Center
- Guangzhou Science City Hotel A Project
- Guangzhou Science City Hotel B Project
- The Corniche (formerly known as Guangzhou New Financial City Project)
- Clover Shades (formerly known as Fragrant Seasons)
- The Emerald (formerly known as Guangzhou Zhengcheng Luogang Project)
- Guangzhou Southern Medical Industrial Park
- Guangzhou Conghua City South Project
- Guangzhou Conghua City North Project
- IFP
- Four Points by Sheraton Guangzhou, Dongpu
- The Mulan Huadu
- W Hotel / W Serviced Apartments
- The Mulan Guangzhou

Foshan – 5 projects

- Total Attributable GFA approximately 1,292,000 sqm
- Oriental Bund
- The Riviera
- One Palace
- Foshan Apex
- China Image

Huizhou – 3 projects

- Total Attributable GFA approximately 381,000 sqm
- Life in Yueshan County
- Huizhou Longmen Project-Educational #|2019|011
- Huizhou Longmen Project-Educational #|2019|014

Shenzhen – 4 projects

- Total Attributable GFA approximately 321,000 sqm
- Shenzhen Bantian Project
- KWG Topchain City Center
- Grand Oasis (formerly known as Shenzhen Nanshan Project)
- Shenzhen Longhua Project

Zhaoqing – 2 projects

- Total Attributable GFA approximately 178,000 sqm
- Vision of the World
- River View Mansion

Jiangmen – 2 projects

- Total Attributable GFA approximately 167,000 sqm
- The Horizon
- Jiangmen Apex International (formerly known as Jiangmen Apex)

Dongguan – 2 projects

- Total Attributable GFA approximately 72,000 sqm
- Art Wanderland
- Dongguan Hengli Project

Hong Kong – 2 projects

- Total Attributable GFA approximately 62,000 sqm
- Hong Kong Ao Lei Chau Project
- Upper RiverBank

Zhongshan – 1 project

- Total Attributable GFA approximately 56,000 sqm
- The Moon Mansion

Suzhou – 11 projects

- Total Attributable GFA approximately 381,000 sqm
- The Sapphire
- Suzhou Apex
- Suzhou Emerald
- Leader Plaza
- Fortune Building
- Suzhou Jade Garden
- Orient Aesthetics
- Orient Moon Bay
- Swan Harbor Park
- Lunar River
- Blessedness Seasons

Shanghai – 7 projects

- Total Attributable GFA approximately 359,000 sqm
- International Metropolis Plaza
- Shanghai Apex
- Shanghai Sapphire
- Amazing Bay
- Vision of World
- Glory Palace
- Shanghai Qingpu Project

Hangzhou – 9 projects

- Total Attributable GFA approximately 344,000 sqm
- The Mulan Hangzhou
- The Moon Mansion
- Sky Ville
- Puli Oriental
- Urban Artwork (formerly known as Hangzhou Linping Project)
- Malus Moon
- Oriental Dawn
- Precious Mansion
- Season Mix

Hefei – 4 projects

- Total Attributable GFA approximately 250,000 sqm
- Water Moon
- City Moon
- The One
- Park Mansion

Xuzhou – 5 projects

- Total Attributable GFA approximately 202,000 sqm
- Exquisite Bay
- Fragrant Season
- Xuzhou Tongshan Project I
- Xuzhou Tongshan Project II
- Oriental Milestone

Yangzhou – 1 project

- Total Attributable GFA approximately 194,000 sqm
- Yangzhou Apex

Taizhou – 5 projects

- Total Attributable GFA approximately 155,000 sqm
- Top of World Residence I
- Top of World Residence II
- Linhai Mansion
- Star Mansion
- Lead Peak Mansion

Taicang – 1 project

- Total Attributable GFA approximately 118,000 sqm
- Jinzhui Tianyi Huayuan

Ningbo – 3 projects

- Total Attributable GFA approximately 116,000 sqm
- Ningbo Beilun Project
- Parkview Palace (formerly known as Parkview Place)
- Cloud Mansion

Nantong – 3 projects

- Total Attributable GFA approximately 107,000 sqm
- Serenity in Prosperity
- Oriental Beauty
- Nantong Chongchuan Project

Wuxi – 3 projects

- Total Attributable GFA approximately 89,000 sqm
- Oriental Mansion
- Exquisite Palace
- Star Mansion

