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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 2013

HIGHLIGHTS

- Revenue for the six months ended 30 June 2013 amounted to RMB4,644.8 million, a slight increase of 0.5% compared with the corresponding period in 2012.
- Profit attributable to owners of the Company for the period amounted to RMB1,357.3 million, representing an increase of 48.9% compared with the corresponding period in 2012.
- Gross profit margin for the period was 35.9%, a decrease from 43.8% in the corresponding period in 2012.
- Net profit margin after deducting fair value gains on investment properties and related tax for the period was 21.6%, an increase from 17.3% in the corresponding period in 2012.
- Earnings per share attributable to owners of the Company for the period amounted to RMB46.9 cents, an increase from RMB31.5 cents in the corresponding period in 2012.

INTERIM RESULTS

The board of directors (the "Board") of KWG Property Holding Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013 together with audited comparative figures as at 31 December 2012, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	4	**4,644,765**	4,621,684
Cost of sales		**(2,977,388)**	(2,596,418)
Gross profit		**1,667,377**	2,025,266
Other income and gains, net	4	**28,949**	36,092
Selling and marketing expenses		**(129,964)**	(109,404)
Administrative expenses		**(369,537)**	(308,966)
Other operating expenses, net		**(183)**	(341)
Fair value gains on investment properties, net		**474,706**	175,328
Finance costs	5	**(214,291)**	(70,375)
Share of profits and losses of:			
Associates		**(1,226)**	(1,045)
Jointly-controlled entities		**395,546**	(24,662)
PROFIT BEFORE TAX	6	**1,851,377**	1,721,893
Income tax expenses	7	**(493,793)**	(791,177)
PROFIT FOR THE PERIOD		**1,357,584**	930,716
Attributable to:			
Owners of the Company		**1,357,330**	911,699
Non-controlling interests		**254**	19,017
		1,357,584	930,716
Earnings per share attributable to owners of the Company — Basic and diluted	8	**RMB46.9 cents**	RMB31.5 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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,357,584**	930,716
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	**85,752**	(13,284)
Share of exchange differences on translation of associates	**13,397**	(1,201)
Share of exchange differences on translation of jointly-controlled entities	**20,466**	(12,842)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**119,615**	(27,327)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,477,199**	903,389
Attributable to:		
Owners of the Company	**1,476,945**	884,372
Non-controlling interests	**254**	19,017
	1,477,199	903,389

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2013 *RMB'000* (Unaudited)	As at 31 December 2012 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,863,054**	2,688,047
Investment properties		**5,802,460**	5,254,772
Land use rights		**997,020**	1,055,911
Long term prepayments		**266,870**	251,870
Interests in associates		**671,387**	641,975
Interests in jointly-controlled entities		**11,347,207**	8,306,895
Deferred tax assets		**978,825**	966,263
Total non-current assets		**22,926,823**	19,165,733
CURRENT ASSETS			
Properties under development		**17,915,000**	17,950,793
Completed properties held for sale		**4,690,691**	3,987,615
Trade receivables	10	**103,452**	86,414
Prepayments, deposits and other receivables		**1,438,139**	1,094,206
Taxes recoverable		**155,258**	135,273
Restricted cash		**1,305,919**	1,517,229
Cash and cash equivalents		**6,981,848**	4,927,197
Total current assets		**32,590,307**	29,698,727
CURRENT LIABILITIES			
Trade payables	11	**3,842,684**	3,107,723
Other payables and accruals		**8,435,872**	6,858,708
Due to jointly-controlled entities		**2,436,037**	2,454,234
Interest-bearing bank and other borrowings		**3,596,644**	3,100,173
Taxes payable		**3,458,574**	3,374,145
Total current liabilities		**21,769,811**	18,894,983
NET CURRENT ASSETS		**10,820,496**	10,803,744
TOTAL ASSETS LESS CURRENT LIABILITIES		**33,747,319**	29,969,477

	As at	
	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**16,485,868**	13,090,415
Deferred tax liabilities	**899,496**	814,683
Deferred revenue	**11,000**	711,000
Total non-current liabilities	**17,396,364**	14,616,098
NET ASSETS	**16,350,955**	15,353,379
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**280,485**	280,485
Reserves	**16,045,046**	14,567,073
Proposed final dividends	**—**	433,973
	16,325,531	15,281,531
Non-controlling interests	**25,424**	71,848
TOTAL EQUITY	**16,350,955**	15,353,379

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 Group was involved in the following principal activities in the People's Republic of China (the "PRC"):

- property development
- property investment
- hotel operation
- provision of property management services

The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company and approved by the Board for issue on 12 August 2013.

