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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 2014**

### **HIGHLIGHTS**

- Revenue for the six months ended 30 June 2014 amounted to RMB5,434.2 million, an increase of 17.0% as compared with the corresponding period in 2013.
- Profit attributable to owners of the Company for the period amounted to RMB1,345.3 million, representing a slight decrease of 0.9% as compared with the corresponding period in 2013.
- Gross profit margin and net profit margin were 35.7% and 24.7%, respectively.
- Earnings per share attributable to owners of the Company for the period amounted to RMB46.5 cents, a slight decrease from RMB46.9 cents in the corresponding period in 2013.

## 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 2014, together with the comparative figures for the corresponding period in 2013, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2014 together with audited comparative figures as at 31 December 2013. The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 June	
		2014 <i>RMB'000</i> (Unaudited)	2013 <i>RMB'000</i> (Unaudited)
<b>REVENUE</b>	4	<b>5,434,192</b>	4,644,765
Cost of sales		<b>(3,493,759)</b>	(2,977,388)
Gross profit		<b>1,940,433</b>	1,667,377
Other income and gains, net	4	<b>44,240</b>	28,949
Selling and marketing expenses		<b>(146,789)</b>	(129,964)
Administrative expenses		<b>(402,346)</b>	(369,537)
Other operating expenses, net		<b>(137,759)</b>	(183)
Fair value gains on investment properties, net		<b>111,411</b>	474,706
Finance costs	5	<b>(6,083)</b>	(214,291)
Share of profits and losses of:			
Associates		<b>(3,908)</b>	(1,226)
Joint ventures		<b>511,333</b>	395,546
<b>PROFIT BEFORE TAX</b>	6	<b>1,910,532</b>	1,851,377
Income tax expenses	7	<b>(566,823)</b>	(493,793)
<b>PROFIT FOR THE PERIOD</b>		<b>1,343,709</b>	1,357,584
Attributable to:			
Owners of the Company		<b>1,345,313</b>	1,357,330
Non-controlling interests		<b>(1,604)</b>	254
		<b>1,343,709</b>	1,357,584
<b>Earnings per share attributable to owners of the Company – Basic and diluted</b>	9	<b>RMB46.5 cents</b>	RMB46.9 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>PROFIT FOR THE PERIOD</b>	<b>1,343,709</b>	1,357,584
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(66,719)	85,752
Share of exchange differences on translation of associates	(7,016)	13,397
Share of exchange differences on translation of joint ventures	(20,305)	20,466
	<hr/>	<hr/>
<b>NET OTHER COMPREHENSIVE (LOSS)/INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(94,040)</b>	119,615
	<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>1,249,669</u></b>	<b><u>1,477,199</u></b>
Attributable to:		
Owners of the Company	1,251,273	1,476,945
Non-controlling interests	(1,604)	254
	<hr/>	<hr/>
	<b><u>1,249,669</u></b>	<b><u>1,477,199</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	
	30 June 2014	31 December 2013
<i>Notes</i>	<b><i>RMB'000</i></b> <b>(Unaudited)</b>	<b><i>RMB'000</i></b> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	3,189,944	3,176,236
Investment properties	6,393,304	6,134,630
Land use rights	849,134	858,546
Interests in associates	768,074	744,506
Interests in joint ventures	16,564,972	13,229,965
Deferred tax assets	1,047,075	995,798
	<b>28,812,503</b>	25,139,681
<b>CURRENT ASSETS</b>		
Properties under development	22,987,777	18,923,966
Completed properties held for sale	4,088,455	4,036,430
Trade receivables	152,866	166,695
Prepayments, deposits and other receivables	1,889,654	2,309,263
Due from a joint venture	27	23
Taxes recoverable	178,916	155,600
Restricted cash	1,213,988	1,444,243
Cash and cash equivalents	8,894,445	9,414,483
	<b>39,406,128</b>	36,450,703
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	2,707,498	3,333,315
Other payables and accruals	8,985,764	8,452,278
Due to joint ventures	10,603,723	6,401,540
Interest-bearing bank and other borrowings	3,652,835	3,065,010
Taxes payable	3,775,895	3,735,200
	<b>29,725,715</b>	24,987,343
<b>NET CURRENT ASSETS</b>	<b>9,680,413</b>	11,463,360
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>38,492,916</b>	36,603,041

