KWG PROPERTY HOLDING LIMITED
合 景 泰 富 地 產 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1813)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- Revenue for the year ended 31 December 2017 amounted to RMB11,543.1 million, an increase of 30.2% as compared with the financial year of 2016.
- Profit attributable to owners of the Company amounted to RMB3,620.1 million, an increase of 4.5% as compared with the financial year of 2016.
- Core profit of the Company for the year amounted to RMB3,523.1 million, representing an increase of 20.6% as compared with the financial year of 2016.
- Gross profit margin and net profit margin were 34.8% and 31.2%, respectively.
- Earnings per share increased by 1.7% to RMB117 cents as compared with the financial year of 2016.
- Proposed to declare final dividend of RMB31 cents per ordinary share. Including interim dividend, full year dividend was equivalent to RMB41 cents per ordinary share.

The board of directors (the "**Board**") of KWG Property Holding Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	6	**11,543,072**	8,865,329
Cost of sales		**(7,523,140)**	(5,794,980)
Gross profit		**4,019,932**	3,070,349
Other income and gains, net	6	**632,914**	731,732
Selling and marketing expenses		**(432,506)**	(322,768)
Administrative expenses		**(936,814)**	(969,196)
Other operating expenses, net		**(501,770)**	(118,183)
Fair value gains on investment properties, net		**1,204,881**	165,900
Finance costs	7	**(329,505)**	(159,875)
Share of profits and losses of:			
Associates		**(2,514)**	–
Joint ventures		**1,900,410**	2,129,540
PROFIT BEFORE TAX	8	**5,555,028**	4,527,499
Income tax expenses	9	**(1,950,015)**	(1,065,893)
PROFIT FOR THE YEAR		**3,605,013**	3,461,606
Attributable to:			
Owners of the Company		**3,620,071**	3,464,714
Non-controlling interests		**(15,058)**	(3,108)
		3,605,013	3,461,606
Earnings per share attributable to owners of the Company – Basic and diluted	11	**RMB117 cents**	RMB115 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**3,605,013**	3,461,606
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**1,032,056**	(982,292)
Share of exchange differences on translation of joint ventures	**254,141**	(238,896)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**1,286,197**	(1,221,188)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**119,849**	19,076
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**119,849**	19,076
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**1,406,046**	(1,202,112)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,011,059**	2,259,494
Attributable to:		
Owners of the Company	**5,026,117**	2,262,602
Non-controlling interests	**(15,058)**	(3,108)
	5,011,059	2,259,494

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**4,173,873**	3,890,621
Investment properties		**13,718,600**	10,533,100
Land use rights		**1,071,688**	1,040,728
Interests in associates		**740,629**	–
Interests in joint ventures		**32,091,230**	18,998,141
Deferred tax assets		**1,410,904**	1,332,532
Total non-current assets		**53,206,924**	35,795,122
CURRENT ASSETS			
Properties under development		**30,908,445**	38,503,341
Completed properties held for sale		**6,540,415**	6,866,193
Trade receivables	13	**535,665**	156,775
Prepayments, deposits and other receivables		**2,963,398**	2,200,705
Due from a joint venture		**30,065**	30,059
Tax recoverables		**292,805**	288,043
Restricted cash		**1,268,364**	1,130,660
Cash and cash equivalents		**39,198,957**	25,770,912
Total current assets		**81,738,114**	74,946,688
CURRENT LIABILITIES			
Trade and bills payables	14	**2,644,265**	5,753,979
Other payables and accruals		**8,455,136**	9,838,964
Due to joint ventures		**27,929,009**	21,530,757
Interest-bearing bank and other borrowings		**3,740,551**	4,753,515
Tax payables		**6,638,355**	5,431,370
Total current liabilities		**49,407,316**	47,308,585
NET CURRENT ASSETS		**32,330,798**	27,638,103
TOTAL ASSETS LESS CURRENT LIABILITIES		**85,537,722**	63,433,225
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**55,904,620**	38,196,455
Deferred tax liabilities		**1,385,367**	1,225,816
Deferred revenue		**2,042**	2,042
Total non-current liabilities		**57,292,029**	39,424,313
NET ASSETS		**28,245,693**	24,008,912

	2017	2016
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**302,355**	293,590
Reserves	**27,304,929**	23,656,855
	27,607,284	23,950,445
Non-controlling interests	**638,409**	58,467
TOTAL EQUITY	**28,245,693**	24,008,912

Notes:

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014 – 2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group has no subsidiary classified as a disposal group held for sale as at 31 December 2017.

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 15 will be applicable for the Group's financial year ended 31 December 2018 and is expected to have a significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different from those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they select to adopt all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. However, the expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

The Group's principal activities consist of property development, property investment, hotel operation and property management. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Sale of completed properties

During the year and in prior years, the Group accounted for sale of completed properties when the significant risks and rewards of ownership of the properties were transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured; Under HKFRS 15, the sale of completed properties for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. The Group has determined that when HKFRS 15 is adopted, there would be no impact on the revenue recognition from the sale of completed properties based on the current contracts terms.

For contract where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a significant financing component. The transaction price is determined by discounting the amount of promised consideration. The Group uses the same discount rate that it would use if it were to enter into a separate financing transaction with the customer. The discount rate reflects the credit characteristics of the borrower in the arrangement.