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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations).

3. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2013 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 2012, except for the adoption of the following amendments issued by the HKICPA, which are effective for the annual reporting period beginning on or after 1 January 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — *Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK (IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of the 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, NET AND SEGMENT INFORMATION

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Sales of properties	**4,434,099**	4,460,173
Gross rental income	**73,579**	70,834
Hotel operation income	**65,819**	37,468
Property management fees	**71,268**	53,209
	4,644,765	4,621,684
Other income and gains, net:		
Bank interest income	**17,290**	28,374
Others	**11,659**	7,718
	28,949	36,092

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

(i)	Property development:	Sales of properties
(ii)	Property investment:	Leasing of properties
(iii)	Hotel operation:	Operation of hotels
(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 2013 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	**4,434,099**	**73,579**	**65,819**	**71,268**	**4,644,765**
Segment results	**1,778,923**	**548,090**	**8,606**	**(5,631)**	**2,329,988**
Reconciliations:					
Interest income and unallocated income					**28,949**
Unallocated expenses					**(293,269)**
Finance costs					**(214,291)**
Profit before tax					**1,851,377**
Income tax expenses					**(493,793)**
Profit for the period					**1,357,584**

The segment results for the six months ended 30 June 2012 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	4,460,173	70,834	37,468	53,209	4,621,684
Segment results	1,776,591	245,111	(8,415)	(4,418)	2,008,869
Reconciliations:					
Interest income and unallocated income					36,092
Unallocated expenses					(252,693)
Finance costs					(70,375)
Profit before tax					1,721,893
Income tax expenses					(791,177)
Profit for the period					930,716

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

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**921,067**	803,871
Less: Interest capitalised	**(706,776)**	(733,496)
	214,291	70,375

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**2,926,032**	2,591,996
Less: Government grant released	**(850)**	(41,976)
	2,925,182	2,550,020
Depreciation	**58,594**	34,554
Amortisation of land use rights	**12,840**	13,539
Less: Amount capitalised in assets under construction	**(12,010)**	(12,709)
	830	830
Loss on disposal of items of property, plant and equipment	**—**	185
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**224,324**	170,975
Pension scheme contributions	**14,420**	10,924
Equity-settled share option expense	**570**	411
	239,314	182,310
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	**(65,995)**	(52,942)
	173,319	129,368

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — PRC		
Corporate income tax ("CIT")	**231,426**	418,769
Land appreciation tax ("LAT")	**190,199**	436,852
	421,625	855,621
Deferred	**72,168**	(64,444)
Total tax charge for the period	**493,793**	791,177

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 2013 and 2012.

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 2013 and 2012, based on the existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax

The 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 COMPANY

The calculation of the basic earnings per share for the six months ended 30 June 2013 is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 2,893,150,000 (2012: 2,893,150,000) in issue during the period.

For the six months ended 30 June 2013, the calculation of diluted earnings per share amount is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation of 2,893,150,000 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 882,795.

No adjustment had been made to the basic earnings per share amount presented for the six months ended 30 June 2012 in respect of a dilution as the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

The calculation of basic and diluted earnings per share is based on:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company	**1,357,330**	911,699

	Number of shares	
	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**2,893,150,000**	2,893,150,000
Effect of dilution — share options	**882,795**	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	**2,894,032,795**	2,893,150,000

9. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2013 (2012: Nil).

10. TRADE RECEIVABLES

Trade receivables mainly consist of receivables from the sales of properties, rentals under operating leases and provision of property management services. The payment terms of the sales 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 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**70,985**	41,359
4 to 6 months	**6,197**	8,482
7 to 12 months	**7,885**	19,899
Over 1 year	**18,385**	16,674
	103,452	86,414

11. TRADE PAYABLES

All trade payables were fallen due within one year or repayable on demand as of 30 June 2013 and 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the first half of 2013, the real estate industry witnessed a recovery with strong sales being reported in various cities while property prices increased on a month-on-month basis. According to the figures released by the National Bureau of Statistics of the PRC in July 2013, a year-on-year growth of 43.2% was recorded for the sales of commodity properties nationwide for the first half of 2013, with noticeable increases in the eastern and central regions. In view of escalating property prices over the first few months, the State Council of the PRC promulgated the "New Five Measures of the State Council" in early 2013 to curb price growth while introducing a 20% individual income tax in the secondary market. As a result, inventory level in the primary market further dropped and end-users emerged to be the main buyers for property.