Wenzhou – 1 project

- Total Attributable GFA approximately 81,000 sqm
- Cullinan Mansion

Jiaxing – 3 projects

- Total Attributable GFA approximately 78,000 sqm
- Majestic Mansion
- Star City
- Noble Peak

Nanjing – 3 projects

- Total Attributable GFA approximately 38,000 sqm
- Shine City
- South Bank Palace (formerly known as Nanjing Yuhuai Project)
- Ruyi Palace

Shaoxing – 1 project

- Total Attributable GFA approximately 37,000 sqm
- Shaoxing Project

Changshu – 2 projects

- Total Attributable GFA approximately 29,000 sqm
- Fragrant Season
- Brown Stone Life (formerly known as Changshu Qinhu Project)

Lishui – 1 project

- Total Attributable GFA approximately 8,000 sqm
- Liu Xiang Mansion

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed Consolidated Statement of Profit or Loss

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

The notes on pages 44 to 66 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

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

The notes on pages 44 to 66 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

	Notes	As at	
		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	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
Total non-current assets		90,572,625	84,577,931
CURRENT ASSETS			
Properties under development		51,670,355	51,760,690
Completed properties held for sale		10,392,775	10,928,887
Trade receivables	11	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
Total current assets		127,324,825	129,744,748
CURRENT LIABILITIES			
Trade and bills payables	12	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	13	33,432,437	23,728,043
Tax payables		10,556,733	9,926,137
Total current liabilities		120,033,413	109,671,769
NET CURRENT ASSETS		7,291,412	20,072,979
TOTAL ASSETS LESS CURRENT LIABILITIES		97,864,037	104,650,910

Condensed Consolidated Statement of Financial Position

	Notes	As at	
		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		97,864,037	104,650,910
NON-CURRENT LIABILITIES			
Lease liabilities		1,887,691	1,895,326
Interest-bearing bank and other borrowings	13	47,885,440	61,849,507
Deferred tax liabilities		2,677,326	2,661,444
Deferred revenue		2,042	2,042
Total non-current liabilities		52,452,499	66,408,319
NET ASSETS		45,411,538	38,242,591
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	304,163	303,972
Reserves		38,378,290	35,490,786
		38,682,453	35,794,758
Non-controlling interests		6,729,085	2,447,833
TOTAL EQUITY		45,411,538	38,242,591

The notes on pages 44 to 66 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Issued capital	Treasury shares	Share premium account	Reserve funds	Exchange fluctuation reserve	Employee share based compensation reserve	Asset revaluation reserve	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
At 31 December 2018 (audited)	303,909	(125)	3,653,876	1,597,904	(1,524,775)	28,776	29,175	(57,546)	24,747,370	28,778,564	2,993,445	31,772,009
Effect of adoption of HKFRS 16	–	–	–	–	–	–	–	–	38,877	38,877	–	38,877
At 1 January 2019 (restated) (unaudited)	303,909	(125)	3,653,876	1,597,904	(1,524,775)	28,776	29,175	(57,546)	24,786,247	28,817,441	2,993,445	31,810,886
Profit for the period	–	–	–	–	–	–	–	–	5,963,507	5,963,507	185,729	6,149,236
Other comprehensive loss for the period:												
Exchange differences on translation into presentation currency	–	–	–	–	(137,838)	–	–	–	–	(137,838)	–	(137,838)
Share of exchange differences on translation of joint ventures	–	–	–	–	(9,225)	–	–	–	–	(9,225)	–	(9,225)
Total comprehensive income/(loss) for the period	–	–	–	–	(147,063)	–	–	–	5,963,507	5,816,444	185,729	6,002,173
Issue of awarded shares	–	125	–	–	–	(125)	–	–	–	–	–	–
Share-based compensation expenses	–	–	–	–	–	9,646	–	–	–	9,646	–	9,646
Final 2018 dividend declared	–	–	(983,962)	–	–	–	–	–	–	(983,962)	–	(983,962)
Contribution from the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	72,976	72,976
Derecognition of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,175,330)	(1,175,330)
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	–	–	–	4,197	4,197
Acquisition of non-controlling interests	–	–	–	–	–	–	–	45,135	–	45,135	(278,397)	(233,262)
Changes in equity interests in a subsidiary without change of control	–	–	–	–	–	–	–	–	–	–	10,000	10,000
Transfer to reserves	–	–	–	219,069	–	–	–	–	(219,069)	–	–	–
At 30 June 2019	303,909	–	2,669,914	1,816,973	(1,671,838)	38,297	29,175	(12,411)	30,530,685	33,704,704	1,812,620	35,517,324
At 31 December 2019 and 1 January 2020	304,148	(176)	1,670,178	1,986,233	(2,153,100)	34,575	92,578	(343,409)	34,203,731	35,794,758	2,447,833	38,242,591
Profit for the period	–	–	–	–	–	–	–	–	3,515,813	3,515,813	144,302	3,660,115
Other comprehensive loss for the period:												
Exchange differences on translation into presentation currency	–	–	–	–	(597,070)	–	–	–	–	(597,070)	–	(597,070)
Share of exchange differences on translation of joint ventures	–	–	–	–	(25,872)	–	–	–	–	(25,872)	–	(25,872)
Total comprehensive income/(loss) for the period	–	–	–	–	(622,942)	–	–	–	3,515,813	2,892,871	144,302	3,037,173
Share-based compensation expenses	–	–	–	–	–	9,228	–	–	–	9,228	–	9,228
Share option exercised	17	–	2,260	–	–	(411)	–	–	–	1,866	–	1,866
Vested awarded shares transferred to employees	–	174	19,251	–	–	(19,425)	–	–	–	–	–	–
Transfer to reserves	–	–	–	206,556	–	–	–	–	(206,556)	–	–	–
Final 2019 dividend declared	–	–	(1,334,235)	–	–	–	–	–	–	(1,334,235)	–	(1,334,235)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(255)	–	(255)	(1,745)	(2,000)
Changes in equity interests in subsidiaries without change of control	–	–	–	–	–	–	–	1,318,220	–	1,318,220	3,112,489	4,430,709
Contribution from the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	1,026,206	1,026,206
At 30 June 2020	304,165	(2)	357,454*	2,192,789*	(2,776,042)*	23,967*	92,578*	974,556*	37,512,988*	38,682,453	6,729,085	45,411,538