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>19,303,789</b>	17,840,356
Deferred tax liabilities	<b>925,024</b>	909,523
Deferred revenue	<b>11,000</b>	11,000
	<hr/>	<hr/>
Total non-current liabilities	<b>20,239,813</b>	18,760,879
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>18,253,103</b>	17,842,162
	<hr/>	<hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	<b>280,485</b>	280,485
Reserves	<b>17,949,568</b>	16,698,009
Proposed final dividends	<b>–</b>	839,014
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	<b>18,230,053</b>	17,817,508
<b>Non-controlling interests</b>	<b>23,050</b>	24,654
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>18,253,103</b>	17,842,162
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Notes:

## 1. CORPORATE 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 finance information was reviewed by the audit committee of the Company and approved by the Board for issue on 28 August 2014.

## 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 2013, 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 2014 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 2013, except for the adoption of the following new and revised HKFRSs issued by the HKICPA, which are effective for the annual reporting period beginning on or after 1 January 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> – <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> – <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC) – Int 21	<i>Levies</i>

The adoption of the above new and revised HKFRSs has had no significant financial effect on the Group's unaudited condensed consolidated interim financial information and there have been no significant changes to the accounting policies applied in the unaudited condensed consolidated interim financial information.

#### 4. REVENUE, OTHER INCOME AND GAINS, NET AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the gross proceeds, net of business tax, from the sale of properties, gross rental income received and receivable from investment properties, gross revenue from hotel operation and property management fee income during the period.

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

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue:</b>		
Sale of properties	5,104,977	4,434,099
Gross rental income	73,335	73,579
Hotel operation income	149,782	65,819
Property management fees	106,098	71,268
	<u>5,434,192</u>	<u>4,644,765</u>
<b>Other income and gains, net:</b>		
Bank interest income	25,070	17,290
Others	19,170	11,659
	<u>44,240</u>	<u>28,949</u>

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

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

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

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

The Group's revenue from external customers is derived solely from its operations in the PRC.

The segment results for the six months ended 30 June 2014 are as follows:

	<b>Property development (Note) RMB'000 (Unaudited)</b>	<b>Property investment RMB'000 (Unaudited)</b>	<b>Hotel operation RMB'000 (Unaudited)</b>	<b>Property management RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<b>Segment revenue:</b>					
Sales to external customers	<u>5,104,977</u>	<u>73,335</u>	<u>149,782</u>	<u>106,098</u>	<u>5,434,192</u>
<b>Segment results</b>	<b>1,945,787</b>	<b>184,219</b>	<b>28,156</b>	<b>17,141</b>	<b>2,175,303</b>
<i>Reconciliation:</i>					
Interest income and other unallocated income					44,240
Unallocated expenses					(302,928)
Finance costs					(6,083)
Profit before tax					1,910,532
Income tax expenses					(566,823)
Profit for the period					<u>1,343,709</u>

The segment results for the six months ended 30 June 2013 are as follows:

	<b>Property development (Note) RMB'000 (Unaudited)</b>	<b>Property investment RMB'000 (Unaudited)</b>	<b>Hotel operation RMB'000 (Unaudited)</b>	<b>Property management RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<b>Segment revenue:</b>					
Sales to external customers	<u>4,434,099</u>	<u>73,579</u>	<u>65,819</u>	<u>71,268</u>	<u>4,644,765</u>
<b>Segment results</b>	<b>1,778,923</b>	<b>548,090</b>	<b>8,606</b>	<b>(5,631)</b>	<b>2,329,988</b>
<i>Reconciliation:</i>					
Interest income and other 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					<u>1,357,584</u>

Note: The segment results include share of profits and losses of joint ventures and associates.



