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

Interim Report 2013

Build
Home with Heart 以心築家 創建未來
Create Future with
Aspiration

Contents

Corporate Information

Directors

Executive Directors
Mr. Kong Jian Min *(Chairman)*
Mr. Kong Jian Tao
(Chief Executive Officer)
Mr. Kong Jian Nan
Mr. Li Jian Ming
Mr. Tsui Kam Tim
Mr. He Wei Zhi

Independent Non-executive Directors
Mr. Lee Ka Sze, Carmelo, JP
Mr. Dai Feng
Mr. Tam Chun Fai
Mr. Li Bin Hai

Company Secretary

Mr. Tsui Kam Tim

Authorised Representatives

Mr. Kong Jian Min
Mr. Tsui Kam Tim

Audit Committee

Mr. Tam Chun Fai *(Chairman)*
Mr. Lee Ka Sze, Carmelo, JP
Mr. Dai Feng
Mr. Li Bin Hai

Remuneration Committee

Mr. Dai Feng *(Chairman)*
Mr. Kong Jian Min
Mr. Tam Chun Fai
Mr. Li Bin Hai

Nomination Committee

Mr. Kong Jian Min *(Chairman)*
Mr. Tam Chun Fai
Mr. Dai Feng
Mr. Li Bin Hai

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Cayman Islands

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Suite 7506, Level 75
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1 Austin Road West
Kowloon, Hong Kong

Principal Share Registrar and Transfer Agent

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor
Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar

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

Principal Bankers

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

Auditors

Ernst & Young

Legal Advisors

as to Hong Kong law:
Sidley Austin

as to Cayman Islands law:
Conyers Dill & Pearman

Website

www.kwgproperty.com

Stock Code

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

Corporate Profile

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

Over the past 18 years, the Group has built a comprehensive property development system supported by a balanced portfolio of different types of products, including residential properties, serviced apartments, villas, office buildings, hotels and shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou and Hainan as its hub for South China, Suzhou and Shanghai for East China, Chengdu for South-west China, and Beijing and Tianjin for the Bohai Rim region. At present, the Group has a number of diversified projects in the above regions. All of them have been well-received by consumers and achieved satisfactory sales since their initial launch.

The Group has always adhered to a prudent land bank replenishment strategy. Its current land bank is sufficient for development in the coming 5 to 6 years.

The Group will devote more resources for the establishment of a diversified development portfolio with a balance of residential and commercial properties to ensure stable development in the future. By implementing a prudent growth strategy, the Group will focus on residential properties and serviced apartments while increasing the proportion of commercial properties, such as offices, hotels and shopping malls, to mitigate concentration risk and ensure longer term growth.

Chairman's Statement

Dear Shareholders:

I am pleased to present the interim results of the Group for the six months ended 30 June 2013. During the period under review, the Group recorded total revenue of approximately RMB4,644.8 million. Profit attributable to owners of the Group was approximately RMB1,357.3 million, an increase of 48.9% from the same period last year. Earnings per share attributable to owners of the Company amounted to RMB46.9 cents.

During the first half of 2013, the real estate industry witnessed a recovery, evidenced by outstanding sales in various cities. Demands from first and second-tier cities gradually increased, while inventory level decreased rapidly, translating into considerably higher sales for developers by year-on-year comparison. Meanwhile, in early 2013, the State Council of the People's Republic of China (the "PRC") promulgated the "New Five Measures of the State Council" against the backdrop of a noticeable recovery of the property market, encouraging local governments to make their own detail rulings with specific reference to local market situation, while introducing a 20% individual income tax. Consequently, turnover in secondary market dwindled, pushing both volumes and prices in the primary market even higher.

1) Adjusting product mix in response to market demand with a view to diversify

During the first half of 2013, the Group adjusted its product mix and sales strategy in a timely manner in response to market demand, whereby the proportion of small-to-medium size flats, especially those under 90 sq.m., was increased compared with large-size flats. Small-size flats proved to be an immediate success with sales mainly from first-time purchasers. For instances, The Vision of the World in Chengdu and The Core of Center in Shanghai, featuring small-size apartments ranging from 40 to 50 sq.m., were launched by the Group during the first half of the year to meet the prevailing demands from local end-users. Such properties were well recognised for their practicability, sensible designs and affordable prices.

