合景泰富地產

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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

HIGHLIGHTS

- Revenue for the six months ended 30 June 2011 amounted to RMB5,142.6 million, an increase of 119.6% compared with the corresponding period in 2010.
- Profit attributable to owners of the parent for the period amounted to RMB930.7 million, representing an increase of 128.5% compared with the corresponding period in 2010.
- Gross profit margin for the period was 44.3%, an increase from 42.4% in the corresponding period in 2010.
- Net profit margin for the period was 18.1%, an increase from 17.4% in the corresponding period in 2010.
- Earnings per share for the period amounted to RMB32.2 cents, an increase from RMB14.1 cents in the corresponding period in 2010.

INTERIM RESULTS

The board of directors (the "Board") of KWG Property Holding Limited ("KWG Property" or the "Company") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2011 together with audited comparative figures as at 31 December 2010, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	4	**5,142,556**	2,342,132
Cost of sales		**(2,864,293)**	(1,348,587)
Gross profit		**2,278,263**	993,545
Other income and gains	4	**47,559**	28,907
Selling and marketing costs		**(106,909)**	(101,494)
Administrative expenses		**(245,162)**	(170,550)
Other operating expenses, net		**(530)**	(760)
Fair value gains on investment properties, net		**3,530**	2,292
Finance costs	5	**(91,458)**	(4,961)
Share of profits and losses of:			
Associates		**(3,675)**	(433)
Jointly-controlled entities		**(172)**	13,705
PROFIT BEFORE TAX	6	**1,881,446**	760,251
Income tax expenses	7	**(950,802)**	(352,903)
PROFIT FOR THE PERIOD		**930,644**	407,348
Attributable to:			
Owners of the parent		**930,659**	407,346
Non-controlling interests		**(15)**	2
		930,644	407,348
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
— Basic and diluted	8	**RMB32.2 cents**	RMB14.1 cents

Details of the dividends proposed for the period are disclosed in note 9.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**930,644**	407,348
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**43,190**	(127)
Share of exchange differences on translation of associates	**16,271**	—
Share of exchange differences on translation of jointly-controlled entities	**8,791**	3,766
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**68,252**	3,639
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**998,896**	410,987
Attributable to:		
Owners of the parent	**998,911**	410,985
Non-controlling interests	**(15)**	2
	998,896	410,987

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June	31 December
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,508,714**	1,343,901
Investment properties		**3,460,944**	3,461,980
Land use rights		**920,755**	866,274
Interests in associates		**3,345,260**	3,403,588
Interests in jointly-controlled entities		**6,403,460**	5,434,914
Deferred tax assets		**769,648**	603,560
Total non-current assets		**16,408,781**	15,114,217
CURRENT ASSETS			
Properties under development		**15,810,729**	13,730,027
Completed properties held for sale		**1,923,434**	2,553,758
Trade receivables	10	**51,644**	47,687
Prepayments, deposits and other receivables		**1,803,308**	1,679,437
Due from a jointly-controlled entity		**43,691**	46,155
Taxes recoverable		**103,448**	59,450
Restricted cash		**1,396,557**	1,527,992
Cash and cash equivalents		**5,053,647**	5,275,609
Total current assets		**26,186,458**	24,920,115
CURRENT LIABILITIES			
Trade payables	11	**2,174,898**	1,670,898
Other payables and accruals		**8,742,059**	8,745,262
Due to associates		**613,274**	442,382
Due to jointly-controlled entities		**716,686**	73,454
Interest-bearing bank and other borrowings		**2,704,587**	2,281,674
Taxes payable		**2,743,455**	2,217,971
Total current liabilities		**17,694,959**	15,431,641
NET CURRENT ASSETS		**8,491,499**	9,488,474
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,900,280**	24,602,691

		As at	
		30 June	31 December
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**11,199,477**	10,049,956
Deferred tax liabilities		**716,509**	669,168
Deferred revenue		**700,000**	700,000
Other non-current liabilities		**—**	1,589,295
Total non-current liabilities		**12,615,986**	13,008,419
Net assets		**12,284,294**	11,594,272
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**280,485**	280,485
Reserves		**11,989,818**	10,985,534
Proposed final dividends		**—**	318,247
		12,270,303	11,584,266
Non-controlling interests		**13,991**	10,006
Total equity		**12,284,294**	11,594,272

Notes:

1. GENERAL 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 period, the Company and its subsidiaries were principally engaged in the property development, property investment, hotel operation and provision of property management services in the People's Republic of China (the "PRC").