Under HKFRS 15, incremental costs of obtaining a contract (i.e., costs that would not have been incurred if the contract had not been obtained) are recognised as an contract assets if they are recoverable and subsequently amortised on a systematic basis consistent with the pattern of transfer of the services to which the asset is related when the related revenue is recognised. Recovery can be direct (i.e., through reimbursement under the contract) or indirect (i.e., through the margin inherent in the contract). Upon the adoption of HKFRS 15, sales commissions that are directly related to sales achieved during a time period would represent incremental costs that would require capitalisation and amortizatised in one year or less when the related revenue is recognised.

(b) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements and changes in judgements that affect the determination of the amount and timing of revenue from contracts with customers. The Group also need to make disclosure of the closing balances of capitalised costs to obtain and fulfil a contract and the amount of amortisation in the period.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or is related to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted.

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or a joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or a joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments from 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use.

A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2015-2017 Cycle, issued in February 2018, sets out amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23. The Group expects to adopt the amendments from 1 January 2019. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value.

- HKFRS 11 *Joint Arrangements*: Clarifies that when an entity that participates in, but does not have joint control of a joint operation, obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation.

- HKAS 12 *Income Taxes*: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, OCI or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.

- HKAS 23 *Borrowing Costs*: Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sales are complete.

5. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

During 2016, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Year ended 31 December 2017

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

Year ended 31 December 2016

	Property development *RMB'000*	Property investment *RMB'000*	Hotel operation *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	7,922,956	182,411	389,839	370,123	8,865,329
Segment results	4,193,984	344,732	127,174	96,190	4,762,080
Reconciliation:					
Interest income and unallocated income					731,732
Unallocated expenses					(806,438)
Finance costs					(159,875)
Profit before tax					4,527,499
Income tax expenses					(1,065,893)
Profit for the year					3,461,606
Other segment information:					
Depreciation and amortisation	42,593	2,337	103,825	1,137	149,892
Fair value gains on investment properties, net	–	165,900	–	–	165,900
Share of profits and losses of:					
Joint ventures	2,129,540	–	–	–	2,129,540

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue 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 year.

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

	2017	2016
	RMB'000	*RMB'000*
Revenue:		
Sale of properties	**10,432,094**	7,922,956
Gross rental income	**231,166**	182,411
Hotel operation income	**424,479**	389,839
Property management fee income	**455,333**	370,123
	11,543,072	8,865,329
Other income and gains, net:		
Interest income	**323,340**	169,677
Foreign exchange differences, net	**–**	304,550
Management fee income	**196,402**	72,377
Gain on disposal of a subsidiary	**–**	44,708
Gain on acquisition of a subsidiary	**–**	57,198
Others	**113,172**	83,222
	632,914	731,732

7. FINANCE COSTS

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

	2017	2016
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**3,098,567**	2,713,385
Less: Interest capitalised	**(2,769,062)**	(2,553,510)
	329,505	159,875

8. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of properties sold	**7,040,436**	5,570,990
Less: Government grant released	**(48)**	(171)
	7,040,388	5,570,819
Depreciation	**141,814**	144,414
Amortisation of land use rights	**25,864**	26,933
Less: Amount capitalised in assets under construction	**(20,400)**	(21,455)
	5,464	5,478
Premium paid on early redemption of senior notes*	**174,540**	117,667
Loss/(gain) on disposal of investment properties, net	**2,981**	(5)
Loss on disposal of items of property, plant and equipment*	**879**	19
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**634,317**	546,890
Pension scheme contributions (defined benefit plans)	**69,129**	57,124
	703,446	604,014
Less: Amounts capitalised in assets under construction, properties under development and investment properties under development	**(121,520)**	(106,844)
	581,926	497,170

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

9. INCOME TAX EXPENSES

	2017	2016
	RMB'000	*RMB'000*
Current – PRC		
Corporate income tax ("CIT")	**1,061,634**	618,307
Land appreciation tax ("LAT")	**843,254**	547,602
	1,904,888	1,165,909
Deferred	**45,127**	(100,016)
Total tax charge for the year	**1,950,015**	1,065,893

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2016.

PRC CIT

PRC CIT in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2017 and 2016, based on existing legislation, interpretations and practices in respect thereof.

PRC LAT

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

10. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Proposed final dividend (with scrip option) – RMB31 cents (2016: final dividend (with scrip option) of RMB40 cents) per ordinary share	**978,098**	1,221,521
Proposed special dividend – Nil (2016: special dividend (with scrip option) of RMB11 cents) per ordinary share	**–**	335,918
Interim dividend declared – RMB10 cents (2016: Nil) per ordinary share	**305,380**	–
	1,283,478	1,557,439

On 28 August 2017, the Board declared the payment of a 2017 interim dividend of RMB305,380,000 representing RMB10 cents per share, based on the number of shares in issue as at 30 June 2017 (2016: Nil). The interim dividend for the year is made out of the retained profit of the Company.

The proposed final dividend for the year, to be made out of the share premium account of the Company, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("2018 AGM").

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 3,097,952,915 (2016: 3,021,295,752) in issue during the year.

For the year ended 31 December 2016, the calculation of the diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation of 3,021,295,752 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 244,437.