Business Review

During the period under review, the Group not only made focused efforts to develop projects in the existing regions or cities, but also gained stronger footholds in areas outside of Guangzhou, namely Shanghai, Chengdu and Suzhou, to increase its competitiveness and market influence. As at 30 June 2013, the Group had 18 projects for sale with new phases or new blocks launched, such as The Summit in Guangzhou, Shanghai Sapphire, Chengdu Sky Ville and The Sapphire in Suzhou. In view of the policies introduced by the PRC government, the Group adjusted its product mix and timely replenished its best-selling products based on demands and feedbacks from customers. As at 30 June 2013, the Group secured attributable pre-sales amount totalling RMB8,061 million.

The Group's strategy of focusing on small-sized flats of 90 sq.m. or below to accelerate sales has yielded initial results. For example, the small-sized apartments of approximately 40 sq.m. of The Vision of the World in High-Tech Zone, Chengdu, appealed to buyers with its practical layout for end-users and affordable prices. Another example is Shanghai Emerald in Jiading, Shanghai, where residential properties of 90 sq.m. were launched to meet the preferences of local customers. The development was well received by local buyers for its convenient transportation network, mature neighbourhood and moderate price-tag. In addition, the Group also launched properties with basic fittings for buyers' choices, such as serviced apartments of The Core of Center in Shanghai.

Aiming to improve development efficiency as well as asset turnover, the Group established a Product Development Center in 2012 to standardize construction and material cost for existing and new projects. Subject to a target profit margin and a cost ceiling, the Product Development Center will devise different costing schemes for each project after making judgments on its capex and design standard, thereby greatly improves development efficiency.

The land market thrived during the first half of 2013, punctuated with repeated occurrences of record-breaking land prices. The Group continued to enforce its prudent land policy to acquire land through diversified channels, such as cooperations with local government, public auctions, or joint ventures with other property developers. The Group acquired five land parcels in Guangzhou, Suzhou and Beijing at reasonable prices during the first half of 2013, keeping the land cost at a reasonable level. For example, the Group acquired Beijing Fangshan I, Fangshan II and Zengcheng Gua Lv Lake in the public market, while collaborating with Fineland Real Estate Holdings Company Limited, a Guangzhou property developer, to develop the Guangzhou Da Tan Sha project to take advantage of the consolidated resources and discounted land price. As at 30 June 2013, the Group held a land bank with an aggregate gross floor area ("GFA") of approximately 9.1 million sq.m., which should be sufficient for future development in the next 5–6 years.

The Group closely followed its construction schedules while maintaining sufficient financial resources and cash on hand. In early 2013, the Group issued a US$300 million senior notes with a term of 7 years at a reasonable interest rate, which fueled additional funding for development and solidified our liquidity profile. In May 2013, the Group further obtained a RMB2.5 billion fixed assets operation loan domestically at low interest rate with a tenure of 13 years. In addition, the Group and its partners were extended a development loan from foreign banks of RMB1 billion at a relatively low interest rate in the same month for the development of Jinnan New Town in Tianjin. These borrowings reduced finance cost and enhanced our funding flexibility.

Investment Properties and Hotels

For the six months ended 30 June 2013, turnover of the Group from its investments in office premises and leasing of retail properties amounted to approximately RMB73.6 million (2012: approximately RMB70.8 million).

1) Hotels

Four Points by Sheraton Guangzhou, Dongpu, featuring a combination of business and leisure elements, was opened in 2009. Sheraton Guangzhou Huadu Resort, a leisure vacation hotel surrounded by natural scenery, officially commenced operation in 2011. Returns for both hotels have been growing steadily since their openings, as customers have been attracted by their outstanding services and cozy environments.

Our W Hotel, the first W Hotel in Mainland China, officially commenced operation in May 2013. W Hotel is a high-end luxury brand under Starwood Hotels & Resorts Worldwide, Inc. With its unique designs, leisure and relaxing fit-outs and gourmet cuisines, it has a strong appeal to customers since its opening. With more promotional campaigns and increased brand awareness over time, W Hotel is expected to contribute promising economic returns to the Group.

2) Investment properties completed and available for lease

International Finance Place ("IFP"), is one of our major investment properties with a prestigious location in the heart of Pearl River New Town. IFP is occupied by various financial institutions, who enjoy its high-quality premises and premium location with convenient transportation links as well as ancillary facilities. As at 30 June 2013, the occupancy rate of IFP stood at 99%. The tenants mainly included Guangzhou branch of multinational corporations, domestic and foreign banks.