## 5. FINANCE COSTS

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

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	1,095,028	921,067
Less: Interest capitalised	<b>(1,088,945)</b>	(706,776)
	<u>6,083</u>	<u>214,291</u>

## 6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of properties sold	3,391,189	2,926,032
Less: Government grant released	<b>(28)</b>	(850)
	<u>3,391,161</u>	<u>2,925,182</u>
Depreciation	66,484	58,594
Amortisation of land use rights	9,013	12,840
Less: Amount capitalised in assets under construction	<b>(7,351)</b>	(12,010)
	<u>1,662</u>	<u>830</u>
Loss on disposal of items of property, plant and equipment*	2	–
Premium paid on early redemption of senior notes*	137,257	–
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	239,024	224,324
Pension scheme contributions	21,814	14,420
Equity-settled share option expenses	171	570
	<u>261,009</u>	<u>239,314</u>
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	<b>(66,743)</b>	(65,995)
	<u>194,266</u>	<u>173,319</u>

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

## 7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current – PRC		
Corporate income tax (“CIT”)	372,583	231,426
Land appreciation tax (“LAT”)	230,031	190,199
	<u>602,614</u>	<u>421,625</u>
Deferred	(35,791)	72,168
	<u>(35,791)</u>	<u>72,168</u>
Total tax charge for the period	<u>566,823</u>	<u>493,793</u>

### 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 2014 and 2013.

### PRC corporate income tax

PRC CIT in respect of operations in the PRC have been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2014 and 2013, based on existing legislation, interpretations and practices in respect thereof.

### PRC land appreciation tax

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

## 8. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2014 (2013: Nil).

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30 June 2014 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 (2013: 2,893,150,000) in issue during the period.

No adjustment had been made to the basic earnings per share amount presented for the six months ended 30 June 2014 in respect of a dilution as the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

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.

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit attributable to owners of the Company	<u><b>1,345,313</b></u>	<u>1,357,330</u>
	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	<u><b>2,893,150,000</b></u>	2,893,150,000
Effect of dilution – share options	<u>–</u>	<u>882,795</u>
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u><b>2,893,150,000</b></u>	<u>2,894,032,795</u>

## 10. TRADE RECEIVABLES

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

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Within 3 months	<b>91,723</b>	152,260
4 to 6 months	<b>16,977</b>	854
7 to 12 months	<b>34,946</b>	2,119
Over 1 year	<u><b>9,220</b></u>	<u>11,462</u>
	<u><b>152,866</b></u>	<u>166,695</u>

## 11. TRADE AND BILLS PAYABLES

All trade and bills payables were fallen due within one year or repayable on demand as of 30 June 2014 and 31 December 2013.

## 12. SUBSEQUENT EVENT

- (a) On 29 July 2014, the Company issued 8.25% senior notes with an aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,464,600,000). 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 August 2019. The senior notes carry interest at a rate of 8.25% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 February 2015. For further details on the senior notes, please refer to the related announcements of the Company dated 29 July 2014, 30 July 2014 and 5 August 2014.
- (b) On 31 July 2014, the Company announced that the outstanding 12.50% senior notes due 2017 with an aggregate principal amount of US\$250,000,000 (equivalent to approximately RMB1,541,000,000) would be redeemed in full on 30 August 2014 at a redemption price of 106.250% of the principal amount thereof, plus accrued and unpaid interest to (but not including) 30 August 2014. For further details, please refer to the related announcement of the Company dated 31 July 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Revenue*

Revenue of the Group comprises primarily the (i) gross proceeds, net of business tax, from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties, (iii) gross revenue from hotel room rentals, food and beverage sales and other ancillary services when the services are rendered and (iv) property management fee income. The revenue is primarily generated from its four business segments: property development, property investment, hotel operation and provision of property management services.

The revenue amounted to approximately RMB5,434.2 million in the first half of 2014, representing an increase of 17.0% from approximately RMB4,644.8 million for the corresponding period in 2013.

The revenue generated from property development, property investment, hotel operation and provision of property management services were approximately RMB5,105.0 million, RMB73.3 million, RMB149.8 million and RMB106.1 million, respectively, during the six months ended 30 June 2014.

#### *Property development*

Revenue generated from property development increased by 15.1% to approximately RMB5,105.0 million for the six months ended 30 June 2014 from approximately RMB4,434.1 million for the corresponding period in 2013, primarily due to an increase in the recognised average selling price (“ASP”) to RMB12,134 per sq.m. from RMB9,293 per sq.m. in the corresponding period in 2013. The increase in the recognised ASP was principally attributable to the increase in the delivery of high-end properties with higher ASP in the first half of 2014. In addition, during the six months ended 30 June 2013, due to the delivery of certain properties in exchange for the equity interest in Guangzhou Lihe Property Development Limited (“Guangzhou Lihe”) to the ex-owner of The Summit in Guangzhou with relatively lower ASP, the overall ASP was at a relatively lower level. The effect of the increase in recognised ASP was partially offset by a decrease in the total gross floor area (“GFA”) delivered to 420,711 sq.m. in the first half of 2014 from 477,141 sq.m. in the corresponding period in 2013.