The Group designed products of different classes for buyers' choice based on preference of target customers and the locations of such products. The Riviera, a high-end property over-looking the waterfront in Pearl River New Town, Guangzhou, was characterised by sophisticated designs and grand decorations. As of now, the entire development of serviced apartments has been sold out since its debut at the end of 2011, as it was well received by many business elites and buyers looking to upgrade their homes. The Group also successively launched certain bare shell flats, such as The Sapphire in Suzhou and Shanghai Sapphire for local consumers, with due regard for their product preferences and price affordabilities.

2) Establishing Product Development Center for centralised design and procurement to maintain margins and improve efficiency

The Product Development Center, with the aim to facilitate cost control and enhance work efficiency, was officially established in late 2012 to commence operations in stages. It formulated a variety of design schemes for properties of different classes and sizes. In the beginning stage of a project, subject to a target profit margin, the Group selected an appropriate development plan based on design blue prints and budgets. By adhering to the selected design schemes, the Group substantially shortened the time required for preliminary work as well as effectively controlled costs and the use of materials.

Upon the establishment of the Product Development Center, the Group adopted this model progressively for its new projects or new phases in existing projects. As a way to improve future operation as a whole, the establishment of the Product Development Center will enable the Group to achieve resource consolidation and optimisation.

3) Continue with the prudent land policy to acquire premium sites

The Group sought to seize the right opportunity to add premium sites to its land bank as it continued to monitor changes in government policies on the land market and the industry. In early 2013, land parcels in Gua Lv Lake, Zengcheng and Fangshan, Beijing, etc. were acquired at reasonable prices to replenish the Group's land bank for future development.

In addition to identifying quality land parcels in the public market, the Group also sought to negotiate with local governments or work with third parties for land opportunities. These collaborations not only minimised costs, but also helped to maximise benefits by consolidating resources of the Group and its partner(s) and leveraging on their respective strengths. For example, the residential land site in Da Tan Sha, Guangzhou was acquired from a Guangzhou property developer at below market price in 2013.

The Group considered land opportunities in different locations for different cities according to its strategic plan. For first and second-tier cities where we had already established our presence, priority would be given to non-city-center areas where the lower land premium was beneficial to our expansion. In Guangzhou where the business of the Group originated, the Group was not confined to acquiring land only in city center, as shown by the acquisitions of Guangzhou Knowledge City in Luogang District and Zengcheng Gua Lv Lake.

4) A sound financial system to guarantee abundant cash for corporate development

Sufficient funding is key to the healthy operation and continued growth of a real estate company. The Group monitored changes in the financial market, like interest rates fluctuations and funding liquidity, and properly arranged funding required for development by leveraging on a diverse range of financing channels, such as issuance of overseas debt instruments, as well as onshore and offshore bank borrowings.

During the period under review, the Group obtained more onshore bank borrowings in the period when interest costs came down, in order to repay certain bank borrowings with higher costs drawn in last year. In early 2013, the Group successfully issued a US$300 million 8.625% senior notes for a term of 7 years. The Group obtained additional funding and extended the maturity of its debt profile, providing solid assurance to its daily operations.

5) Outlook

The Group will replenish its sellable resources with various new projects in Guangzhou, Beijing and Hainan which will be launched successively during the second half of the year. These prestigiously located new projects, including commercial projects or mixed-use developments in well-developed central business districts and mixed-use developments in new districts, will provide driving force for the Group's initiatives in diversification. For example, the office building of The Riviera in Guangzhou, scheduled for launch in the second half of the year, is expected to appeal to the market because of its superior location in the heart of a mature business district in Pearl River New Town. Another example is Beijing Fangshan II (北京房山II) comprising residential and retail, is expected to secure demands from first-time home purchasers. The Group expects that the launch of new projects will drive further growth in sales.

Meanwhile, the Group will continue to launch the latter phases of the 18 existing projects. For projects like The Summit in Guangzhou, Chengdu Sky Ville, and The Sapphire in Suzhou, new blocks or phases will be launched in the second half of the year. The Group will adjust the pace of development and seek best market timing to launch the brand new projects or new phases in the existing projects, based on market responses, to achieve the best possible outcome.