* These reserve accounts comprise the consolidated reserves of approximately RMB38,378,290,000 (31 December 2019: approximately RMB35,490,786,000) in the condensed consolidated statement of financial position.

The notes on pages 44 to 66 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,364,121	8,307,158
Adjustments for:			
Finance costs	5	546,461	1,004,738
Foreign exchange gains	4	(239,245)	(44,440)
Share of profits and losses of joint ventures		(1,064,074)	(2,600,096)
Share of profits and losses of associates		(66,439)	(82,259)
Share based compensation expenses		9,228	9,646
Interest income	4	(386,942)	(401,857)
Loss on disposal of items of property, plant and equipment	6	11	172
Depreciation	6	131,270	108,208
Amortisation of land use rights	6	5,692	5,824
Changes in fair values of investment properties, net		(352,174)	(3,054,930)
Gain on disposal of a joint venture	4	—	(134,095)
Gain on acquisition of a joint venture	4	—	(129,350)
Cash flows from operations before changes in working capital		3,947,909	2,988,719
Changes in working capital		(730,468)	(4,281,855)
Cash generated from/(used in) operations		3,217,441	(1,293,136)
Interest paid, net		(1,773,765)	(1,980,389)
Income tax paid		(1,300,663)	(635,414)
Net cash flows generated from/(used in) operating activities		143,013	(3,908,939)

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net cash flows generated from/(used in) operating activities	143,013	(3,908,939)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(406,608)	(268,171)
Proceeds from disposal of items of property, plant and equipment	486	8,418
Investments in and amounts with joint ventures	(6,067,271)	(1,164,707)
Investments in associates	(4,900)	(248,180)
Repayment from associates	499,444	23,175
Acquisition of a subsidiary	(8,000)	(3,784)
Acquisition of joint ventures	—	(145,218)
Derecognition of subsidiaries	—	(574,299)
Disposal of a joint venture	333,885	264,600
Dividend received from joint ventures	993,777	594,167
Net cash flows used in investing activities	(4,659,187)	(1,513,999)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution from the non-controlling shareholders of subsidiaries	1,026,206	72,976
Net proceeds from senior notes	1,818,968	1,162,403
Net (repayment)/proceeds from bank and other borrowings	(4,108,719)	7,936,847
Acquisition of non-controlling interests	(2,000)	(94,372)
Changes in equity interests in subsidiaries without change of control	4,430,709	10,000
Share option exercised	1,866	—
Interest paid	(506,832)	—
Dividend paid	(1,020,309)	(788,789)
Net cash flows generated from financing activities	1,639,889	8,299,065
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,876,285)	2,876,127
Cash and cash equivalents at beginning of the period	51,377,864	52,577,643
Effect of foreign exchange rate changes, net	104,144	34,135
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	48,605,723	55,487,905
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	28,838,893	25,615,808
Non-pledged time deposits with original maturity of less than three months when acquired	19,766,830	29,872,097
Cash and cash equivalents	48,605,723	55,487,905

The notes on pages 44 to 66 form an integral part of this condensed consolidated interim financial information.