The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company and approved by the Board for issue on 18 August 2011.

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 (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 2010, which 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).

3. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. The accounting policies adopted are consistent with the Group's audited financial statements for the year ended 31 December 2010, except for the adoption of the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the annual reporting period beginning on or after 1 January 2011.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC) — Int 14 Amendments	Amendments to HK(IFRIC) — Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC) — Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

The adoption of the new and revised interpretations and amendments had no significant financial effect on this unaudited condensed consolidated interim financial information and there have been no significant changes to the accounting policies applied in the condensed consolidated interim financial information.

4. REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Sales of properties	**4,996,092**	2,229,682
Gross rental income	**69,734**	57,418
Hotel operation income	**33,946**	22,147
Property management fees	**42,784**	32,885
	5,142,556	2,342,132
Other income and gains:		
Gain on disposal of investment properties, net	**—**	334
Bank interest income	**25,750**	14,069
Foreign exchange differences, net	**11,145**	5,243
Others	**10,664**	9,261
	47,559	28,907

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

(i) Property development: Sale of properties
(ii) Property investment: Leasing of properties
(iii) Hotel operation: Operation of a hotel
(iv) Property management: Provision of property management services

The property development projects undertaken by the Group during the periods are all located in the PRC.

The segment results for the six months ended 30 June 2011 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	**4,996,092**	**69,734**	**33,946**	**42,784**	**5,142,556**
Segment results	**2,047,098**	**72,699**	**7,848**	**4,092**	**2,131,737**
Reconciliations:					
Interest income and unallocated income					**47,559**
Unallocated expenses					**(206,392)**
Finance costs					**(91,458)**
Profit before tax					**1,881,446**
Income tax expenses					**(950,802)**
Profit for the period					**930,644**

The segment results for the six months ended 30 June 2010 are as follows:

	Property development *(Note)* *RMB'000* (Unaudited)	Property investment *RMB'000* (Unaudited)	Hotel operation *RMB'000* (Unaudited)	Property management *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue:					
Sales to external customers	2,229,682	57,418	22,147	32,885	2,342,132
Segment results	815,446	59,047	(984)	7,510	881,019
Reconciliations:					
Interest income and unallocated income					28,573
Unallocated expenses					(144,380)
Finance costs					(4,961)
Profit before tax					760,251
Income tax expenses					(352,903)
Profit for the period					407,348

Note: The segment results include share of profits and losses of jointly-controlled entities and associates.

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**514,267**	291,488
Less: Interest capitalised	**(422,809)**	(286,527)
	91,458	4,961

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**2,899,082**	1,336,746
Less: Government grant released	**(60,629)**	(9,568)
	2,838,453	1,327,178
Depreciation	**17,300**	15,922
Amortisation of land use rights	**7,742**	4,938
Less: Amount capitalised in assets under construction	**(7,034)**	(4,230)
	708	708
(Gain)/loss on disposal of items of property, plant and equipment	**11**	(195)
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**121,919**	93,847
Pension scheme contributions	**7,688**	5,284
Equity-settled share option expense	**4,626**	10,088
	134,233	109,219
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	**(42,178)**	(31,085)
	92,055	78,134

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — PRC		
Corporate income tax ("CIT")	**532,317**	185,750
Land appreciation tax ("LAT")	**537,232**	213,284
	1,069,549	399,034
Deferred	**(118,747)**	(46,131)
Total tax charge for the period	**950,802**	352,903

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 2011 and 2010.

PRC corporate income tax

The PRC CIT in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2011 and 2010, based on the existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax

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

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share attributable to owners of the parent for the six months ended 30 June 2011 and 2010 are as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Profit attributable to owners of the parent *(RMB thousands)*	**930,659**	407,346
Weighted average number of ordinary shares in issue *(thousands)*	**2,893,150**	2,893,150
Earnings per share *(RMB cents per share)*	**32.2**	14.1

No adjustment has been made to the basic earnings per share presented for the six months ended 30 June 2011 and 2010 in respect of a dilution as the share options outstanding during the periods had an anti-dilutive effect on the basic earnings per share presented. The calculation of the diluted earnings per share for the six months ended 30 June 2011 and 2010 is the same as the basic earnings per share.

9. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

10. TRADE RECEIVABLES

Trade receivables mainly consist of receivables from sale of properties, rental under operating leases and provision of property management services. 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	31 December
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**32,791**	31,035
4 to 6 months	**6,538**	3,135
7 to 12 months	**3,457**	4,952
Over 1 year	**8,858**	8,565
	51,644	47,687

11. TRADE PAYABLES

All trade payables were fallen due within one year or repayable on demand as of 30 June 2011 and 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the first half of 2011, the central government announced a set of tightening measures that aimed at directing the PRC property market towards healthy and sustainable development. These included raising the amount of down payment, a higher entry barrier for property purchases and reinforcing control over mortgage offering criteria by banks. Meanwhile, credit supply was tightened and plans were made to construct more social-housing under the social security scheme.

The management is of the view that market regulation and correction is a necessary stage in the course of healthy and comprehensive development of the industry. The Group has been closely monitoring the situation and will make swift and pro-active adjustments in response to market changes. The Group's diversified product mix gives flexibility to bring forward the construction and launch of commercial properties, such as serviced apartments, offices and retail, which are not under purchase or lending restriction. Besides strengthening product research and development to drive sales, the Group has also been improving its risk aversion abilities by employing consistent efforts to upgrade the financial management systems and enhance internal controls and governance standards.

Business Review

The Group's pre-sales for the first half of 2011 were mainly from existing projects, without launching any new project during the period. The Group reported stable sales for the first half of the year. As at 30 June 2011, pre-sales completed by the Group amounted to approximately RMB6,500.0 million. In terms of project, the office blocks of International Creative Valley, the Group's commercial project in Guangzhou, topped the commercial property market in Guangzhou in terms of both sales amount and sales area for the first half of 2011. The high-end residential project Chengdu Cosmos in Chengdu was also granted "The Best Residential High-rise Development in China of 2011 Bloomberg International Property Awards (Asia-Pacific Region)" by Bloomberg. Region-wise, the Group was a dominant player in the markets of Guangzhou and Suzhou that ranked among the top 10 property enterprises of the respective regions by pre-sales. Nationwide, the Group had the honour of ranking 23rd among the "Top 30 PRC Property Developers by Pre-sales for the First Half of 2011". The Group believes that the increasing popularity of its products and growing brand recognition will be important driving forces for the gradual expansion of the Group's market shares.

The Group seized acquisitions opportunities during the first half of the year and acquired an aggregate total gross floor area ("GFA") of approximately 640,000 sq.m. at reasonable prices, to further enhance its footprint in cities where it has already established presence. As at 30 June 2011, the Group had a land bank with a total GFA of approximately 8.8 million sq.m., covering 28 projects in 7 cities, namely Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Tianjin and Shanghai.

Investment properties

As at 30 June 2011, the occupancy rate of KWG's International Finance Place ("IFP"), one of the Group's major investment properties, stood at above 99.0%, as IFP remained one of the top Grade A+ office buildings in Guangzhou in terms of average rental rate, building quality, excellent property management service, and high-end tenant-mix.

Hotel properties and serviced apartments

Operations have been smooth at Four Points by Sheraton which is located in Dongpu, Guangzhou since its opening in September 2009, with business revenue steadily on the rise. Meanwhile, the Group's W Hotel, the first W Hotel and W Apartments in China, and Sheraton Huadu Resort are currently under construction. The two hotels and the W Apartments are expected to commence operation in the near future.

Market Outlook

The management is of the view that market regulation and correction is a necessary stage in the course of healthy and comprehensive development of the industry, which also drives the Group in its adaptation to market changes and enhances its risk aversion ability. The Group will continue to closely monitor future market trends and respond to market changes in a prudent and pro-active manner by strengthening its corporate development and maintaining stringent financial discipline.

The Group planned to launch a number of brand new projects during the second half of the year, such as The Riviera (formerly known as the Lie De Project) in Guangzhou central business district, the Putuo Project and New Jiang Wan Project in Shanghai, the Lingshui Project in Hainan which enjoys unblocked sea view and the Jinnan New Town in Tianjin which was newly launched in early August. We expect that the launch of new projects will boost sales and further enhance our brand recognition, leading us to further enlarge our market share in each city.

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds, net of business tax, 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 provision of property management services.