#### *Property investment*

Revenue generated from property investment slightly decreased by 0.4% to approximately RMB73.3 million for the six months ended 30 June 2014 from approximately RMB73.6 million for the corresponding period in 2013.

#### *Hotel operation*

Revenue generated from hotel operation increased by 127.7% to approximately RMB149.8 million for the six months ended 30 June 2014 from approximately RMB65.8 million for the corresponding period in 2013, primarily attributable to the revenue generated by W Hotel which officially commenced operation in May 2013 and the first half of 2014 was the first full period in which W Hotel was operated.

### *Provision of property management services*

Revenue generated from the provision of property management services increased by 48.8% to approximately RMB106.1 million for the six months ended 30 June 2014 from approximately RMB71.3 million for the corresponding period in 2013, primarily attributable to an increase in the number of properties under management.

### *Cost of Sales*

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

Cost of sales increased by 17.3% to approximately RMB3,493.8 million for the six months ended 30 June 2014 from approximately RMB2,977.4 million for the corresponding period in 2013, primarily due to an overall increase in cost of properties sold.

Land cost per sq.m. increased from RMB1,844 for the corresponding period in 2013 to RMB2,970 for the six months ended 30 June 2014, reflecting the sales of high-end properties with higher ASP and land costs. During the six months ended 30 June 2013, mainly 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 cost per sq.m., the overall land cost per sq.m. was at a relatively lower level.

Construction cost per sq.m. slightly decreased from RMB3,807 for the corresponding period in 2013 to RMB3,769 for the six months ended 30 June 2014.

### *Gross Profit*

Gross profit of the Group increased by 16.4% to approximately RMB1,940.4 million for the six months ended 30 June 2014 from approximately RMB1,667.4 million for the corresponding period in 2013. The increase of gross profit was principally due to the increase in the total revenue and recognised ASP in the first half of 2014. The Group reported a gross profit margin of 35.7% for the six months ended 30 June 2014 as compared with 35.9% for the corresponding period in 2013.

### *Other Income and Gains, Net*

Other income and gains, increased by 52.9% to approximately RMB44.2 million for the six months ended 30 June 2014 from approximately RMB28.9 million for the corresponding period in 2013, mainly comprised interest income of approximately RMB25.1 million.

### *Selling and Marketing Expenses*

Selling and marketing expenses of the Group increased by 12.9% to approximately RMB146.8 million for the six months ended 30 June 2014 from approximately RMB130.0 million for the corresponding period in 2013, mainly due to an increase in advertising for our projects, such as Vision of the World in Shanghai, Moon Bay Project in Hainan, and The Summit and Global Metropolitan Plaza in Guangzhou.

### ***Administrative Expenses***

Administrative expenses of the Group increased by 8.9% to approximately RMB402.3 million for the six months ended 30 June 2014 from approximately RMB369.5 million for the corresponding period in 2013, primarily attributable to increased headcounts to catch up with the rapid development of the Group in various regional offices. During the first half of 2014, the increase of administrative expenses of the Group was also attributable to the launch of our Hangzhou office and Tianjin office in October 2013 and December 2013, respectively.

### ***Other Operating Expenses, Net***

Other operating expenses of the Group was approximately RMB137.8 million for the six months ended 30 June 2014 (2013: approximately RMB0.2 million), mainly comprised premium paid on early redemption of senior notes amounting to approximately RMB137.3 million.

### ***Fair Value Gains on Investment Properties, Net***

The Group reported net fair value gains on investment properties of approximately RMB111.4 million for the six months ended 30 June 2014 (2013: approximately RMB474.7 million), mainly related to various leasable commercial properties in various regions. For the six months ended 30 June 2014, the fair value gains were mainly attributable to leaseable commercial properties of The Apex in Guangzhou of approximately RMB111.1 million.

### ***Finance Costs***

Finance costs of the Group being approximately RMB6.1 million for the six months ended 30 June 2014 (2013: approximately RMB214.3 million), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised.