Notes to Condensed Consolidated Interim Financial Information

1. Corporate Information

KWG Group Holdings Limited (“KWG” or the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities in Mainland China and Hong Kong:

- Property development
- Property investment
- 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 of directors of the Company (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 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	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue:		
Revenue from contracts with customers		
Sale of properties	12,449,085	9,712,757
Hotel operation income	134,824	250,696
Property management fee income	547,155	363,239
Revenue from other sources		
Gross rental income	352,119	320,428
	13,483,183	10,647,120
Other income and gains, net:		
Interest income	386,942	401,857
Management fee income	188,979	197,459
Foreign exchange differences, net	239,245	44,440
Gain on disposal of a joint venture	—	134,095
Gain on acquisition of a joint venture	—	129,350
Others	408,822	232,528
	1,223,988	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

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

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:

	Property development RMB'000 (Unaudited)	Hotel operation RMB'000 (Unaudited)	Property management RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<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	12,449,085	134,824	547,155	13,131,064
<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	12,449,085	134,824	547,155	13,131,064

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

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

	Property development RMB'000 (Unaudited)	Hotel operation RMB'000 (Unaudited)	Property management RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<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	9,712,757	250,696	363,239	10,326,692
<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	9,712,757	250,696	363,239	10,326,692

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

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

The segment results for the six months ended 30 June 2019 are as follows:

	Property development (Note) RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Hotel operation RMB'000 (Unaudited)	Property management RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:					
Sales to external customers	9,712,757	320,428	250,696	363,239	10,647,120
Segment results	5,563,020	3,322,175	71,163	50,453	9,006,811
<i>Reconciliation:</i>					
Interest income and unallocated income					1,139,729
Unallocated expenses					(834,644)
Finance costs					(1,004,738)
Profit before tax					8,307,158
Income tax expenses					(2,157,922)
Profit for the period					6,149,236

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 RMB'000 (Unaudited)	2019 RMB'000 (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)
	546,461	1,004,738

6. Profit Before Tax

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	8,625,982	6,513,656
Less: Government grant released	(9)	(195)
	8,625,973	6,513,461
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)
	5,692	5,824
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
	920,817	828,895
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	(271,353)	(202,493)
	649,464	626,402

7. Income Tax Expenses

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (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
Deferred	1,894,245 (190,239)	1,495,297 662,625
Total tax charge for the period	1,704,006	2,157,922

For the six months ended 30 June 2020, the share of CIT expense and LAT expense attributable to the joint ventures amounting to approximately RMB464,007,000 (2019: approximately RMB883,772,000) and approximately RMB423,615,000 (2019: approximately RMB435,145,000), respectively, are included in "Share of profits and losses of joint ventures" in the unaudited condensed consolidated statement of profit or loss.

For the six months ended 30 June 2020, the share of CIT expense and LAT credit attributable to the associates amounting to approximately RMB22,146,000 (2019: approximately RMB27,417,000) and approximately RMB13,770,000 (2019: LAT expense of approximately RMB4,673,000) are included in "Share of profits and losses of the associates" in the unaudited condensed consolidated statement of profit or loss.

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 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 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interim dividend of RMB40 cents (2019: RMB32 cents) per ordinary share	1,270,773	1,015,703

8. Dividends (Continued)

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 (2019: RMB32 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. 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:

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

10. Property, Plant and Equipment

During the six months ended 30 June 2020, the Group had additions of property, plant and equipment at a total cost of approximately RMB499,237,000 (2019: approximately RMB400,669,000).