Business Outlook

In addition to new phases or blocks of existing projects, the Group plans to launch a number of brand new projects in Guangzhou, Hainan and Beijing, such as the Guangzhou Da Tan Sha, the J2-2 Project in Guangzhou, the Moon Bay Project in Hainan and Beijing Fangshan I and Beijing Fangshan II during the second half of 2013, offering residential apartments, serviced apartments, offices and etc.. The Group will also step up its efforts to enhance the management standards and operation returns for hotels and investment properties.

Overview of the Group's Property Development

As at 30 June 2013, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai and Tianjin.

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 / villas / serviced apartments / office / retail	2,175	100
2.	L7	Guangzhou	Serviced apartments / retail	27	100
3.	J2-2 Project	Guangzhou	Office / retail	73	50
4.	The Riviera	Guangzhou	Serviced apartments / office / hotel / retail	119	33.3
5.	Foshan Project	Guangzhou	Residential / retail / serviced apartments / office / hotel	560	20
6.	Biological Island I	Guangzhou	Serviced apartments / retail	115	100
7.	Biological Island II	Guangzhou	Serviced apartments / office / retail	84	100
8.	Guangzhou Knowledge City	Guangzhou	Office / serviced apartments / retail / hotel	645	100
9.	Guangzhou Da Tan Sha	Guangzhou	Residential	138	50
10.	Zengcheng Gua Lv Lake	Guangzhou	Commercial	43	100
11.	International Finance Place	Guangzhou	Office / retail	61	100
12.	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
13.	Sheraton Guangzhou Huadu Resort	Guangzhou	Hotel	25	100
14.	W Hotel / W Serviced Apartments	Guangzhou	Hotel / serviced apartments	80	100
15.	The Sapphire	Suzhou	Residential / hotel / serviced apartments / retail	343	100
16.	Suzhou Apex	Suzhou	Residential / hotel / retail / serviced apartments	240	90
17.	Suzhou Emerald	Suzhou	Residential / retail	160	100
18.	Suzhou Industrial Park	Suzhou	Serviced apartments / office / retail	37	51
19.	Suzhou CRH New City	Suzhou	Office / retail	60	100
20.	Suzhou Cao Hu Project	Suzhou	Residential	85	100
21.	The Vision of the World	Chengdu	Residential / serviced apartments / retail	118	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
22.	Chengdu Cosmos	Chengdu	Residential / office / serviced apartments / retail / hotel	608	100
23.	Chengdu Sky Ville	Chengdu	Residential / office / serviced apartments / retail / hotel	450	50
24.	Fragrant Seasons	Beijing	Residential / villas / serviced apartments / retail	231	100
25.	Beijing Fangshan I	Beijing	Residential / office / retail	100	50
26.	Beijing Fangshan II	Beijing	Residential / retail	105	50
27.	Chong Wen Men	Beijing	Retail	16	100
28.	Pearl Coast	Hainan	Villas / residential / hotel	270	100
29.	Moon Bay Project	Hainan	Villas / residential / retail / hotel	479	100
30.	Pudong Project	Shanghai	Office / retail	78	100
31.	The Core of Center	Shanghai	Residential / serviced apartments / retail / office	67	50
32.	Shanghai Apex	Shanghai	Residential / serviced apartments / retail / hotel / office	86	100
33.	Shanghai Sapphire	Shanghai	Serviced apartments / hotel / retail	135	100
34.	Shanghai Emerald	Shanghai	Residential / retail / serviced apartments	91	100
35.	Amazing Bay	Shanghai	Residential / office / retail / hotel	123	50
36.	Shanghai Fengxian Nanqiao	Shanghai	Residential / serviced apartments / retail	236	100
37.	Jinnan New Town	Tianjin	Residential / villas / commercial	728	25

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds, net of business tax, from the sales 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 RMB4,644.8 million in the first half of 2013, representing a slight increase of 0.5% from approximately RMB4,621.7 million for the corresponding period in 2012.

The revenue generated from property development, property investment, hotel operation and provision of property management services were approximately RMB4,434.1 million, RMB73.6 million, RMB65.8 million and RMB71.3 million, respectively, during the six months ended 30 June 2013.