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

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

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the Company	**3,620,071**	3,464,714

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**3,097,952,915**	3,021,295,752
Effect of dilution – share options	**–**	244,437
Weighted average number of ordinary shares used in diluted earnings per share calculation	**3,097,952,915**	3,021,540,189

12. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2017, the Group had additions of property, plant and equipment at a total cost of approximately RMB430,931,000 (2016: approximately RMB342,755,000).

13. TRADE RECEIVABLES

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases, provision of property management services and hotel operation. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of rental, property management and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within 12 months for major customers. An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**246,623**	108,714
4 to 6 months	**24,431**	14,634
7 to 12 months	**247,070**	16,293
Over 1 year	**17,541**	17,134
	535,665	156,775

14. TRADE AND BILLS PAYABLES

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

	2017	2016
	RMB'000	*RMB'000*
Within one year	**2,644,265**	5,753,979

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

15. SUBSEQUENT EVENTS

(a) On 19 January 2018, the Company adopted the share award scheme and resolved to grant a total of 4,393,500 awarded shares to 28 grantees for nil consideration pursuant to scheme rules. The nominal value of the awarded shares is HK$439,350. Based on the closing price of the shares of HK$12.60 as at the date of the grant of the awarded shares, the market value of awarded shares is HK$55,358,100. For further details on the share award scheme, please refer to the related announcement of the Company dated 19 January 2018.

(b) On 13 February 2018, the Company granted a total of 1,719,000 share options at the exercise price of HK$11.120 per share under the share option scheme adopted by the Company on 9 February 2018. For further details, please refer to the related announcement of the Company dated 13 February 2018.

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 RMB11,543.1 million in 2017, representing an increase of 30.2% from approximately RMB8,865.3 million in 2016. The proportionated revenue amounted to approximately RMB20,684.9 million in 2017, representing an increase of 18.4% from approximately RMB17,467.2 million in 2016.

In 2017, the revenue generated from property development, property investment, hotel operation and property management were approximately RMB10,432.1 million, RMB231.2 million, RMB424.5 million and RMB455.3 million, respectively.

Property development

Revenue generated from property development increased by 31.7% to approximately RMB10,432.1 million in 2017 from approximately RMB7,923.0 million in 2016, primarily due to an increase in the total gross floor area ("GFA") delivered to 705,390 sq.m. in 2017 from 631,100 sq.m. in 2016. The increase in revenue was also attributable to an increase in the recognised average selling price ("ASP") to RMB14,789 per sq.m. from RMB12,554 per sq.m. in 2016. The increase in recognised ASP was primarily attributable to an increase in the proportion of offices delivered with relatively higher ASP in 2017.

Property investment

Revenue generated from property investment increased by 26.8% to approximately RMB231.2 million in 2017 from approximately RMB182.4 million in 2016, primarily due to an increase in leased investment properties.

Hotel operation

Revenue generated from hotel operation increased by 8.9% to approximately RMB424.5 million in 2017 from approximately RMB389.8 million in 2016, primarily due to an increase in occupancy rate of the hotels.

Property management

Revenue generated from property management increased by 23.0% to approximately RMB455.3 million in 2017 from approximately RMB370.1 million in 2016, primarily due to an increase in the number of properties under management. The increase in revenue was also attributable to an increased proportion of commercial properties under management with higher management fee per sq.m.

Cost of Sales

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

Cost of sales increased by 29.8% to approximately RMB7,523.1 million in 2017 from approximately RMB5,795.0 million in 2016, mainly due to the increase in total GFA delivered in sales of properties.

Land cost per sq.m. increased from RMB3,219 in 2016 to RMB3,617 in 2017, due to the change in delivery portfolio with different city mix as compared with that in 2016.

Construction cost per sq.m. slightly decreased from RMB4,334 in 2016 to RMB4,329 in 2017.

Gross Profit

Gross profit of the Group increased by 30.9% to approximately RMB4,019.9 million in 2017 from approximately RMB3,070.3 million in 2016. The Group reported a gross profit margin of 34.8% for 2017 as compared with 34.6% for 2016. Proportionated gross profit of the Group increased by 27.1% to approximately RMB7,594.6 million in 2017. The proportionated gross profit margin was 36.7% for 2017 as compared with 34.2% for 2016.

Other Income and Gains, Net

Other income and gains decreased by 13.5% to approximately RMB632.9 million in 2017 from approximately RMB731.7 million in 2016, mainly comprising interest income of approximately RMB323.3 million and management fee income related to our joint venture projects of approximately RMB196.4 million.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 34.0% to approximately RMB432.5 million in 2017 from approximately RMB322.8 million in 2016, 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 slightly decreased by 3.3% to approximately RMB936.8 million in 2017 from approximately RMB969.2 million in 2016.

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB501.8 million in 2017 (2016: approximately RMB118.2 million), mainly comprising premium paid on early redemption of senior notes and foreign exchange losses arising from domestic corporate bonds.

Fair Value Gains on Investment Properties, Net

The Group reported fair value gains on investment properties of approximately RMB1,204.9 million for 2017 (2016: approximately RMB165.9 million), mainly related to various leaseable commercial properties in various regions. The fair value gains attributable to those leaseable commercial properties, including KWG Centre I in Beijing, International Metropolis Plaza in Shanghai and The Star in Guangzhou, were approximately RMB1,030.5 million for 2017. Fair value gains in respect of properties owned by the Group's joint ventures are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

Finance Costs

Finance costs of the Group being approximately RMB329.5 million in 2017 (2016: approximately RMB159.9 million), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised. The weighted average interest rate was 5.8% as compared with 6.0% in 2016.