### ***Income Tax Expenses***

Income tax expenses increased by 14.8% to approximately RMB566.8 million for the six months ended 30 June 2014 from approximately RMB493.8 million for the corresponding period in 2013, primarily due to an increase in the provision for LAT on the properties delivered in the first half of 2014.

### ***Profit for the Period***

The Group reported profit for the period of approximately RMB1,343.7 million for the six months ended 30 June 2014 (2013: approximately RMB1,357.6 million). For the six months ended 30 June 2014, net profit margin was 24.7% (2013: 29.2%).

## **Liquidity, Financial and Capital Resources**

### ***Cash Position***

As at 30 June 2014, the carrying amounts of the Group's cash and bank balances were approximately RMB10,108.4 million (31 December 2013: approximately RMB10,858.7 million), representing a decrease of 6.9% as compared to that as at 31 December 2013.

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 2014, the carrying amount of the restricted cash was approximately RMB1,214.0 million (31 December 2013: approximately RMB1,444.2 million).

### ***Borrowings and Charges on the Group's Assets***

As at 30 June 2014, the Group's bank and other loans and senior notes were approximately RMB13,630.7 million and RMB9,325.9 million respectively. Amongst the bank and other loans, approximately RMB3,652.8 million will be repayable within 1 year, approximately RMB7,101.5 million will be repayable between 2 and 5 years and approximately RMB2,876.4 million will be repayable over 5 years. Amongst the senior notes, approximately RMB7,589.4 million will be repayable between 2 and 5 years and approximately RMB1,736.5 million will be repayable over 5 years.

As at 30 June 2014, the Group's bank and other loans of approximately RMB12,630.7 million were secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying value of approximately RMB17,335.2 million and properties under development of a joint venture with total carrying value of approximately RMB457.6 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately HK\$662.9 million and US\$14.8 million as at 30 June 2014 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 RMB2,370.0 million which were charged at fixed interest rates as at 30 June 2014. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 30 June 2014.

### ***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 2014, the gearing ratio was 70.4% (31 December 2013: 56.3%). The increase in gearing ratio in the first half of 2014 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 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 2014, the exchange rates of RMB against 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 2014, the Group had the following contingent liabilities relating to guarantees given to banks in respect of mortgage facilities for certain purchasers amounting to approximately RMB4,947.6 million (31 December 2013: approximately RMB4,846.4 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 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 information as at 30 June 2014 and the financial statements as at 31 December 2013 for the guarantees.

- (ii) As at 30 June 2014 and 31 December 2013, the Group had provided guarantees in respect of certain bank loans for its joint ventures.
- (iii) As at 30 June 2014 and 31 December 2013, the Group had provided a guarantee in respect of a bank loan for an associate.

## **Market Review**

China property market witnessed strong growth in 2013 which resulted in a large number of housing units being launched to the market, causing structural imbalance in supply and demand in certain cities and increasing pressure on housing inventory. Property prices in larger cities soared in 2013 but has slightly declined recently and are gradually back to reasonable levels. According to the data published by National Bureau of Statistics in early July, for the six months ended 30 June 2014, sale of commodity housing presented a year-on-year decrease of approximately 6% in terms of both value and GFA, indicating a down cycle of the property market.

Buyers adopted a "wait-and-see" approach towards the property market under the backdrop of tighter approval of real estate mortgage lending and continued contraction of liquidity in banks. In addition, the launch of social housing diverted part of the market from intrinsic demand buyers. With the weakening of the pre-sales market, the momentum slowed down for land market as well. Since property developers conducted a considerable amount of land purchases last year, they remained rather prudent and cautious in face of newly released land parcels. During the period, a large number of land transactions were made at auction base prices, while some premium land parcels could not be sold.

To cope with the above situation, the central government has recently been relaxing home purchase restrictions in selective cities, while supporting first-home mortgage and purchases by end-users.



## Business Review

During the reporting period, the Group was confronted with market downturn and fierce competition among industry peers. However, with its adherence to the philosophy of “Build Home with Heart” and dedication to developing high-quality projects, the Group accelerated the launches of new projects and actively promoted pre-sales to achieve steady growth.