Property development

Revenue generated from property development slightly decreased by 0.6% to approximately RMB4,434.1 million for the six months ended 30 June 2013 from approximately RMB4,460.2 million for the corresponding period in 2012, primarily due to a decrease in the recognised average selling price to RMB9,293 per sq.m from RMB11,785 per sq.m in the corresponding period in 2012. The decrease in the recognised average selling price was principally attributable to the relatively lower recognised selling price recorded in the delivery of certain properties to the ex-owner of The Summit in Guangzhou in exchange for the equity interest in Guangzhou Lihe Property Development Limited ("Guangzhou Lihe"). The effect of decrease in recognised average selling price is offsetted by an increase in the total GFA delivered to 477,141 sq.m in the first half of 2013 from 378,472 sq.m in the corresponding period in 2012.

Property investment

Revenue generated from property investment slightly increased by 4.0% to approximately RMB73.6 million for the six months ended 30 June 2013 from approximately RMB70.8 million for the corresponding period in 2012.

Hotel operation

Revenue generated from hotel operation increased by 75.5% to approximately RMB65.8 million for the six months ended 30 June 2013 from approximately RMB37.5 million for the corresponding period in 2012, primarily attributable to the launch of our W Hotel in Guangzhou during the first half of 2013.

Provision of property management services

Revenue generated from the provision of property management services increased by 34.0% to approximately RMB71.3 million for the six months ended 30 June 2013 from approximately RMB53.2 million for the corresponding period in 2012, 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 costs 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 14.7% to approximately RMB2,977.4 million for the six months ended 30 June 2013 from approximately RMB2,596.4 million for the corresponding period in 2012, primarily due to an overall increase in cost of properties sold following the increase in GFA delivered.

Land cost per sq.m. for the six months ended 30 June 2013 decreased from RMB2,145 for the corresponding period in 2012 to RMB1,844, principally due to the delivery of certain properties in exchange for the equity interest in Guangzhou Lihe to the ex-owner of The Summit in Guangzhou with relatively lower land costs.

Construction cost per sq.m. for the six months ended 30 June 2013 decreased from RMB4,087 for the corresponding period in 2012 to RMB3,807, principally due to the delivery of certain properties in exchange for the equity interest in Guangzhou Lihe to the ex-owner of The Summit in Guangzhou with relatively lower construction costs.

Gross Profit

Gross profit decreased by 17.7% to approximately RMB1,667.4 million for the six months ended 30 June 2013 from approximately RMB2,025.3 million for the corresponding period in 2012. The decrease of gross profit was principally due to the decrease in recognised average selling price, resulting in a decrease in the Group's gross profit margin to 35.9% for the six months ended 30 June 2013 (2012: 43.8%).

Other Income and Gains, Net

Other income and gains decreased by 19.9% to approximately RMB28.9 million for the six months ended 30 June 2013 from approximately RMB36.1 million for the corresponding period in 2012, mainly due to a decrease in interest income to approximately RMB17.3 million.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 18.8% to approximately RMB130.0 million for the six months ended 30 June 2013 from approximately RMB109.4 million for the corresponding period in 2012, mainly due to an increase in advertising for our projects, such as Shanghai Emerald, Shanghai Apex and Shanghai Sapphire in Shanghai, Suzhou Emerald in Suzhou, and The Summit and W Hotel in Guangzhou and staff costs of our sales representatives for the launch of new projects.

Administrative Expenses

Administrative expenses of the Group increased by 19.6% to approximately RMB369.5 million for the six months ended 30 June 2013 from approximately RMB309.0 million for the corresponding period in 2012, primarily attributable to increased headcounts and depreciation. The Group increased headcounts to catch up with the rapid development of the Group in various regional offices in order to achieve its long term goal. The Group believes that people are key elements for future growth and grasping the opportunities ahead. The Group also provided extensive training, built incentive schemes as well as a teamwork-oriented corporate culture with high sense of belonging to retain experienced employees. The increase of depreciation was primarily due to the launch of our W Hotel in Guangzhou in the first half of 2013.

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB0.2 million for the six months ended 30 June 2013 (2012: approximately RMB0.3 million), mainly comprising operating costs of various facilities such as clubhouses and dining facilities at our property projects during the period.

Fair Value Gains on Investment Properties, Net

The Group reported net fair value gains on investment properties of approximately RMB474.7 million for the six months ended 30 June 2013 (2012: approximately RMB175.3 million), mainly related to various leasable commercial properties in various regions. The fair value gains mainly attributable to leaseable commercial properties of IFP, Biological Island II and J2-2 Project were approximately RMB454.2 million for the six months ended 30 June 2013.