Income Tax Expenses

Income tax expenses increased by 82.9% to approximately RMB1,950.0 million in 2017 from approximately RMB1,065.9 million in 2016, primarily due to an increase in provision of LAT as a result of the increase in the total GFA delivered from sales of properties in 2017. The increase in income tax expenses was also attributable to an increase in CIT provision resulting from fair value gains on investment properties.

Profit for the Year

The Group reported profit and core profit for the year of approximately RMB3,605.0 million and approximately RMB3,523.1 million for 2017 (2016: approximately RMB3,461.6 million and approximately RMB2,921.9 million). Net profit margin and core profit margin are 31.2% and 30.5% respectively (2016: 39.0% and 33.0% respectively). Profit for the year attributable to owners of the Company increased by 4.5% to approximately RMB3,620.1 million for 2017 (2016: approximately RMB3,464.7 million).

As mentioned above, the increase in the total GFA delivered in 2017 contributed to the growth of the Group's revenue, resulting in gross profit of the Group increased by 30.9% to approximately RMB4,019.9 million in 2017 (2016: approximately RMB3,070.3 million). Meanwhile, the strong growth was partially offset by exchange losses arising from domestic corporate bonds and premium paid on early redemption of senior notes.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2017, the carrying amounts of the Group's cash and bank balances were approximately RMB40,467.3 million (31 December 2016: approximately RMB26,901.6 million).

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2017, the carrying amount of the restricted cash was approximately RMB1,268.4 million (31 December 2016: approximately RMB1,130.7 million).

Borrowings and Charges on the Group's Assets

As at 31 December 2017, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB16,731.2 million, RMB13,735.0 million and RMB29,179.0 million respectively. Amongst the bank and other loans, approximately RMB1,257.7 million will be repayable within 1 year, approximately RMB9,367.5 million will be repayable between 2 and 5 years and approximately RMB6,106.0 million will be repayable over 5 years. Amongst the senior notes, approximately RMB11,259.1 million will be repayable between 2 and 5 years and approximately RMB2,475.9 million will be repayable over 5 years. Amongst the domestic corporate bonds, approximately RMB2,482.9 million will be repayable within 1 year and approximately RMB26,696.1 million will be repayable between 2 and 5 years.

As at 31 December 2017, the Group's bank and other loans of approximately RMB16,731.2 million were secured by buildings, land use rights, investment properties, properties under development, completed properties held for sale and time deposit of the Group with total carrying value of approximately RMB19,251.5 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 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 RMB2,834.8 million as at 31 December 2017 which were denominated in Hong Kong dollar of approximately RMB1,557.8 million and denominated in U.S. dollar of approximately RMB1,277.0 million respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB200.0 million which were charged at fixed interest rates as at 31 December 2017. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2017. The Group's domestic corporate bonds were denominated in RMB and charged at fixed interest rates as at 31 December 2017.

Gearing Ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 31 December 2017, the gearing ratio was 67.9% (31 December 2016: 66.8%).

Risk of Exchange Rate Fluctuation

The Group mainly operates in Mainland China, so most of its revenues and expenses are measured in RMB. In addition, except for the above mentioned, the Company's domestic corporate bonds were denominated in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

During 2017, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar increased and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

(i) As at 31 December 2017, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB5,036.1 million (31 December 2016: approximately RMB7,330.0 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

    The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements as at 31 December 2017 and 2016 for the guarantees.

(ii) As at 31 December 2017 and 2016, the Group had provided guarantees in respect of certain bank loans for joint ventures.

Market Review

In 2017, the disparity in regulatory measures adopted by local governments increased as the Central Government continued to emphasise the provision of accommodation as the primary purpose of real estate properties. Demands from investors and speculative buyers were suppressed as the results of implementation of restrictions on purchase, mortgage, pre-sales and other financial and supervisory measures for real estate. The focus of market regulation and control was put on tier-one cities, key tier-two cities and those tier-three and tier-four cities around tier-one cities. The real estate markets became popular in cities such as Chongqing, Chengdu and Xi'an as regulations in most of tier-two and tier-three cities were relatively loosen because of destocking. The market momentum was still maintained in other cities such as Wuhan, Hangzhou, Tianjin and Nanjing, where stable growth was seen. According to the data from National Bureau of Statistics, for the year of 2017, sales volume and sales amount for commodity properties amounted to 1,694.08 million sq.m. and RMB13,370.1 billion respectively, representing a year-on-year increase of 7.7% and 13.7% as compared to the same period last year.

The structure of the industry began moving towards oligopoly and those fast-growing large-scale property developers had captured more market shares. Small and medium-sized property developers continued to face challenging market environment. Market consolidation has accelerated. In order to avoid from being merged or going bankruptcy in this severe market competition, property developers grasped opportunities to speed up with their launch plans. Owing to the destocking efforts, property developers were keen to replenish their land banks for further growth. During the reporting period, property developers made more investment in land acquisition to acquire more lands in tier-one, tier-two cities and surrounding tier-three cities.

According to the data from National Bureau of Statistics, during the year of 2017, the areas of land acquired by property developers amounted to 255.08 million sq.m., representing a year-on-year increase of 15.8%, and accrued land premium amounted to RMB1,364.3 billion, showing an increase of 49.4% and an increase in pace of growth of 2.4 percentage points.