The revenue amounted to approximately RMB5,142.6 million in the first half of 2011, representing a significant increase of 119.6% from approximately RMB2,342.1 million for the corresponding period in 2010, primarily due to the increase of total GFA delivered in sales of properties in the first half of 2011.

The revenue generated from property development, property investment, hotel operation and provision of property management services were approximately RMB4,996.1 million, RMB69.7 million, RMB34.0 million and RMB42.8 million, respectively, during the six months ended 30 June 2011.

Property development

Revenue generated from property development increased by 124.1% to approximately RMB4,996.1 million for the six months ended 30 June 2011 from approximately RMB2,229.7 million for the corresponding period in 2010, primarily attributable to a 104.6% increase in the total GFA delivered to 501,290 sq.m. in the first half of 2011 from 244,969 sq.m. for the corresponding period in 2010. The increase in the total GFA delivered was primarily due to the Group's effort of delivering an increased number of projects in other high growth cities.

The increase in revenue was also attributable to the increase in the recognised average selling price of our properties sold. The recognised average selling price of property increased to RMB9,966 per sq.m. in the first half of 2011 from RMB9,102 per sq.m. for the corresponding period in 2010 reflecting a better product mix as well as an upgrade on city mix.

Property investment

Revenue generated from property investment increased by 21.4% to approximately RMB69.7 million for the six months ended 30 June 2011 from approximately RMB57.4 million for the corresponding period in 2010, primarily attributable to an increase in total GFA of our rental area leased in IFP during the period under review.

Hotel operation

Revenue generated from hotel operation increased by 53.8% to approximately RMB34.0 million for the six months ended 30 June 2011 from approximately RMB22.1 million for the corresponding period in 2010, primarily attributable to an increase in occupancy rate of our Four Points by Sheraton Guangzhou, Dongpu.

Provision of property management services

Revenue generated from the provision of property management services increased by 30.1% to approximately RMB42.8 million for the six months ended 30 June 2011 from approximately RMB32.9 million for the corresponding period in 2010, 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 our property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, costs of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the construction period.

Cost of sales increased by 112.4% to approximately RMB2,864.3 million for the six months ended 30 June 2011 from approximately RMB1,348.6 million for the corresponding period in 2010, primarily due to an overall increase in cost of properties sold following the increase in GFA delivered.

Land cost per sq.m. and construction cost per sq.m. remained constant in both periods.

Gross Profit

Gross profit increased by 129.3% to approximately RMB2,278.3 million for the six months ended 30 June 2011 from approximately RMB993.5 million for the corresponding period in 2010. The increase of gross profit was principally due to the increase in the total revenue and recognised average selling price of properties delivered in the first half of 2011.

Other Income and Gains

Other income and gains increased by 64.7% to approximately RMB47.6 million for the six months ended 30 June 2011 from approximately RMB28.9 million for the corresponding period in 2010, mainly comprising interest income of approximately RMB25.8 million and net exchange gains of approximately RMB11.1 million.

Selling and Marketing Costs

Selling and marketing costs of the Group slightly increased by 5.3% to approximately RMB106.9 million for the six months ended 30 June 2011 from approximately RMB101.5 million for the corresponding period in 2010.

Administrative Expenses

Administrative expenses of the Group increased by 43.7% to approximately RMB245.2 million for the six months ended 30 June 2011 from approximately RMB170.6 million for the corresponding period in 2010, primarily attributable to an increased headcount to catch up with the rapid development of the Group in various regional offices in order to achieve its long term goal. The Group believes that people are key elements for future growth and grasping the opportunities ahead. The Group also provided extensive training, built incentive schemes as well as a teamwork-oriented corporate culture with high sense of belonging to retain experienced employees. The increase of other tax and surcharges on sale of properties also contributed to the increment in administrative expenses for the six months ended 30 June 2011.

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB0.5 million for the six months ended 30 June 2011 (six months ended 30 June 2010: approximately RMB0.8 million), mainly comprising the losses on the disposal of certain investment properties and operating costs of facilities at our residential development such as clubhouse and dining facilities during the period.

Fair Value Gains on Investment Properties, Net

During the first half of 2011, as there was no new investment property project and the market value of the Group's existing investment properties remained stable, therefore there were no significant fair value gains on investment properties for the Group. The Group reported net fair value gains on investment properties of approximately RMB3.5 million for the six months ended 30 June 2011 (six months ended 30 June 2010: approximately RMB2.3 million).