11. Trade Receivables

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

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (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
	2,435,225	2,166,759

12. Trade and Bills Payables

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

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

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

13. Interest-bearing Bank and Other Borrowings

	As at 30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current		
Bank and other loans (c)		
– secured	2,462,197	3,834,083
– denominated in HK\$, secured	1,303,409	–
– denominated in US\$, secured	1,899,057	752,545
– unsecured	435,000	–
Current portion of long-term bank loans (c)		
– secured	1,188,173	1,535,027
– denominated in HK\$, secured	228,308	582,311
– denominated in US\$, secured	69,683	318,658
– unsecured	1,135,407	1,197,093
Senior notes – denominated in US\$, secured (a)	3,883,680	3,811,567
Domestic corporate bonds – unsecured (b)	20,827,523	11,696,759
	33,432,437	23,728,043
Non-current		
Bank and other loans (c)		
– secured	16,529,923	20,310,775
– denominated in HK\$, secured	1,203,770	2,766,011
– denominated in US\$, secured	382,275	1,393,665
– unsecured	1,619,695	2,883,746
Senior notes – denominated in US\$, secured (a)	23,699,463	21,380,020
Domestic corporate bonds – unsecured (b)	4,450,314	13,115,290
	47,885,440	61,849,507
	81,317,877	85,577,550

- (i) Certain items of the Group's borrowings are secured by buildings, land use rights, investment properties, properties under development, completed properties held for sale and time deposits of the Group with total carrying values of approximately RMB27,851,530,000 as at 30 June 2020 (31 December 2019: approximately RMB34,620,721,000).
- (ii) As at 30 June 2020 and 31 December 2019, the equity interests of certain subsidiaries of the Group were pledged to certain banks for the loans granted to the Group.
- (iii) As at 30 June 2020 and 31 December 2019, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

Except for the above mentioned borrowings denominated in HK\$ and US\$, all borrowings were denominated in RMB as at 30 June 2020 and 31 December 2019. All of the Group's bank loans were charged at floating interest rates except for loan balances with an aggregate amount of approximately RMB3,699,191,000 (31 December 2019: approximately RMB6,914,600,000), which were charged at fixed interest rate as at 30 June 2020. The Group's senior notes and domestic corporate bonds were charged at fixed interest rates as at 30 June 2020 and 31 December 2019.

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

Notes:

- (a) On 11 January 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US\$250,000,000 (equivalent to approximately RMB1,733,113,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 11 January 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 11 January and 11 July of each year, commencing on 11 July 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 29 December 2016, 30 December 2016 and 11 January 2017.

On 15 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,772,980,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year, commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 9 March 2017, 10 March 2017 and 16 March 2017.

On 29 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US\$100,000,000 (equivalent to approximately RMB672,638,000) (to be consolidated and form a single series with the US\$400,000,000 6.00% senior notes due 2022 issued on 15 March 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 27 March 2017 and 29 March 2017.

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

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

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

Notes: (Continued)

(a) (Continued)

On 7 December 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US\$150,000,000 (equivalent to approximately RMB992,925,000) (to be consolidated and form a single series with the US\$400,000,000 6.00% senior notes due 2022 issued on 15 March 2017, and the US\$100,000,000 6.00% senior notes due 2022 issued on 29 March 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year commencing on 15 March 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 27 March 2017, 29 March 2017, 1 December 2017 and 7 December 2017.

On 9 August 2018, the Company issued 7.875% senior notes with an aggregate principal amount of US\$350,000,000 (equivalent to approximately RMB2,391,095,000). 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 9 August 2021. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 9 February and 9 August of each year commencing on 9 February 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 31 July 2018, 1 August 2018, and 9 August 2018.

On 26 November 2018, the Company issued 9.85% senior notes with an aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,778,120,000). 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 26 November 2020. The senior notes carry interest at a rate of 9.85% per annum, which is payable semi-annually in arrears on 26 May and 26 November of each year commencing on 26 May 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 14 November 2018, 15 November 2018, and 26 November 2018.

On 11 December 2018, the Company issued 9.85% senior notes with an aggregate principal amount of US\$150,000,000 (equivalent to approximately RMB1,034,940,000) (to be consolidated and form a single series with the US\$400,000,000 9.85% senior notes due 2020 issued on 26 November 2018). 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 26 November 2020. The senior notes carry interest at a rate of 9.85% per annum, which is payable semi-annually in arrears on 26 May and 26 November of each year commencing on 26 May 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 30 November 2018 and 11 December 2018.

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 periods 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 7.875% senior notes with an aggregate principal amount of US\$350,000,000 (equivalent to approximately RMB2,343,040,000) (to be consolidated and form a single series with the US\$350,000,000 7.875% senior notes due 2023 issued on 1 March 2019). 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 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 20 March 2019 and 22 March 2019.