The Group solidified its business and added saleable resources in cities where it had already established presence by launching seven brand new projects, namely Vision of the World in Shanghai, Top of World in Guangzhou, Beijing Apex, La Villa, Rose and Ginkgo Mansion in Beijing, Oriental Bund in Foshan and Wan Hui Plaza in Suzhou. As at 30 June 2014, the Group reported an attributable pre-sales amount of approximately RMB9,993 million, representing sales contribution from a total of 31 projects.

The Group made timely and reasonable adjustment to its product portfolio, focusing on the launch of various products adjacent to subway lines or main roads in first or second-tier cities. Beijing Apex, which made its debut sales during the reporting period, is situated between the 5th and the 6th Ring Road of Beijing. Strategically located along the subway line, the project embraces well-developed municipal infrastructure in the surroundings. Considering the impact of social housing on products of intrinsic demand, the project met the demand of various buyers by introducing residential units with GFA of 80–110 sq.m., duplex units with GFA of 130–140 sq.m., as well as townhouses with GFA of 170 sq.m. The project received keen responses from the market upon its first launch. Top of World in Guangzhou is located in the Sino-Singapore Guangzhou Knowledge City, an up-and-coming new town under the joint development of Guangzhou and Singapore. The town is equipped with comprehensive municipal infrastructure, such as institutions of higher education, intercity rail and subway line, and etc. The project first launched in April small-sized serviced apartments and a few villas with GFA of 175–220 sq.m. With its practical design and undemanding pricing, the project achieved a sell-through ratio of 90% on the first day of launch.

To ensure that the projects are built as scheduled and to enhance construction efficiency, the Group is committed to improving product standardization and further expediting work progress. It takes just 8 to 10 months from land acquisition to pre-sales. At present, the standardization model is widely applied in projects such as The Summit, The Eden, Top of World in Guangzhou, The Core of Center in Nanning, and etc. The Core of Center in Nanning was bought in September 2013, and the Group promptly proceeded to construction after quickly finalizing product design, material use and fit-out style with reference to the Group’s past experience and diligent market research. In about 8 months, show flats and sales office were officially opened for The Core of Center in Nanning and its official launch took place in July 2014. The Group also optimized its operational capabilities by adding additional human resources for cost assessment and quality control to the current Operations Department, and appointing responsible personnel to conduct site inspection and survey quality of work in other projects.

The Group has been closely monitoring the pulse of financial markets and making timely arrangement for corporate financing activities through various channels to ensure sufficient funding. In January 2014, the Group successfully issued a US\$600 million senior notes with a 5-year term at lower coupon rate, which was designated to redeem the higher interest-rate notes issued in prior years to cut down finance cost. As banks tightened its quota for mortgage loans during the period, buyers had increasing difficulty in getting mortgage funding. With a view to improving cash collection, the Group offered small discounts to all cash buyers of selective projects such as The Summit in Guangzhou, Top of

World in Guangzhou, Vision of the World in Shanghai and Chengdu Sky Ville, to relieve pressure on receivables collection and speed up cash recovery. As at 30 June 2014, the Group's cash on hand amounted to approximately RMB10,108.4 million.

As most developers had replenished land bank last year, the land market began to cool down, resulting in decreased transaction volume during the period. In a less competitive land market, the Group concentrated on areas such as Guangzhou and Beijing, where we have already built mature project teams, to explore premium land parcels and solidify our current footprint. The Group conducted its land acquisitions through a number of channels, for example, public land auctions and merger and acquisition with third party developers, to achieve reasonable pricing in a counter-cyclical timing to effectively control cost and avoid vicious competition. During the first half of the year, the Group acquired several sites. The Beijing Tongzhou I & II Project in Beijing and Top of World in Wuxiang New District of Nanning were bought in the open market both at low premium to base auction prices, successfully locking in profitability. As at 30 June 2014, the Group held a land bank with an attributable GFA of approximately 10.7 million sq.m.

### ***Investment Properties and Hotels***

#### *1) Hotels*

Benefiting from strategic location selection and proven hotel management expertise, the Group has built Four Points by Sheraton Guangzhou, Dongpu, Sheraton Guangzhou Huadu Resort and W Hotel Guangzhou since the commencement of its hotel operation in 2009. The Group's hotel operation is on the right track and returns from hotels are also growing.

The Group continues to enhance and improve its hotel service as well as dining and entertainment services based on customers' needs and market feedback. During the period, the three hotels strived to serve customers with premium tailor-made services by way of offering seasonable cuisine and dining promotions according to different seasons and festivities, complemented with relaxing leisure and entertainment facilities, to enhance our reputation and brand image.