Finance Costs

Finance costs of the Group being approximately RMB214.3 million for the six months ended 30 June 2013 (2012: approximately RMB70.4 million) were mainly related to the borrowing costs on senior notes. Since such borrowings were not only earmarked for project development, thus they have not been entirely capitalised.

Share of Profits and Losses of Jointly-Controlled Entities

The share of profits of jointly controlled entities improved significantly to approximately RMB395.5 million during the six months ended 30 June 2013 (2012: losses of approximately RMB24.7 million), primarily attributable to an increase in properties delivered in various projects developed by the Group's jointly-controlled entities, such as The Riviera in Guangzhou, Suzhou Apex in Suzhou, and The Core of Center and Amazing Bay in Shanghai.

Income Tax Expenses

Income tax expenses decreased by 37.6% to approximately RMB493.8 million for the six months ended 30 June 2013 from approximately RMB791.2 million for the corresponding period in 2012, primarily due to a decrease in the provision for LAT on the properties delivered in the first half of 2013.

Profit for the Period

The Group reported profit for the period of approximately RMB1,357.6 million for the six months ended 30 June 2013 (2012: approximately RMB930.7 million). Net profit margin (after deducting fair value gains on investment properties and related tax) increased to 21.6% for the six months ended 30 June 2013 from 17.3% for the corresponding period in 2012, as a result of the cumulative effect of the foregoing factors.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2013, the carrying amount of the Group's cash and bank balances was approximately RMB8,287.8 million (31 December 2012: approximately RMB6,444.4 million), representing an increase of 28.6% as compared to that as at 31 December 2012.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 30 June 2013, the carrying amount of the restricted cash was approximately RMB1,305.9 million (31 December 2012: approximately RMB1,517.2 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2013, the Group's bank and other loans and senior notes were approximately RMB12,177.5 million and RMB7,905.0 million (equivalent) respectively. Amongst the loans, approximately RMB3,596.6 million were repayable within 1 year, approximately RMB6,718.4 million were repayable between 2 and 5 years and approximately RMB1,862.5 million were repayable over 5 years. Amongst the senior notes, approximately RMB6,078.7 million were repayable between 2 and 5 years and approximately RMB1,826.3 million were repayable over 5 years.

As at 30 June 2013, certain bank and other 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 a time deposit of the Group with total carrying values of approximately RMB13,588.8 million and properties under development of a jointly-controlled entity with total carrying values of approximately RMB457.6 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.

As at 30 June 2013, 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 HK$1,257.8 million and approximately US$14.7 million which were denominated in Hong Kong dollar and U.S. dollar respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB1,750 million which were charged at fixed interest rates as at 30 June 2013. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 30 June 2013.

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 2013, the gearing ratio was 72.1% (31 December 2012: 63.5%). The increase in gearing ratio in the first half of 2013 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 2013, 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 2013, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB4,800.6 million (31 December 2012: approximately RMB4,578.4 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 interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled (but not limited to) 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 30 June 2013 and 31 December 2012 for the guarantees.

(ii) As at 30 June 2013 and 31 December 2012, the Group had provided guarantees in respect of certain bank loans for its jointly-controlled entities.

(iii) As at 30 June 2013, the Group had provided a guarantee in respect of a bank loan for an associate.

(iv) As at 31 December 2012, the Group had provided a guarantee in respect of a bank loan of RMB700.0 million for the ex-owner of The Summit in Guangzhou, the PRC.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2013, the Group employed a total of approximately 4,350 employees. The total staff costs incurred were approximately RMB239.3 million during the six months ended 30 June 2013. The remuneration of employees was determined based on their performances, skills, experiences 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.

The Company has a share option scheme for recognition and motivation of the contribution of eligible participants. During the period ended 30 June 2013, a total of 1,238,000 share options were cancelled and no share options were granted, exercised or lapsed. Details of share option movement during the period under review will be stated in the coming interim report. In addition, training and development programmes are provided on an on-going basis throughout the Group.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2013 (2012: Nil).

AUDIT COMMITTEE

As at 30 June 2013, the audit committee of the Company comprises four members who are independent non-executive directors, namely Mr. Tam Chun Fai (the chairman), Mr. Lee Ka Sze, Carmelo, JP, Mr. Dai Feng and Mr. Li Bin Hai. 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 2013. It has also reviewed and recommended to the Board the current policies and practices on corporate governance of the Company, the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report. Further, it has reviewed and monitored the training and continuous professional development of directors and senior management and the current code of conduct applicable to employees and directors and recommended the same to the Board.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code 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 during the period under review.

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 2013 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, 12 August 2013

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