Business Review

During the reporting period, the Group closely monitored the implementation of regulations and control measures adopted by local governments and made timely adjustment to its selling plans and product mixes so as to launch suitable products that met market demands. Amongst the 53 projects currently on sale, 45% of the gross pre-sales were derived from Southern China and 35% were contributed from Eastern China. Gross pre-sales for the year of 2017 amounted to RMB38.0 billion in aggregate, representing a year-on-year increase of 33.2% as compared to that of last year, while attributable pre-sales amounted to RMB28.7 billion in aggregate, representing a year-on-year increase of 28.7% as compared to that of last year. The ASP was approximately RMB14,920 per sq.m. in Southern China and approximately RMB20,218 per sq.m. in Eastern China. The overall ASP for the year of 2017 was approximately RMB16,819 per sq.m., representing a year-on-year increase of 18.7% as compared to that of last year.

The Group launched a total of 12 brand new projects, namely Yunshang Retreat in Chengdu, Puli Oriental in Hangzhou, Fortunes Season in Guangzhou, The Riviera in Foshan, Suzhou Beiqiao Project (蘇州拾鯉), Exquisite Bay in Xuzhou, Fragrant Seasons in Nanning, City Moon in Hefei, The Riviera in Hangzhou, Joyful Season in Wuhan, Jiaxing Haiyan Project, Lujiang The One in Hefei, of which Xuzhou, Hefei, Wuhan and Jiaxing were the new cities that we launched for the first time. The project series we launched included The Riviera, a high-end brand, and Fragrant Seasons projects that perfectly matched with their surrounding scenic natural landscapes.

The Riviera in Foshan is located in Beijiao New Town, Shunde District, Foshan, the interchange of Guangzhou Metro Line 7 and Foshan Metro Line 3 that linked Guangzhou and Foshan. Close to Guangzhou, the project is well positioned in prime location with excellent ancillary commercial and residential services. The project was first launched in the second half of 2017. The Project suited local market demand and comprised fitted units with GFA of 97–141 sq.m., targeting to first-time home buyers and upgraders.

Fragrant Seasons in Nanning is located in Wuxiang New District, Nanning, adjacent to Wuxiang Mountain Forest Park with a panorama view of Wuxiang Lake Park in the south. The project is designed as a harmony blending of forest landscape and living environment. The project mainly offers fitted units with GFA of 85-126 sq.m. Since its first launch in October, the project has been receiving much enthusiasm by local buyers.

In order to accelerate its future development, the Group focused on further penetration into Southern China and Eastern China and expansion of its reach into Northern China and Southwest China. The Group, on the one hand, obtained premium land sites through tender, auction and listing in the open market on its own and, on the other hand, continued to actively merge and acquire land sites from secondary market to replenish its land bank with reasonable prices. In the meantime, the Group also successfully acquired projects with substantial growth potential such as Joyful Season in Wuhan and Bantian Project in Shenzhen by ways of mergers, acquisitions and urban redevelopment in Wuhan and Shenzhen.

During the reporting period, the Group acquired 35 premium land sites in Mainland China and Hong Kong, adding GFA of 5.31 million sq.m., at an average cost of RMB5,000 per sq.m. (excluding Hong Kong).

As at 31 December 2017, the Group owned 101 projects in 29 cities across Mainland China and Hong Kong with an attributable land bank of approximately 13.52 million sq.m.. Including unlisted urban redevelopment projects, the Group's current attributable land bank is approximately 18 million sq.m..

In order to fuel the enthusiasm of employees in participation in project construction and enhance the sense of responsibility of the senior management and employees, the Group officially established a staff co-investment scheme which are implemented in new projects such as Exquisite Bay in Xuzhou, Puli Oriental in Hangzhou, City Moon in Hefei, Fortunes Season in Guangzhou and The Riviera in Hangzhou, for which both subscription and payment rates met our expectation. With the strong commitments of senior management, project managers and employees of the Group, staff initiative and dedication are well aroused and their active participation in project construction and management is greatly encouraged.

Investment Properties and Hotels

(1) Hotels

As at 31 December 2017, the Group had seven hotels in operation, of which five hotels were located in Guangzhou, one hotel in Hangzhou and one hotel in Chengdu. Of which three hotels were run by international leading hotel brands, namely: W Hotel Guangzhou, Conrad Guangzhou (a JV project), and Four Points by Sheraton Guangzhou, Dongpu. The Mulian Hotels in CBD and Huadu district of Guangzhou, Hangzhou and Chengdu, were the boutique business hotels owned and operated by the Group.

The Mulian Hotel brand, our self-owned and operated hotels, was first introduced to the market in 2013. During these four years, the Group has established a new image for the hotels through delicated hardware and software facilities, comfortable business environment and high-quality tailor-made services. Located in either downtown area or new business center, The Mulian Hotels have become popular among business travelers. During the reporting period, The Mulian Hotels introduced a membership system. Through this system, it is expected that The Mulian Hotels will maintain good customer relationship and improve standards of services.

During the reporting period, revenue from hotel operation amounted to approximately RMB424.5 million, representing an increase of 8.9% as compared to that of last year.

(2) Completed Investment Properties Available for Lease

The Group's office properties for lease includes International Finance Place ("IFP") and Global Metropolitan Plaza in the core area of Pearl River New Town, Guangzhou, International Commerce Place in Pazhou E-commerce Zone, Guangzhou, Amazing Bay in Xinjiangwan, Shanghai and Leader Plaza in Suzhou.

