

This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No securities may be offered or sold in the United States absent registration or an applicable exemption from registration requirements. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. No public offer of securities is to be made by KWG Property Holding Limited in the United States.

This announcement contains projections and forward-looking statements regarding the Group's objectives and expectations with respect to property development plans, and its opportunities and business prospects. Such forward-looking statements are not guarantees of future performance of the Group and are subject to factors that could cause actual results and company plans and objectives to differ materially from those expressed in the forward-looking statements. These factors include, but not limited to, adverse changes in the Chinese economy and property market; fluctuations in the availability and pricing of residential and commercial properties; performance of construction and other contractors; and competition and competitive pricing pressures for the Group's products. The Group undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.



合 景 泰 富

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

HIGHLIGHTS

- Revenue for the six months ended 30 June 2007 amounted to RMB104.7 million, a decrease of 79.4% compared with the corresponding period in 2006.
- Profit attributable to equity holders amounted to RMB114.1 million, representing a growth of 17.7% compared with the corresponding period in 2006.
- Gross profit margin for the period was 57.8%, an increase from 28.7% in the corresponding period in 2006.
- Net profit margin for the period was 109.0%, a significant increase from 19.1% in the corresponding period in 2006.
- Earnings per share amounted to RMB6.1 cents for the six months ended 30 June 2007.

INTERIM RESULTS

The board of directors (the “Board”) of KWG Property Holding Limited (the “Company”) is pleased to announce the unaudited condensed consolidated income statement of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006, the unaudited condensed consolidated balance sheet of the Group as at 30 June 2007 together with audited comparative figures as at 31 December 2006, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
	Notes	2007	2006
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	3	104,651	507,228
Cost of sales		(44,154)	(361,866)
Gross profit		60,497	145,362
Other income and gains	3	97,608	7,034
Selling and marketing costs		(28,643)	(15,942)
Administrative expenses		(59,566)	(25,816)
Other operating expenses, net		(529)	(500)
Fair value gains on investment properties		81,177	60,853
Finance costs	4	(14,881)	(1,371)
Share of profit and loss of a jointly-controlled entity		(9)	(13)
PROFIT BEFORE TAX	5	135,654	169,607
Tax	6	(21,581)	(72,693)
PROFIT FOR THE PERIOD		114,073	96,914
Attributable to:			
Equity holders		114,073	96,914
Minority interests		—	—
		114,073	96,914
Earnings per share – Basic	7	RMB6.1 cents	N/A
Dividends	8	—	—

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at	
		30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		723,507	557,349
Investment properties		589,787	531,545
Land use rights		352,741	290,836
Interest in a jointly-controlled entity		3,932	3,941
Deferred tax assets		39,707	31,933
		<hr/>	<hr/>
Total non-current assets		1,709,674	1,415,604
		<hr/>	<hr/>
CURRENT ASSETS			
Properties under development		4,584,406	1,815,109
Completed properties held for sale		3,458	8,948
Trade receivables	10	13,259	3,042
Prepayments, deposits and other receivables		197,725	74,816
Due from a director		–	77,428
Taxes recoverable		9,301	5,051
Restricted cash		219,447	202,432
Cash and cash equivalents		699,885	803,904
		<hr/>	<hr/>
Total current assets		5,727,481	2,990,730
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	11	1,079,174	98,501
Other payables and accruals		1,915,288	568,933
Interest-bearing bank loans		819,525	1,127,108
Due to a jointly-controlled entity		12,999	12,999
Due to related companies		–	168,778
Taxes payable		114,395	136,103
		<hr/>	<hr/>
Total current liabilities		3,941,381	2,112,422
		<hr/>	<hr/>
NET CURRENT ASSETS		1,786,100	878,308
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,495,774	2,293,912
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at	
	<i>Notes</i>	30 June 2007	31 December 2006
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		2,269,858	1,190,850
Deferred tax liabilities		104,228	116,035
		<hr/>	<hr/>
Total non-current liabilities		2,374,086	1,306,885
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net assets		1,121,688	987,027
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
EQUITY			
Issued capital	<i>12</i>	184,241	–
Reserves		935,797	987,027
		<hr/>	<hr/>
		1,120,038	987,027
Minority interests		1,650	–
		<hr/>	<hr/>
Total equity		1,121,688	987,027
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Notes:

1. GENERAL INFORMATION

KWG Property Holding Limited (the “Company”) was incorporated in the Cayman Islands on 28 July 2006 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands.

The Group underwent the reorganisation (the “Reorganisation”) in preparation for the listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Details of the Reorganisation were disclosed in the prospectus of the Company dated 18 June 2007 (the “Prospectus”).

The address of the Company’s registered office is Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands. During the period, the Company is engaged in investment holding and the subsidiaries of the Company were principally engaged in the property development, property investment and property management in The People’s Republic of China (the “PRC”).