6) Appreciation

During the first half of 2013, the Group has been making steady progress in a stable operating environment. On behalf of the Company, I would like to thank all the shareholders and investors for keeping their confidence in the Group's development prospects. With the longstanding trust, support and help of various parties, the Group will stride forward amid any challenges and opportunities. The Group's development could not have been possible without the efforts of each individual staff. May I once again express my sincerest gratitude to all of our staff for the persistence, proactive endeavours and creativity they have shown in the course of the Group's development and the contributions they have made to ensure the Group's operations. Going forward, I firmly believe the Group is committed to building a better living environment, strengthening its brand and reputation and securing more market share.

Kong Jian Min
Chairman

12 August 2013

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 standardise construction and material costs 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, Beijing 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 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 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.

Management Discussion and Analysis

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 and J2-2 Project in Guangzhou, 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

Management Discussion and Analysis

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
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
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	91	100
35.	Amazing Bay	Shanghai	Residential / office / retail / serviced apartments / 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.

Management Discussion and Analysis

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 land appreciation tax 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 amounts of the Group's cash and bank balances were 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.

As at 30 June 2013, the Group's committed undrawn borrowing facilities were approximately RMB5,500.0 million.

Management Discussion and Analysis

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 reflected the 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 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.

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 of directors (the "Board") expects that any fluctuation of RMB's exchange rates 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 interests and penalties 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 was not significant and the Board considered that in case of default in payments by the purchasers, the net realisable value of the related properties would be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision had 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 be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

The Company has 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 section headed "Share Option Scheme" on page 19. In addition, training and development programmes are provided on an on-going basis throughout the Group.

Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares

As at 30 June 2013, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows or as disclosed under the section headed "Share Option Scheme" on page 19:

Long positions in ordinary shares of the Company:

Name of Director	Long position/ Short position	Nature of interests	Number of shares held (Note 1)	Approximate percentage of shareholding
Kong Jian Min (Notes 2, 3 and 4)	Long position	Interest of controlled corporations	1,714,441,500	59.26%
	Long position	Beneficial owner	36,300,500	1.25%
Kong Jian Tao (Notes 2 and 3)	Long position	Interest of controlled corporations	1,687,500,000	58.33%
	Long position	Beneficial owner	1,000,000	0.035%
Kong Jian Nan (Notes 2 and 3)	Long position	Interest of controlled corporations	1,687,500,000	58.33%
He Wei Zhi (Note 5)	Long position	Interest of spouse	10,000	0.00035%

Notes:

1. Share(s) of HK$0.10 each in the capital of the Company.

2. Plus Earn Consultants Limited ("**Plus Earn**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 1,612,500,000 shares through their interests in Plus Earn. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Plus Earn.

3. Right Rich Consultants Limited ("**Right Rich**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 75,000,000 shares through their interests in Right Rich. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Right Rich.

4. Hero Fine Group Limited ("**Hero Fine**") is legally and beneficially owned as to 100% by Kong Jian Min and Kong Jian Min is therefore deemed to be interested in 26,941,500 shares through his interests in Hero Fine. Kong Jian Min is the sole director of Hero Fine.

5. These Shares are held and beneficially owned by Wang Yan Lei, the spouse of He Wei Zhi.

Long positions in shares and underlying shares of associated corporations:

Name of Director	Associated Corporations	Number of shares held in associated corporations	Approximate percentage of shareholding in associated corporations
Kong Jian Min	Plus Earn	765	76.50%
	Right Rich	765	76.50%
Kong Jian Tao	Plus Earn	150	15.00%
	Right Rich	150	15.00%
Kong Jian Nan	Plus Earn	85	8.50%
	Right Rich	85	8.50%

Save as disclosed above or under the section headed "Share Option Scheme" on page 19, as at 30 June 2013, none of the directors nor chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and shorts position which the directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Shareholders Disclosable under the SFO

So far as is known to any directors or chief executive of the Company, as at 30 June 2013, other than the interests and short positions of the directors or chief executive of the Company as disclosed in the section "Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares" above and the section "Share Option Scheme" below, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Interests and Short Positions of Substantial Shareholder(s) in the Shares and Underlying Shares of the Company

Long positions in the shares of the Company:

Name	Capacity	Number of shares held (Note 1)	Percentage of issued share capital
Plus Earn (Note 2)	Beneficial owner	1,612,500,000	55.74%

Notes:

1. Share(s) of HK$0.10 each in the capital of the Company.

2. Plus Earn is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan.

Save as disclosed above, as at 30 June 2013, there was no other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Corporate Governance and Other Information

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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the period under review.