In December 2017, Shanghai U Fun, the Group's first shopping mall, held a grand opening ceremony. Located in Xinjiangwan, Shanghai and surrounded by mature residential areas and office buildings, Shanghai U Fun fills the lack of large commercial facilities in this area. With the introduction of Hema Supermarket (盒馬鮮生), Little SOCIUM, a customized cinema and an indoor skiing theme park, the shopping center attracts consumers in and around the district. The shopping center recorded a total of 200,000 visitors for first two days after its opening. As at the end of 2017, the occupancy rate of Shanghai U Fun reached approximately 90%.

The success of Shanghai U Fun will establish a benchmark for commercial projects in other cities. Chengdu U Fun, Suzhou U Fun, Guangzhou U Fun and Beijing M • Cube will also be opened in near future, signifying KWG Property's first year of operating shopping centers.

Outlook

In 2018, it is expected that the Central Government will adhere to the general principle of making steady progress and focus on structural reform of supply side, driving stable growth, promoting reforms, adjusting economic structure, improving people's livelihood and avoiding risks.

With regard to real estate industry, in addition to the principle of "housing properties are for accommodation, not speculative trading" as stated in the report to the 19th National Congress of Communist Party of China, the Central Economic Work Conference reiterated at the end of the year that the government would accelerate the establishment of a housing system with multi-agent supply, multi-channel support, and purchase-lease dual mechanism and that it would improve the long-term mechanism for ensuring the stable and healthy development of the real estate market, keep the continual and stable regulatory policies of the real estate market, clarify the distribution of powers between central and local governments and implement differential control and regulation measures.

This clearly indicated its focus on regulation and control policy for the real estate market in 2018. The Central Government will aim to develop and improve the long-term mechanism for real estate market by ways of encouragement of purchase and lease of properties to improve housing system, classification and differentiated control measures to be taken in different cities.

In 2018, the Group will accelerate the construction progress of its new projects and launch them at the right time. Based on the Group's existing land bank, the scheduled new start of construction and launch plan, the Group expects that the sellable resources value will increase to RMB110.0 billion in 2018. Tier-one cities contribute 27% of sellable resources value while tier-two cities contribute 65% of sellable resources value. Based on the current market condition, sellable resources and construction schedule, the Group sets the pre-sales target at RMB65 billion.

In 2018, the Group expects to launch over 20 new projects including Beijing KWG Center, Shanghai Glory Palace, Hangzhou Sky Villa Mansion, Tianjin The Cosmos, Suzhou Wujiang Project, Guangzhou Nansha Shuilian, Taicang Project, Nantong Tongzhou Project, Wuxi Huishan Project, Huizhou Longmen Project etc.

With regard to our commercial properties, the Group plans to launch three series of long-term rental apartments, catering for the needs of different consumers. The Group will first launch long-term rental apartments in tier-one and key tier-two cities such as Guangzhou, Shenzhen, Shanghai, Nanjing and Chengdu as a trial. It is expected that the apartments will be offered for rent as early as in 2018. Based on the investment properties ready to launch, the Group expects that the leasable GFA of investment properties will be over 2.7 million sq.m. in the year of 2020.