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

Notes: (Continued)

(a) (Continued)

On 3 July 2019, the Company issued 5.875% senior notes with an aggregate principal amount of US\$225,000,000 (equivalent to approximately RMB1,544,400,000) (to be consolidated and form a single series with the US\$400,000,000 5.875% senior notes due 2024 issued on 10 November 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 10 November 2024. The senior notes carry interest at a rate of 5.875% per annum, which is payable semi-annually in arrears on 10 May and 10 November of each year commencing on 10 November 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 25 June 2019 and 3 July 2019.

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

On 13 January 2020, the Company issued 7.4% senior notes with an aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB2,077,890,000). 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 13 January 2027. The senior notes carry interest at a rate of 7.4% per annum, which is payable semi-annually in arrears on 13 January and 13 July of each year commencing on 13 July 2020. For further details on the senior notes, please refer to the related announcements of the Company dated 7 January 2020 and 13 January 2020.

(b) (i) On 17 December 2015, Guangzhou Hejing Holdings Group Limited (“Guangzhou Hejing”), a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,300,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 4.94% per annum which was adjusted to 7.0% per annum by the issuer’s option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors’ option to sell back the domestic corporate bonds to the issuer (the “Type 1 Bonds”), and the second type has a term of seven years and bears a coupon rate at 6.15% per annum with the issuer’s option to adjust the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors’ option to sell back the domestic corporate bonds to the issuer (the “Type 2 Bonds”).

The aggregate principal amount for the Type 1 Bonds issued was RMB2,500,000,000 and the aggregate principal amount for the Type 2 Bonds issued was RMB800,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 15 December 2015 and 16 December 2015.

(b) (ii) On 28 March 2016, Guangzhou Tianjian Real Estate Development Limited (“Guangzhou Tianjian”), a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,200,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 3.90% per annum which was adjusted to 7.0% per annum by the issuer’s option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors’ option to sell back the domestic corporate bonds to the issuer (the “Type 3 Bonds”), and the second type has a term of ten years and bears a coupon rate at 4.80% per annum with the issuer’s option to adjust the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors’ option to sell back the domestic corporate bonds to the issuer (the “Type 4 Bonds”).

The aggregate principal amount for the Type 3 Bonds issued was RMB600,000,000 and the aggregate principal amount for the Type 4 Bonds issued was RMB1,600,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 24 March 2016 and 28 March 2016.

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

Notes: (Continued)

- (b) (iii) On 26 April 2016, Guangzhou Tianjian issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB6,500,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of seven years and bears a coupon rate at 5.60% per annum with the issuer's option to adjust the coupon rate after the end of the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 5 Bonds"), and the second type has a term of seven years and bears a coupon rate at 5.80% per annum with the issuer's option to adjust the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 6 Bonds").

The aggregate principal amount for the Type 5 Bonds issued was RMB1,000,000,000 and the aggregate principal amount for the Type 6 Bonds issued was RMB5,500,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 7 April 2016 and 26 April 2016.

On 22 April 2020, Guangzhou Tianjian redeemed the Type 5 Bonds.

- (b) (iv) On 21 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,000,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.85% per annum which was adjusted to 6.85% per annum by the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors can exercise retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 21 July 2016.

- (b) (v) On 28 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,300,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.95% per annum which was adjusted to 6.95% per annum by the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investor can exercise retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 28 July 2016.

- (b) (vi) On 30 September 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB8,000,000,000.

The domestic corporate bonds consist of three types, of which the first type has a term of seven years and bears a coupon rate at 5.6% per annum with the issuer's option to adjust the coupon rate after the end of the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 7 Bonds"), and the second type has a term of seven years and bears a coupon rate at 5.7% per annum with the issuer's option to adjust the coupon rate after the end of the fourth and a half year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 8 Bonds"), and the third type has a term of seven years and bears a coupon rate at 5.8% per annum with the issuer's option to adjust the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 9 Bonds").

The aggregate principal amount for Type 7 Bonds issued was RMB2,500,000,000; the aggregate amount for Type 8 Bonds issued was RMB2,500,000,000 and the aggregate amount for Type 9 Bonds issued was RMB3,000,000,000.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 30 September 2016.

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

Notes: (Continued)

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

The domestic corporate bonds consist of two types, of which the first type has a term of five years and bears a coupon rate at 7.85% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 10 Bonds"), and the second type has a term of three years and bears a coupon rate at 7.50% per annum which was adjusted to 6.8% per annum by the issuer's option to adjust the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 11 Bonds").