#### *2) Investment properties completed and available for lease*

International Finance Place ("IFP"), one of the major investment properties of the Group, in the prestigious location at the heart of Pearl River New Town has been completed since 2007. After 7-year of development, the Group has incorporated its brand mission of "Manage Home with Heart" into its daily management. The overall improvement in office environment, maintenance of in-house facilities, attentive services and enhanced property management have gained wide recognition and appreciation from tenants and secured stable occupancy, especially from those financial enterprises or Guangzhou headquarters of multinational corporations. As at 30 June 2014, the occupancy rate of IFP stood at 99%. Leading tenants included Bank of Toyko-Mitsubishi UFJ (China), Ltd. (Guangzhou branch), LG Electronics (China) Co. Ltd., Guangzhou, Tesco Commercial (Guangzhou) Co. Ltd., and Consulate General of Italy — Guangzhou.

For the six months ended 30 June 2014, turnover of the Group from its leasing of office premises and retail properties amounted to approximately RMB73.3 million (2013: approximately RMB73.6 million).

## Business Outlook

During the second half of 2014, the Group will launch more brand new projects with premium locations and suitable product types including residential units, villas and serviced apartments. Potential brand new launches include The Core of Center in Wuxiang New District of Nanning, Jade Garden in Hangzhou Science City, Boulevard Terrace in Tianjin Jinnan Shuanggang and Summer Terrace in Beijing, etc. The Group will actively monitor pre-sales status, prudently manage cash collection, as well as increase cash on hand to ensure the sufficiency of working capital. In addition, the Group will launch new phases of existing projects such as The Summit in Guangzhou, The Eden in Guangzhou, Top of World in Guangzhou, Oriental Bund in Foshan, Chengdu Sky Ville, Beijing Apex and Vision of the World in Shanghai to replenish its saleable resources in a timely manner.

The Group is committed to optimizing its daily operational efficiency and heightening the operational capacity of hotels and the standard of property management through the combination of further improvement in product standardization scheme, development of cost control and financial systems, and consolidation of resources, to further enhance the Group's profitability.

With our progressive and persistent effort in property development, supplemented by a wide range of businesses such as hotels and investment properties, we are confident that the Group is able to achieve its pre-sales target for the year and deliver better results.

## Overview of the Group's Property Development

As at 30 June 2014, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning and Hangzhou.