Overview of the Group's Property Development

As at 31 December 2017, 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, Shaoxing, Shenzhen 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	1,593	100
2.	Global Metropolitan Plaza	Guangzhou	Office / commercial	40	50
3.	Tian Hui Plaza (included The Riviera and Top Plaza)	Guangzhou	Serviced apartment / office / hotel / commercial	57	33.3
4.	The Star	Guangzhou	Serviced apartment / office / commercial	199	100
5.	Top of World	Guangzhou	Villa / serviced apartment / office / hotel / commercial	431	100
6.	The Eden	Guangzhou	Residential / commercial	7	50
7.	Zengcheng Gua Lv Lake	Guangzhou	Villa / hotel	43	100
8.	Essence of City	Guangzhou	Residential / villa / commercial	261	100
9.	International Commerce Place	Guangzhou	Office / commercial	50	50
10.	CFC (including Mayfair and International Finance East)	Guangzhou	Serviced apartment / office / commercial	101	33.3
11.	The Horizon	Guangzhou	Residential / villa / commercial	111	50
12.	Fortunes Season	Guangzhou	Residential / villa / commercial	267	50
13.	Nansha Shuilian	Guangzhou	Residential / commercial	63	40
14.	IFP	Guangzhou	Office / commercial	61	100
15.	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
16.	The Mulian Huadu (formerly known as Sheraton Guangzhou Huadu Resort)	Guangzhou	Hotel	25	100
17.	W Hotel / W Serviced Apartments	Guangzhou	Hotel / serviced apartment	80	100
18.	The Mulian Guangzhou	Guangzhou	Hotel	8	100
19.	The Sapphire	Suzhou	Residential / serviced apartment / hotel / commercial / office	61	100
20.	Suzhou Apex	Suzhou	Residential / serviced apartment / hotel / commercial	104	90
21.	Suzhou Emerald	Suzhou	Residential / commercial	5	100
22.	Leader Plaza	Suzhou	Serviced apartment / office / commercial	44	100
23.	Wan Hui Plaza	Suzhou	Serviced apartment / office / commercial / hotel	60	100
24.	Suzhou Jade Garden	Suzhou	Residential / commercial	6	100
25.	Suzhou Wujiang Project	Suzhou	Residential	79	100
26.	Suzhou Beiqiao Project	Suzhou	Residential / commercial	46	20
27.	Suzhou Pingwang Project	Suzhou	Residential	29	50
28.	Suzhou Wuzhong Project	Suzhou	Residential / villa	58	100
29.	The Vision of the World	Chengdu	Residential / serviced apartment / commercial	55	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
30.	Chengdu Cosmos	Chengdu	Residential / serviced apartment / office / hotel / commercial	335	100
31.	Chengdu Sky Ville	Chengdu	Residential / serviced apartment / office / commercial	252	50
32.	Yunshang Retreat (formerly known as Yoonshang)	Chengdu	Residential / villa / commercial / hotel	618	55
33.	Fragrant Seasons	Beijing	Residential / villa / serviced apartment / commercial	17	100
34.	La Villa	Beijing	Residential / villa / commercial	12	50
35.	Beijing Apex	Beijing	Residential / villa / serviced apartment / office / commercial	50	50
36.	M • Cube	Beijing	Commercial	16	100
37.	Summer Terrace	Beijing	Residential / commercial	19	100
38.	KWG Center I	Beijing	Serviced apartment / office / commercial	128	100
39.	KWG Center II	Beijing	Serviced apartment / office / commercial	125	100
40.	Rose and Ginkgo Mansion	Beijing	Villa	27	33
41.	Pearl Coast	Hainan	Villa / residential / hotel	176	100
42.	Villa Como	Hainan	Villa / residential / hotel / commercial	367	100
43.	Hainan Lingao Project	Hainan	Residential	34	20
44.	International Metropolis Plaza	Shanghai	Office / commercial	45	100
45.	The Core of Center	Shanghai	Residential / serviced apartment / office / commercial	31	50
46.	Shanghai Apex	Shanghai	Residential / serviced apartment / hotel / commercial	38	100
47.	Shanghai Sapphire	Shanghai	Serviced apartment / hotel / commercial	52	100
48.	Amazing Bay	Shanghai	Residential / serviced apartment / hotel / office / commercial	66	50
49.	Vision of World	Shanghai	Residential / serviced apartment / commercial / hotel	127	100
50.	Glory Palace	Shanghai	Residential	121	100
51.	Jinnan New Town	Tianjin	Residential / villa / serviced apartment / commercial	540	25
52.	Boulevard Terrace I	Tianjin	Residential / commercial	3	100
53.	Boulevard Terrace II	Tianjin	Residential / villa / commercial	2	100
54.	Tianjin The Cosmos	Tianjin	Residential / villa / commercial	262	100
55.	Tianjin Jinghai Project	Tianjin	Residential	115	49
56.	The Core of Center	Nanning	Residential / serviced apartment / villa / office / commercial	409	87
57.	Guangxi International Finance Place	Nanning	Office / commercial	62	87
58.	Guangxi Top of World	Nanning	Residential / villa / commercial	348	87
59.	Fragrant Seasons	Nanning	Residential / villa / commercial	316	100
60.	Hangzhou Jade Garden	Hangzhou	Residential	1	100
61.	Hangzhou La Bali	Hangzhou	Residential / villa	3	100
62.	The More	Hangzhou	Residential	2	100
63.	The Mulian Hangzhou	Hangzhou	Hotel / commercial	18	100
64.	The Moon Mansion	Hangzhou	Residential / villa	64	51
65.	Sky Villa Mansion (formerly known as Hangzhou Xiaoshan Project)	Hangzhou	Residential / villa	56	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
66.	Majestic Mansion (formerly known as Hangzhou Shenhua Project)	Hangzhou	Residential / villa	50	100
67.	Puli Oriental	Hangzhou	Residential / commercial	70	50
68.	Shine City	Nanjing	Residential / office / commercial	19	50
69.	Oriental Bund (formerly known as Long King)	Foshan	Residential / villa / serviced apartment / office / commercial	1,216	50
70.	The Riviera	Foshan	Residential / commercial	155	51
71.	Riverine Capital	Foshan	Residential / serviced apartment / commercial	89	33.3
72.	City Moon I	Hefei	Residential / commercial	71	51
73.	City Moon II	Hefei	Residential / commercial	42	51
74.	The One (formerly known as Hefei Lujiang Project)	Hefei	Residential / commercial	165	100
75.	Hefei Lujiang Project II	Hefei	Residential	51	50
76.	Joyful Season	Wuhan	Residential / villa	138	60
77.	Wuhan Wutong Lake Project I	Wuhan	Residential / villa / commercial	92	100
78.	Wuhan Wutong Lake Project II	Wuhan	Residential / villa / commercial	142	100
79.	Exquisite Bay	Xuzhou	Residential / commercial	153	50
80.	Jiaxing Haiyan Project (formerly known as Jiaxing Project)	Jiaxing	Residential / commercial	105	100
81.	Jiaxing Jiashan Project	Jiaxing	Residential	29	25
82.	Linhai Project I	Taizhou	Residential	93	100
83.	Linhai Project II	Taizhou	Residential / commercial	101	100
84.	Jinan Zhangqiu Project	Jinan	Residential	151	49
85.	Changshu Dongbang Project	Changshu	Residential	36	40
86.	Changshu Yushan Project	Changshu	Residential	17	25
87.	Liu Xiang Mansion	Lishui	Residential / commercial	76	49
88.	Chongqing The Riviera	Chongqing	Residential / commercial	47	100
89.	The Cosmos Chongqing	Chongqing	Residential / commercial	391	100
90.	Jiangsu Taicang Project	Taicang	Residential	118	100
91.	Wuxi Xinwu Project	Wuxi	Residential / commercial	23	20
92.	Wuxi Huishan Project	Wuxi	Residential / villa / commercial	92	49
93.	Zhaoqing Dawang Project	Zhaoqing	Residential	193	100
94.	Zhaoqing Duanzhou Project	Zhaoqing	Residential	62	33
95.	Zhongshan Xiqu Project	Zhongshan	Residential / commercial	142	100
96.	Nantong Tongzhou Project	Nantong	Residential / commercial	105	51
97.	The Moon Mansion	Liuzhou	Residential / villa / commercial	167	100
98.	Shaoxing Didang Lake Project	Shaoxing	Residential	55	24.9
99.	Shenzhen Bantian Project	Shenzhen	Serviced apartment / office / commercial	119	100
100.	Hong Kong Ap Lei Chau Project	Hong Kong	Residential / villa	35	50
101.	Hong Kong Kai Tak Project	Hong Kong	Residential	27	50