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.

Remuneration Committee

The remuneration committee was formed on 11 June 2007 with terms of reference in compliance with the Code Provision. It has reviewed and formulated policies in respect of remuneration structure of all directors and senior management of the Company, reviewed the remuneration packages of individual executive directors, non-executive directors and senior management and made recommendations to the Board for its consideration and reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives. The remuneration committee consists of four members as at 30 June 2013, of which one is executive director being Mr. Kong Jian Min and three are Independent Non-executive Directors being Mr. Tam Chun Fai, Mr. Dai Feng (the chairman) and Mr. Li Bin Hai.

Compliance with Model Code

The Company has adopted 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.

Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2007.

During the six months ended 30 June 2013, no share options were granted, exercised or lapsed. Details of the share options granted pursuant to the Scheme were as follows:

Name of grantee	Number of share options granted as at 1 January 2013	Number of share options granted/ (cancelled) during the period under review (Note 1)	Number of share options outstanding as at 30 June 2013	Date of grant	Period during which share options are exercisable (Note 1)	Exercise price per share (HK$)
Li Jian Ming	619,000	–	619,000	18 December 2009	18 December 2010– 17 December 2014	6.24
	619,000	–	619,000	26 August 2011	26 August 2012– 25 August 2016	4.49
He Wei Zhi	619,000	–	619,000	18 December 2009	18 December 2010– 17 December 2014	6.24
	619,000	–	619,000	26 August 2011	26 August 2012– 25 August 2016	4.49
Yu Yao Sheng[2]	619,000	(619,000)	–	18 December 2009	18 December 2010– 17 December 2014	6.24
	619,000	(619,000)	–	26 August 2011	26 August 2012– 25 August 2016	4.49
Tsui Kam Tim	619,000	–	619,000	18 December 2009	18 December 2010– 17 December 2014	6.24
	1,238,000	–	1,238,000	26 August 2011	26 August 2012– 25 August 2016	4.49
Tam Chun Fai	30,000	–	30,000	18 December 2009	18 December 2009– 17 December 2014	6.24
	30,000	–	30,000	26 August 2011	26 August 2011– 25 August 2016	4.49
Lee Ka Sze, Carmelo	30,000	–	30,000	18 December 2009	18 December 2009– 17 December 2014	6.24
	30,000	–	30,000	26 August 2011	26 August 2011– 25 August 2016	4.49
Dai Feng	30,000	–	30,000	18 December 2009	18 December 2009– 17 December 2014	6.24
	30,000	–	30,000	26 August 2011	26 August 2011– 25 August 2016	4.49
Other employees of the Group	3,305,000	–	3,305,000	18 December 2009	18 December 2010– 17 December 2014	6.24
Other employees of the Group	3,822,000	–	3,822,000	26 August 2011	26 August 2012– 25 August 2016	4.49

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise periods.

2. Mr. Yu Yao Sheng resigned as an executive director of the Company on 30 April 2013.

Corporate Governance and Other Information

Valuation of Share Options

The Company has been using the Black-Scholes Model and Binomial Model to value the share options granted.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Interim Dividend

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

Disclosures Pursuant to Rule 13.21 of the Listing Rules

A jointly-controlled entity in which the Group owns 50% equity interest, Hines Shanghai New Jiangwan Development Co. Ltd., entered into an agreement for a bank loan of HK$1.4 billion (the "Loan Agreement I") on 29 June 2011. The Loan Agreement I includes a condition imposing specific performance obligations on Mr. Kong Jian Min ("Mr. Kong"), the controlling shareholder of the Company. Mr. Kong is interested in approximately 60.51% of the issued share capital of the Company as at 30 June 2013. It will be an event of default in the event that Mr. Kong ceases to (i) hold directly or indirectly an aggregate beneficial ownership of not less than 30% in the issued share capital of the Company; (ii) be directly or indirectly the single largest shareholder of the Company; or (iii) exercise or to be entitled to exercise management control over the Company, and in such event (amongst other things), the Loan Agreement I may be terminated by the lenders and the loan may become immediately due and repayable. Further details of the transaction are disclosed in the announcement of the Company dated 29 June 2011.