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

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

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

The domestic corporate bonds consist of two types, of which the first type has a term of five years and bears a coupon rate at 8.00% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 12 Bonds"), and the second type has a term of three years and bears a coupon rate at 7.50% per annum which was adjusted to 6.8% per annum by the issuer's option to adjust the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 13 Bonds").

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

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

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

Notes: (Continued)

- (b) (ix) On 17 March 2020, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,000,000,000.

The domestic corporate bonds have a term of three years and bear a coupon rate at 5.75% per annum with the issuer's option to adjust the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer.

- (c) The bank loans carry interests at prevailing market rates ranging from 2.84% to 11.00% per annum as at 30 June 2020 (31 December 2019: 2.92% to 11.00% per annum).
- (d) The Group has established a contemplated strategy to repurchase and sell its own domestic corporate bonds and senior notes (collectively the "Bonds"), from time to time, in the open market, for the purpose to manage its overall leverage and to reduce the Group's overall borrowing costs. During the six months ended 30 June 2020, the Group repurchased, redeemed and sold the Bonds with the aggregate principal amounts of approximately RMB487,236,000, RMB1,000,000,000 and RMB780,000,000, respectively. As at 30 June 2020, the aggregate principal amount of the Bonds included in interest-bearing bank and other borrowings was RMB53,061,317,000 (31 December 2019: RMB50,293,742,000).

14. Share Capital

	30 June 2020		As at 31 December 2019	
	No. of shares (Unaudited)	RMB'000 (Unaudited)	No. of shares (Audited)	RMB'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.10 each	8,000,000,000	786,113	8,000,000,000	786,113
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	3,176,933,463	304,165	3,176,749,463	304,148

14. Share Capital (Continued)

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue (Unaudited)	Issued capital RMB'000 (Unaudited)	Treasury Shares RMB'000 (Unaudited)	Share premium account RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 31 December 2019 and 1 January 2020	3,176,749,463	304,148	(176)	1,670,178	1,974,150
Final dividend declared during the period	—	—	—	(1,334,235)	(1,334,235)
Vested awarded shares transferred to employees	—	—	174	19,251	19,425
Share option exercised	184,000	17	—	2,260	2,277
At 30 June 2020	3,176,933,463	304,165	(2)	357,454	661,617

	Number of shares in issue (Unaudited)	Issued capital RMB'000 (Unaudited)	Treasury Shares RMB'000 (Unaudited)	Share premium account RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 31 December 2018 and 1 January 2019	3,174,071,756	303,909	(125)	3,653,876	3,957,660
Shares issued as share award during the period	—	—	125	—	125
Final dividend declared during the period	—	—	—	(983,962)	(983,962)
At 30 June 2019	3,174,071,756	303,909	—	2,669,914	2,973,823

15. Note to the Consolidated Statement of Cash Flow

Derecognition of a subsidiary

During the six months ended 30 June 2020, the Group entered into the shareholder agreement with Guangzhou Qinzhi Investment Development Limited (“Guangzhou Qinzhi”)[#], pursuant to which the Group transferred its 20% equity interest in the Guangzhou Hejing Hengyu Zhiye Development Limited (“Guangzhou Hejing Hengyu”)[#] to Guangzhou Qinzhi at a cash consideration of RMB10,000,000. According to the agreement, all significant resolutions of Guangzhou Hejing Hengyu, a wholly-owned subsidiary of the Company before entering into the agreement, should be approved by the Group and Guangzhou Qinzhi unanimously, hence the Group lost control over Guangzhou Hejing Hengyu, and Guangzhou Hejing Hengyu is accounted for as a joint venture of the Group thereafter.

The carrying values of the assets and liabilities on the date of derecognition of the subsidiary were as follows:

	RMB'000
Net assets derecognised of:	
Deferred tax assets	45
Property under development	4,336,772
Prepayments, deposits and other receivables	1,456,299
Cash and bank balance	1,223
Trade payables	(12,763)
Other payables and accruals	(2,983,784)
Tax payables	(1,611)
Interest bearing bank loans	(2,800,000)
	(3,819)
Net gain on derecognition of Guangzhou Hejing Hengyu	324,700
Investment in a joint venture	310,881
Satisfied by cash	10,000

An analysis of the cash flows of cash and cash equivalents in respect of the derecognition of Guangzhou Hejing Hengyu is as follows:

	RMB'000
Cash consideration	10,000
Cash and cash equivalents of Guangzhou Hejing Hengyu derecognised of	(1,223)
Net inflow of cash and cash equivalents in respect of the derecognition of Guangzhou Hejing Hengyu	8,777

[#] The English names of these companies referred to in this unaudited condensed consolidated interim financial information represents management's best effort to translate the Chinese names of those companies, as no English names have been registered.