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	2,085	100
2.	Global Metropolitan Plaza	Guangzhou	Office / retail	73	50
3.	Tian Hui Plaza (included The Riviera & Top Plaza)	Guangzhou	Serviced apartments / office / hotel / retail	111	33.3
4.	Oriental Bund	Guangzhou	Residential / retail / serviced apartments / office / hotel	560	20
5.	The Regent	Guangzhou	Serviced apartments / retail	115	100
6.	Biological Island II	Guangzhou	Office / retail	84	100
7.	Top of World	Guangzhou	Villas / serviced apartments / office / retail / hotel	645	100
8.	The Eden	Guangzhou	Residential / retail	138	50
9.	Zengcheng Gua Lv Lake	Guangzhou	Villas / hotel	43	100
10.	Guangzhou Ta Gang Project	Guangzhou	Residential / villas / retail	344	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ( '000 sq.m.)	Interest Attributable to the Group (%)
11.	Guangzhou Pazhou Project	Guangzhou	Office	50	50
12.	Guangzhou Finance City Project	Guangzhou	Serviced apartments / retail	102	33.3
13.	International Finance Place	Guangzhou	Office / retail	61	100
14.	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
15.	Sheraton Guangzhou Huadu Resort	Guangzhou	Hotel	25	100
16.	W Hotel / W Serviced Apartments	Guangzhou	Hotel / serviced apartments	80	100
17.	The Sapphire	Suzhou	Residential / hotel / serviced apartments / retail	162	100
18.	Suzhou Apex	Suzhou	Residential / hotel / serviced apartments / retail	235	90
19.	Suzhou Emerald	Suzhou	Residential / retail	160	100
20.	Leader Plaza	Suzhou	Serviced apartments / office / retail	37	51
21.	Wan Hui Plaza (formerly called Suzhou CRH New City)	Suzhou	Office / retail	60	100
22.	Suzhou Jade Garden	Suzhou	Residential / retail	85	100
23.	The Vision of the World	Chengdu	Residential / serviced apartments / retail	24	100
24.	Chengdu Cosmos	Chengdu	Residential / office / serviced apartments / retail / hotel	559	100
25.	Chengdu Sky Ville	Chengdu	Residential / office / serviced apartments / retail / hotel	450	50
26.	Fragrant Seasons	Beijing	Residential / villas / serviced apartments / retail	85	100
27.	La Villa	Beijing	Residential / office / retail	100	50
28.	Beijing Apex	Beijing	Residential / villas / serviced apartments / office / retail	105	50
29.	Chong Wen Men	Beijing	Retail	16	100
30.	Summer Terrace (formerly called Beijing Haidian Project)	Beijing	Residential / villas	27	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ( <i>'000 sq.m.</i> )	Interest Attributable to the Group (%)
31.	Beijing Tong Zhou I	Beijing	Serviced apartments / office / retail	128	100
32.	Beijing Tong Zhou II	Beijing	Serviced apartments / office / retail	125	100
33.	Rose and Ginkgo Mansion	Beijing	Residential / villas	91	33
34.	Pearl Coast	Hainan	Villas / residential / hotel	257	100
35.	Moon Bay Project	Hainan	Villas / residential / retail / hotel	479	100
36.	Pudong Project	Shanghai	Office / retail	78	100
37.	The Core of Center	Shanghai	Residential / serviced apartments / retail / office	47	50
38.	Shanghai Apex	Shanghai	Residential / serviced apartments / retail / hotel / office	82	100
39.	Shanghai Sapphire	Shanghai	Serviced apartments / hotel / retail	110	100
40.	Shanghai Emerald	Shanghai	Residential / retail	18	100
41.	Amazing Bay	Shanghai	Residential / office / retail / serviced apartments / hotel	107	50
42.	Vision of World	Shanghai	Residential / serviced apartments / retail	236	100
43.	Jinnan New Town	Tianjin	Residential / serviced apartments / villas / retail	694	25
44.	Boulevard Terrace I (formerly called Tianjin Shuanggang Project I)	Tianjin	Residential / retail	55	100
45.	Boulevard Terrace II (formerly called Tianjin Shuanggang Project II)	Tianjin	Residential / villas / retail	32	100
46.	The Core of Center	Nanning	Residential / villas / office / retail	589	87
47.	Guangxi International Finance Place	Nanning	Office / retail	62	87
48.	Guangxi Top of World	Nanning	Residential / villas / hotel / retail	486	87
49.	Hangzhou Jade Garden (formerly called Hangzhou Science City I)	Hangzhou	Residential	47	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ( <i>'000 sq.m.</i> )	Interest Attributable to the Group (%)
50.	Hangzhou Science City II	Hangzhou	Residential / villas	58	100
51.	Hangzhou Science City III	Hangzhou	Residential	106	100

### Employees and Emolument Policies

As at 30 June 2014, the Group employed a total of approximately 4,630 employees. The total staff costs incurred were approximately RMB261.0 million during the six months ended 30 June 2014. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

During the period ended 30 June 2014, a total of 477,000 share options were cancelled and no share options were granted, exercised or lapsed as at the date of approval of this results announcement. Details of share option movement during the period 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 2014 (2013: Nil).

### AUDIT COMMITTEE

On 28 February 2014, Mr. Dai Feng ceased to be a member of the audit committee. As at 30 June 2014, the audit committee of the Company comprises three members who are Independent Non-executive Directors, namely Mr. Tam Chun Fai (the chairman), Mr. Lee Ka Sze, Carmelo, JP 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 audited consolidated financial statement for the year ended 31 December 2013 and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2014. 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, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the current code of conduct applicable to employees and directors and recommended the same to the Board. The audit committee reported that there was no material uncertainty that cast doubt on the Company's going concern ability.

## **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 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/en/ivr/index.aspx](http://www.kwgproperty.com/en/ivr/index.aspx)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). An interim report for the six months ended 30 June 2014 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, 28 August 2014

*As at the date of this announcement, the board of Directors comprises nine 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. Lee Ka Sze, Carmelo JP, Mr. Tam Chun Fai and Mr. Li Bin Hai are independent non-executive Directors.*