A jointly-controlled entity in which the Group owns 28.57% equity interest, Total Champ Limited, entered into an agreement for a term loan of HK$1,075,000,000 (the "Loan Agreement II") on 4 November 2011. The Loan Agreement II includes the similar condition as in Loan Agreement I imposing specific performance obligations on Mr. Kong. It will be an event of default in the event that Mr. Kong ceases to (i) be the single largest shareholder of the Company; (ii) hold directly or indirectly not less than 30% of the beneficial interest in the issued share capital of the Company; or (iii) have the right to determine the composition of the majority of the Board or equivalent body of the Company, and in such event (amongst other things), the Loan Agreement II may be terminated by the lenders and the facility may become immediately due and repayable. Further details of the transaction are disclosed in the announcement of the Company dated 4 November 2011.

On 28 September 2012, the Company entered into a facility agreement in respect of a term loan of HK$250,000,000 (the "Facility Agreement I"). The Facility Agreement I includes conditions imposing specific performance obligations on Mr. Kong. It will be an event of default if Mr. Kong ceases to (i) continue to hold, whether directly or indirectly through any person beneficially, at least thirty five per cent. (35%) of the issued share capital of the Company; (ii) remain as the chairman of the Board of the Company; and (iii) remain as the single largest shareholder of the issued share capital of the Company, and in such event (amongst other things), the Facility Agreement I may be terminated by the lender and the facility may become immediately due and repayable. Further details of the transaction are disclosed in the announcement of the Company dated 28 September 2012.

On 28 September 2012, the Company entered into a facility agreement in respect of a term loan of HK$500,000,000 (the "Facility Agreement II"). The Facility Agreement II includes conditions imposing specific performance obligations on Mr. Kong, Mr. Kong Jian Tao and Mr. Kong Jian Nan (collectively called "Kong's family"). Kong's family is collectively interested in approximately 60.55% of the issued share capital of the Company as at 30 June 2013. It will be an event of default if (i) Kong's family shall not together continue to control the Company; and (ii) Mr. Kong shall not remain as the chairman of the Board of the Company. "Control" under the Facility Agreement II means (a) (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) the power to appoint and/or remove all or a majority of the members of the Board or other governing body of the Company or otherwise control or has the power of control over the affairs and policies of the Company; and (b) to hold, whether directly or indirectly through any person beneficially, at least thirty per cent (30%) of the issued share capital of the Company. Upon the occurrence of an event of default, the Facility Agreement II may be terminated by the lender and the facility may become immediately due and repayable. Further details of the transactions are disclosed in the announcement of the Company dated 28 September 2012.

A jointly-controlled entity in which the Group owns 25% equity interest, Tianjin Jinnan Xincheng Real Estate Development Co., Ltd （天津津南新城房地產開發有限公司） entered into a facility agreement for a term loan of RMB1,000,000,000 (the "Facility Agreement III") on 21 May 2013. The Facility Agreement III imposes specific performance obligations on Mr. Kong. The Company has undertaken that Mr. Kong will, at all times during the term of the facility, continue to hold, directly or indirectly, at least 35% of the issued share capital of the Company and will maintain control over the management of the Company and its subsidiaries and remain as the single largest shareholder of the issued share capital of the Company. Failure to comply with any of the above undertakings will constitute as an Event of Default (as defined in the Facility Agreement III) under the Facility Agreement III. Further details of the transaction are disclosed in the announcement of the Company dated 21 May 2013.

Changes in Information of Directors

Pursuant to Rule 13.51 (B) of the Listing Rules, there are changes in the information required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 13.51 (2) of the Listing Rules during the course of the directors' term of office. The changes of information on Directors are as follows:

(1) Annual director's fee of all Independent Non-executive Directors of the Company was increased from HK$400,000 to HK$500,000 from 1 April 2013.