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2017, the Group employed a total of approximately 6,950 employees. The total staff costs incurred was approximately RMB703.4 million during the financial year ended 31 December 2017. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

DIVIDEND

The Board of the Company has proposed the payment of a final dividend of RMB31 cents per ordinary share for the year ended 31 December 2017. The proposed final dividend, if approved by the shareholders at the 2018 AGM, is expected to be paid on or around 2 August 2018 to the shareholders whose names appear on the register of members of the Company on 20 June 2018.

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

Payment of the final dividend are subject to the approval of the proposed final dividend at the 2018 AGM of the Company expected to be held on 8 June 2018.

A circular giving full details of the proposed final dividend together with the relevant form of election expected to be sent to the shareholders on or around 2 July 2018.

CLOSURE OF REGISTER OF MEMBERS

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

(a) For the purpose of determining the shareholders who are entitled to attend and vote at the 2018 AGM expected to be held on 8 June 2018, the register of members of the Company expected to be closed on Friday, 1 June 2018 to Friday, 8 June 2018, both days inclusive. In order to qualify for attending and voting at the 2018 AGM, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong expected not later than 4:30 p.m. on Thursday, 31 May 2018.

(b) For the purpose of determining the shareholders who qualify for the final dividend, the register of members of the Company expected to be closed on Friday, 15 June 2018 to Wednesday, 20 June 2018, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong expected not later than 4:30 p.m. on Thursday, 14 June 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code of conduct regarding directors' securities transactions. Specific enquiries have been made with all directors of the Company regarding any non-compliance with the Model Code and all directors of the Company confirmed that they have complied with the provisions of the Model Code for the financial year ended 31 December 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor confidence and the Company's accountability and transparency but also important to the Company's long-term success. The Group, therefore, strives to attain and maintain effective corporate governance practices and procedures. The Company has complied with the code provisions in the Corporate Governance Code (the "Code Provision") as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2017.

Audit Committee

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

As at 31 December 2017, the Audit Committee comprises three members who are Independent Non-executive Directors of the Company, namely Mr. Tam Chun Fai (Chairman), Mr. Lee Ka Sze Carmelo *JP* and Mr. Li Bin Hai.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2017.

Scope of Work of Ernst & Young on the Preliminary Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

Remuneration Committee

The Remuneration Committee was established with written terms of reference in accordance with the Code Provision as set out in Appendix 14 to the Listing Rules. The principal responsibilities of the remuneration committee include but not limited to formulate and make recommendations on remuneration policy and remuneration package of the directors and members of senior management to the Board. As at 31 December 2017, the Remuneration Committee comprises an Executive Director, namely Mr. Kong Jian Min, and two Independent Non-executive Directors, namely Mr. Tam Chun Fai (Chairman) and Mr. Li Bin Hai.

Nomination Committee

The Nomination Committee was established on 11 June 2007. The Nomination Committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board and making recommendations to the Board on selection of candidates for directorships. As at 31 December 2017, the Nomination Committee comprises an Executive Director, namely Mr. Kong Jian Min (Chairman), and two Independent Non-executive Directors, namely Mr. Tam Chun Fai and Mr. Li Bin Hai.

SUFFICIENCY OF PUBLIC FLOAT

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

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

The results announcement of the Company for the year ended 31 December 2017 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.kwgproperty.com.

2018 AGM

The 2018 AGM of the Company is expected to be held on Friday, 8 June 2018 and the notice of the 2018 AGM will be published and dispatched in the manner as required by the Listing Rules.

By Order of the Board
KWG Property Holding Limited
Kong Jian Min
Chairman

Hong Kong, 23 March 2018

As at the date of this announcement, the Board comprises eight Directors, of which are Mr. Kong Jian Min (Chairman), Mr. Kong Jian Tao, Mr. Kong Jian Nan, Mr. Li Jian Ming and Mr. Tsui Kam Tim are executive Directors; and Mr. Lee Ka Sze, Carmelo JP, Mr. Tam Chun Fai and Mr. Li Bin Hai are independent non-executive Directors.