Finance Costs

Finance costs of the Group being approximately RMB91.5 million for the six months ended 30 June 2011 (six months ended 30 June 2010: approximately RMB5.0 million), related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus such borrowing costs have not been capitalised.

Income Tax Expenses

Income tax expenses increased by 169.4% to approximately RMB950.8 million for the six months ended 30 June 2011 from approximately RMB352.9 million for the corresponding period in 2010, primarily due to an increase in profit before tax and provision for LAT as a result of the increase in total GFA delivered in sales of properties in the first six months of 2011.

Profit Attributable to the Owners of the Parent

Profit attributable to the owners of the parent of the Group for the six months ended 30 June 2011 increased by 128.5% to approximately RMB930.7 million from approximately RMB407.3 million for the corresponding period in 2010. Net profit margin increased to 18.1% for the six months ended 30 June 2011 from 17.4% for the corresponding period in 2010, as a result of the cumulative effect of the foregoing factors.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2011, the carrying amount of the Group's cash and bank balances was approximately RMB6,450.2 million (31 December 2010: approximately RMB6,803.6 million), representing a decrease of 5.2% as compared to that as at 31 December 2010.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 30 June 2011, the carrying amount of the restricted cash was approximately RMB1,396.6 million (31 December 2010: approximately RMB1,528.0 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2011, the Group's bank loans and senior notes were approximately RMB10,103.0 million and RMB3,801.1 million (equivalent) respectively. Amongst the loans, approximately RMB2,704.6 million were repayable within 1 year, approximately RMB6,763.4 million were repayable between 2 and 5 years and approximately RMB635.0 million were repayable over 5 years. Amongst the senior notes, approximately RMB2,218.0 million was repayable between 2 and 5 years and approximately RMB1,583.1 million was repayable over 5 years.

As at 30 June 2011, certain bank loans of the Group were secured by property, plant and equipment, 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 RMB9,437.2 million and equity interests of certain subsidiaries and an associate 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 equity interests.

The carrying amounts of all the Group's bank loans were denominated in RMB except for certain loan balances with aggregate amounts of approximately HK$1,516.7 million and US$90.9 million as at 30 June 2011 which were denominated in Hong Kong dollar and U.S. dollar respectively. All of the Group's bank loans were charged at floating interest rates except for a loan balance with an amount of RMB90.1 million which was charged at fixed interest rate as at 30 June 2011. The Group's senior notes were denominated in U.S. dollar.

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 2011, the gearing ratio was 60.7% (31 December 2010: 47.7%). The increase in gearing ratio in the first half of 2011 mainly reflecting increased cash utilisation in the ongoing property development projects.

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 China'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 2011, the exchange rates of RMB to the U.S. dollar and the Hong Kong dollar maintained a relatively stable level 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 2011, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB6,750.0 million (31 December 2010: approximately RMB6,160.6 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for certain 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 interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of 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 interest and penalty and therefore no provision has been made in the financial statements for the period ended 30 June 2011 and the year ended 31 December 2010 for the guarantees.

(ii) As at 30 June 2011, the Group had provided guarantees in respect of certain bank loans for an associate and jointly-controlled entities.

(iii) As at 30 June 2011, the Group had provided a guarantee in respect of a bank loan of RMB700.0 million (31 December 2010: RMB700.0 million) for the ex-owner of a project of the Group, The Summit in Guangzhou, the PRC.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2011, the Group employed a total of approximately 3,100 employees. The total staff costs incurred were approximately RMB134.2 million during the six months ended 30 June 2011. 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 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 PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

AUDIT COMMITTEE

The audit committee of the Company comprises three members who are independent non-executive directors, namely Mr. Tam Chun Fai (the chairman), Mr. Lee Ka Sze, Carmelo and Mr. Dai Feng. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.kwgproperty.com) and the Stock Exchange (www.hkex.com.hk). An interim report for the six months ended 30 June 2011 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 18 August 2011

As at the date of this announcement, the executive directors of the Company are Mr. Kong Jian Min, Mr. Kong Jian Tao, Mr. Kong Jian Nan, Mr. Li Jian Ming, Mr. Tsui Kam Tim, Mr. He Wei Zhi and Mr. Yu Yao Sheng; the independent non-executive directors of the Company are Mr. Lee Ka Sze, Carmelo, Mr. Dai Feng and Mr. Tam Chun Fai.