(2) Mr. Yu Yao Sheng resigned as an executive director of the Company and a vice president of the Group on 30 April 2013.

(3) Mr. Lee Ka Sze, Carmelo, JP, had been resigned as the chairman of the Transport Tribunal of the Hong Kong Government from 1 April 2013.

(4) Mr. Lee Ka Sze Carmelo, JP, had been appointed as Independent Non-executive Director of Esprit Holdings Limited from 25 July 2013.

Report on Review of Condensed Consolidated Interim Financial Information

ERNST & YOUNG
安永

To the board of directors of KWG Property Holding Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial information of KWG Property Holding Limited (the "Company") set out on pages 23 to 40 which comprises the condensed consolidated statement of financial position as at 30 June 2013 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
12 August 2013

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (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 to this condensed consolidated interim financial information.

The notes on pages 29 to 40 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Financial Information

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

The notes on pages 29 to 40 form an integral part of this condensed consolidated interim financial information.

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	10	**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	11	**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	12	**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	13	**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

Condensed Consolidated Interim Financial Information

	Notes	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**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	14	**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

The notes on pages 29 to 40 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										
	Issued capital RMB'000 (Unaudited)	Share premium account RMB'000 (Unaudited)	Reserve funds RMB'000 (Unaudited)	Exchange fluctuation reserve RMB'000 (Unaudited)	Equity-settled share option reserve RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Proposed final dividends RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
At 1 January 2012	280,485	6,615,724	581,122	88,991	22,004	(57,546)	5,323,532	636,493	13,490,805	202,213	13,693,018
Profit for the period	—	—	—	—	—	—	911,699	—	911,699	19,017	930,716
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	—	—	—	(13,284)	—	—	—	—	(13,284)	—	(13,284)
Share of exchange differences on translation of associates	—	—	—	(1,201)	—	—	—	—	(1,201)	—	(1,201)
Share of exchange differences on translation of jointly–controlled entities	—	—	—	(12,842)	—	—	—	—	(12,842)	—	(12,842)
Total comprehensive income for the period	—	—	—	(27,327)	—	—	911,699	—	884,372	19,017	903,389
Final 2011 dividend declared	—	—	—	—	—	—	—	(636,493)	(636,493)	—	(636,493)
Share option expenses	—	—	—	—	1,205	—	—	—	1,205	—	1,205
Transfer to reserves	—	—	16,121	—	—	—	(16,121)	—	—	—	—
At 30 June 2012	280,485	6,615,724	597,243	61,664	23,209	(57,546)	6,219,110	—	13,739,889	221,230	13,961,119
At 31 December 2012 and 1 January 2013	**280,485**	**6,615,724***	**607,802***	**106,368***	**25,478***	**(57,546)***	**7,269,247***	**433,973**	**15,281,531**	**71,848**	**15,353,379**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**1,357,330**	**—**	**1,357,330**	**254**	**1,357,584**
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**85,752**	**—**	**—**	**—**	**—**	**85,752**	**—**	**85,752**
Share of exchange differences on translation of associates	**—**	**—**	**—**	**13,397**	**—**	**—**	**—**	**—**	**13,397**	**—**	**13,397**
Share of exchange differences on translation of jointly–controlled entities	**—**	**—**	**—**	**20,466**	**—**	**—**	**—**	**—**	**20,466**	**—**	**20,466**
Total comprehensive income for the period	**—**	**—**	**—**	**119,615**	**—**	**—**	**1,357,330**	**—**	**1,476,945**	**254**	**1,477,199**
Final 2012 dividend declared	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(433,973)**	**(433,973)**	**—**	**(433,973)**
Derecognition of a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(48,878)**	**(48,878)**
Contribution from non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,200**	**2,200**
Share option expenses	**—**	**—**	**—**	**—**	**1,028**	**—**	**—**	**—**	**1,028**	**—**	**1,028**
Transfer to reserves	**—**	**—**	**58,669**	**—**	**—**	**—**	**(58,669)**	**—**	**—**	**—**	**—**
At 30 June 2013	**280,485**	**6,615,724***	**666,471***	**225,983***	**26,506***	**(57,546)***	**8,567,908***	**—**	**16,325,531**	**25,424**	**16,350,955**

* These reserve accounts comprise the consolidated reserves of approximately RMB16,045,046,000 (31 December 2012: approximately RMB14,567,073,000) in the condensed consolidated statement of financial position.