16. Contingent Liabilities

- (i) As at 30 June 2020, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties amounting to approximately RMB16,549,312,000 (31 December 2019: approximately RMB16,765,473,000). Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principal together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled, but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considered that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial information as at 30 June 2020 and 31 December 2019 for the guarantees.

- (ii) As at 30 June 2020, the Group had provided guarantees in respect of certain bank loans of approximately RMB28,660,980,000 (31 December 2019: approximately RMB29,362,515,000) for its joint ventures and associates.

17. Commitments

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

	As at	
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Property, plant and equipment	475,358	371,999
Properties being developed by the Group for sale	11,118,890	10,535,392
Investment properties	1,857,955	530,916
	13,452,203	11,438,307

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

	As at	
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted, but not provided for	8,756,354	8,437,506

18. Related Party Transactions

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short term employee benefits	17,175	20,168
Post-employment benefits	110	348
Share based compensation expenses	2,695	3,273
Total compensation paid to key management personnel	19,980	23,789

(ii) Outstanding balances with related parties:

	As at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Included in interests in joint ventures: Advances to joint ventures	23,231,430	19,585,566
Included in interests in associates: Advances to associates	1,701,832	2,201,274
Included in current assets: Due from a joint venture	30,059	30,062
Included in current liabilities: Due to associates	1,565,764	1,345,495
Due to joint ventures	35,383,120	37,742,306

As at 30 June 2020, except for certain advances to joint ventures with an aggregate amount of approximately RMB4,169,954,000 (31 December 2019: approximately RMB3,671,374,000), which are interest-bearing at rates ranging from 6.0% to 12.0% (31 December 2019: 6.0% to 12.0%) per annum, the advances to joint ventures as shown above are unsecured, interest-free and not repayable within 12 months.

As at 30 June 2020, except for an aggregate amounts of approximately RMB721,837,000 (31 December 2019: approximately RMB744,429,000), which are interest-bearing at 4.4% to 8.0% (31 December 2019: 4.4% to 9.0%) per annum, the advances to associates as shown above are unsecured, interest-free and not repayable within 12 months.

As at 30 June 2020 and 31 December 2019, the balances with the joint ventures and associates included in the Group's current assets and current liabilities are unsecured, interest-free and have no fixed term of repayment.

18. Related Party Transactions (Continued)

- (iii) During the six months ended 30 June 2020, the Group leased some properties to related companies, of which an executive director of the Company is the ultimate beneficial owner, for a total cash consideration of approximately RMB13,083,000 (2019: approximately RMB1,830,000), which was recognised as rental income and management fee income of the Group. The rental income was determined at rates mutually agreed between the Group and the executive director.
- (iv) During the six months ended 30 June 2020, the Group provided project management services to certain joint ventures and associates of the Group for a total cash consideration of approximately RMB188,979,000 (2019: approximately RMB197,459,000), which was recognised as other income of the Group. The management fee income was determined at rates mutually agreed between the Group and the joint ventures and associates.
- (v) **Other transactions with related parties:**
Details of guarantees given by the Group to banks in connection with bank loans granted to its joint ventures and associates are included in notes 16(ii) to the unaudited condensed consolidated interim financial information.

19. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts As at 30 June 2020 RMB'000 (Unaudited)	Fair values As at 30 June 2020 RMB'000 (Unaudited)	Carrying amounts As at 31 December 2019 RMB'000 (Audited)	Fair values As at 31 December 2019 RMB'000 (Audited)
Financial liabilities				
Interest-bearing bank and other borrowings	81,317,877	81,180,370	85,577,550	86,160,688

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, lease liabilities, amounts due from/to joint ventures and due to associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management of the Group. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management of the Group. The valuation process and results are discussed with the management of the Group twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

19. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2020 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

During the six months ended 30 June 2020 and the year ended 31 December 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

As at 30 June 2020

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Interest-bearing bank and other borrowings	–	81,180,370	–	81,180,370

As at 31 December 2019

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Interest-bearing bank and other borrowings	–	86,160,688	–	86,160,688

20. 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, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,800,000,000.

21. Approval of the Unaudited Condensed Consolidated Interim Financial Information

The unaudited condensed consolidated interim financial information was approved and authorised for issue by the Board on 27 August 2020.