The notes on pages 29 to 40 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	**828,082**	447,377
Net cash outflow from investing activities	**(2,825,837)**	(1,022,768)
Net cash inflow from financing activities	**4,064,051**	2,434,989
Net increase in cash and cash equivalents	**2,066,296**	1,859,598
Cash and cash equivalents at beginning of the period	**4,927,197**	4,024,609
Effect of foreign exchange rate changes, net	**(11,645)**	3,681
Cash and cash equivalents at end of the period	**6,981,848**	5,887,888

The notes on pages 29 to 40 form an integral part of this condensed consolidated interim financial information.

Notes to Condensed Consolidated Interim Financial Information

1. General Information

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

During the period, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities in 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 of directors (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 on The Stock Exchange of Hong Kong Limited. The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 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 RMB'000 (Unaudited)	2012 RMB'000 (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.

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

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 RMB'000 (Unaudited)	2012 RMB'000 (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 RMB'000 (Unaudited)	2012 RMB'000 (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 expenses	**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

The share of CIT expense and LAT expense attributable to the jointly-controlled entities for the six months ended 30 June 2013 amounting to approximately RMB133,164,000 (2012: CIT credit of approximately RMB7,115,000) and approximately RMB143,255,000 (2012: approximately RMB616,000), respectively, are included in "Share of profits and losses of jointly-controlled entities" on the face of the condensed consolidated income statement.

The share of CIT credit attributable to the associates for the six months ended 30 June 2013 amounting to approximately RMB408,000 (2012: approximately RMB348,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

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 amounts is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation of 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. Property, Plant and Equipment

During the six months ended 30 June 2013, additions to property, plant and equipment of the Group amounted to approximately RMB233,601,000 (2012: approximately RMB399,118,000).

11. 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 RMB'000 (Unaudited)	31 December 2012 RMB'000 (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

12. Trade Payables

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

13. Interest-bearing Bank and Other Borrowings

	As at 30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Current		
Bank loans		
— secured	**563,256**	1,292,761
— denominated in HK$, secured	**418,583**	—
— unsecured	**937,250**	—
Current portion of long-term bank loans		
— secured	**1,677,555**	1,317,596
— denominated in HK$, secured	**—**	439,963
— unsecured	**—**	49,853
	3,596,644	3,100,173
Non-current		
Bank loans		
— secured	**7,407,052**	5,777,330
— denominated in HK$, secured	**583,313**	689,052
— denominated in US$, secured	**90,513**	—
— unsecured	**500,000**	446,750
Senior notes — denominated in US$, secured (a)	**7,904,990**	6,177,283
	16,485,868	13,090,415
	20,082,512	16,190,588

(i) Certain borrowings 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 RMB13,588,766,000 and properties under development of a jointly-controlled entity with total carrying values of approximately RMB457,555,000 as at 30 June 2013 (31 December 2012: approximately RMB14,074,871,000 and nil).

(ii) At 30 June 2013 and 31 December 2012, the equity interests of certain subsidiaries and an associate of the Group were pledged to certain banks for the loans granted to the Group.

(iii) At 30 June 2013 and 31 December 2012, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

Except for the above mentioned borrowings denominated in HK$ and US$, all borrowings were denominated in RMB as at 30 June 2013 and 31 December 2012. All of the Group's borrowings were charged at floating interest rates except for loan balances with an aggregate amount of RMB1,750,000,000, which were charged at fixed interest rate as at 30 June 2013 (31 December 2012: approximately RMB697,097,000).

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

Note:

(a) On 11 August 2010, the Company issued 12.5% senior notes with a nominal value of US$250,000,000 (equivalent to approximately RMB1,693,123,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 18 August 2017. The senior notes carry interest at a rate of 12.5% per annum, which is payable semi-annually in arrears on 18 February and 18 August of each year commencing on 18 February 2011. For further details on the senior notes, please refer to the related announcements of the Company dated 12 August 2010 and 19 August 2010.

On 23 March 2011, the Company issued 12.75% senior notes with a nominal value of US$350,000,000 (equivalent to approximately RMB2,296,035,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 30 March 2016. The senior notes carry interest at a rate of 12.75% per annum, which is payable semi-annually in arrears on 30 March and 30 September of each year commencing on 30 September 2011. For further details on the senior notes, please refer to the related announcements of the Company dated 23 March 2011, 24 March 2011 and 30 March 2011.

On 22 March 2012, the Company issued 13.25% senior notes with a nominal value of US$400,000,000 (equivalent to approximately RMB2,520,160,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 22 March 2017. The senior notes carry interest at a rate of 13.25% per annum, which is payable semi-annually in arrears on 22 March and 22 September of each year commencing on 22 September 2012. For further details on the senior notes, please refer to the related announcements of the Company dated 14 March 2012, 16 March 2012 and 23 March 2012.

On 29 January 2013, the Company issued 8.625% senior notes with a nominal value of US$300,000,000 (equivalent to approximately RMB1,885,530,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 February 2020. The senior notes carry interest at a rate of 8.625% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 August 2013. For further details on the senior notes, please refer to the related announcements of the Company dated 29 January 2013, 30 January 2013 and 5 February 2013.

14. Share Capital

	Number of ordinary shares of HK$0.10 each '000	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000
Authorised			
At 30 June 2013 (unaudited)	**8,000,000**	**800,000**	**786,113**
At 31 December 2012 (audited)	8,000,000	800,000	786,113
Issued and fully paid			
At 30 June 2013 (unaudited)	**2,893,150**	**289,315**	**280,485**
At 31 December 2012 (audited)	2,893,150	289,315	280,485

15. Contingent Liabilities

(i) As at 30 June 2013, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities granted to certain purchasers of the Group's properties amounting to approximately RMB4,800,637,000 (31 December 2012: approximately RMB4,578,445,000). 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 (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 was not significant and the Board considered that in case of default in payments, the net realisable value of the related properties would be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision had been made in the financial statements as at 30 June 2013 and 31 December 2012 for the guarantees.

(ii) As at 30 June 2013, the Group had provided guarantees in respect of certain bank loans of approximately RMB3,813,443,000 (31 December 2012: approximately 3,350,175,000) for its jointly-controlled entities.

(iii) As at 30 June 2013, the Group had provided a guarantee in respect of a bank loan of approximately RMB37,467,000 (31 December 2012: Nil) for an associate.

(iv) As at 31 December 2012, the Group had provided a guarantee in respect of a bank loan of RMB700,000,000 for the ex-owner of The Summit in Guangzhou, the PRC.

16. Commitments

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

	As at 30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment — Assets under construction	**379,001**	369,914
Properties being developed by the Group for sale	**3,965,703**	3,363,737
Investment properties under construction	**199,536**	186,541
	4,544,240	3,920,192

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	As at 30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Contracted, but not provided for	**2,580,898**	2,106,368

17. Related Party Transactions

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

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Short-term employee benefits	**20,363**	13,800
Post-employment benefits	**287**	305
Equity-settled share option expenses	**458**	794
Total compensation paid to key management personnel	**21,108**	14,899

(ii) Outstanding balances with related parties:

	As at 30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Included in interests in associates/jointly-controlled entities:		
Advances to associates	**614,648**	597,407
Advances to jointly-controlled entities	**3,744,292**	1,303,875
Included in current liabilities:		
Due to jointly-controlled entities	**2,436,037**	2,454,234

The above balances are unsecured, interest-free and have no fixed terms of repayment.

(iii) Other transactions with related parties:

Details of guarantees given by the Group to banks in connection with bank loans granted to its jointly-controlled entities and an associate are included in note 15(ii) and 15(iii) to the condensed consolidated interim financial information.

18. Financial Instruments — Fair Values

The Group's financial assets include trade receivables, deposits and other receivables, advances to associates, advances to jointly-controlled entities, restricted cash and cash and cash equivalents and the Group's financial liabilities include trade payables, other payables and accruals, amounts due to jointly-controlled entities and interest-bearing bank and other borrowings. As at 30 June 2013 and 31 December 2012, the carrying amounts of the Group's financial instruments approximated to their fair values.

The fair values of the financial assets and financial liabilities are measured at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sales.