The shares of the Company were listed on the Main Board of the Stock Exchange on 3 July 2007.

The unaudited interim financial information was reviewed by audit committee of the Company and approved by the Board for issue on 21 September 2007.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited 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”). The interim financial report should be read in conjunction with the accountants’ report set out in Appendix I to the Prospectus.

The unaudited interim financial information for the six months ended 30 June 2006 has been prepared using the principles of merger accounting, as described in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA as if the current group structure had been in existence throughout the six months ended 30 June 2006 or since their respective dates of incorporation/establishment, whichever is the shorter period. For companies acquired from (or disposed to) a third party during the period, they would be included in (or excluded from) the interim financial information of the Group from the date of that acquisition (disposal).

2.2 Accounting policies

The unaudited interim financial information 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 2006 included in the Prospectus, except for the adoption of the following new standards, amendments and interpretations of Hong Kong Financial Reporting Standards (“HKFRS”), which are relevant to the Group’s operations and are adopted for the first time for current period’s financial statements.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment

The Group has assessed the impact of the adoption of these new standards, amendments and interpretations and considered that there was no significant impact on the Group’s results and financial position.

Standards and interpretations that are not yet effective and have not been adopted by the Group

The Group has not early adopted the following new/revised standards and interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK (IFRIC) – Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

Management is in the process of making an assessment of their impact and is not yet in a position to state what impact they would have on the Group’s results of operations and financial position.

3. REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION

	Six months ended 30 June	
	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Unaudited)
<i>Revenue</i>		
Sales of properties	99,674	503,920
Gross rental income	1,623	1,265
Property management fees	3,354	2,043
	<u>104,651</u>	<u>507,228</u>
<i>Other income and gains</i>		
Gain on disposals of investment properties	8,305	5,606
Bank interest income	65,662	837
Others	23,641	591
	<u>97,608</u>	<u>7,034</u>

The Group is principally engaged in the property development, property investment and property management. The property development projects undertaken by the Group during the periods are all located in the PRC. Accordingly, no segmental analysis by geographical segment is presented.

The segment results for the six months ended 30 June 2007 are as follows:

	Property development <i>RMB'000</i> (Unaudited)	Property investment <i>RMB'000</i> (Unaudited)	Property management <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue:				
Sales to external customers	<u>99,674</u>	<u>1,623</u>	<u>3,354</u>	<u>104,651</u>
Segment results	<u>32,567</u>	<u>87,371</u>	<u>869</u>	120,807
Interest income and unallocated income				89,303
Unallocated expenses				(59,566)
Finance costs				(14,881)
Share of profit and loss of a jointly-controlled entity				(9)
Profit before tax				135,654
Tax				(21,581)
Profit for the period				<u>114,073</u>

The segment results for the six months ended 30 June 2006 are as follows:

	Property development <i>RMB'000</i> (Unaudited)	Property investment <i>RMB'000</i> (Unaudited)	Property management <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue:				
Sales to external customers	503,920	1,265	2,043	507,228
Segment results	128,183	67,168	28	195,379
Interest income and unallocated income				1,428
Unallocated expenses				(25,816)
Finance costs				(1,371)
Share of profit and loss of a jointly-controlled entity				(13)
Profit before tax				169,607
Tax				(72,693)
Profit for the period				96,914

4. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans and other loans wholly repayable within five years	102,822	43,818
Interest on amounts due to related companies	245	4,688
Total interest	103,067	48,506
Less: Interest capitalised	(88,186)	(47,135)
	14,881	1,371

5. PROFIT BEFORE TAX

For the six months ended 30 June 2007, the Group's profit before tax is arrived at after charging cost of properties sold of RMB43,226,000 (six months ended 30 June 2006: RMB360,915,000), depreciation of RMB 2,649,000 (six months ended 30 June 2006: RMB1,404,000) and amortisation of land use rights of RMB54,000 (six months ended 30 June 2006: RMB54,000).

6. TAX

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current		
PRC corporate income tax	20,587	42,001
Land appreciation tax	20,575	23,773
Deferred	(19,581)	6,919
	<hr/>	<hr/>
Total tax charge for the period	21,581	72,693
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax

No Hong Kong profits tax was provided because the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2007 and 2006.

PRC corporate income tax

The PRC corporate income tax 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 2007 and 2006, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC corporate income tax law passed by the Tenth National People's Congress on 16 March 2007, the new corporate income tax rates for domestic and foreign enterprises are unified at 25%, which will be effective from 1 January 2008. As a result, the corporate income tax rate of all the subsidiaries of the Company incorporated in the PRC, will change from 33% to 25% with effect from 1 January 2008. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, has been reflected in the interim financial information of the Group for the six months ended 30 June 2007.

PRC land appreciation tax

PRC land appreciation tax ("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.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to equity holders for the six months ended 30 June 2007 are as follows:

Profit attributable to equity holders (RMB thousands)	114,073
Weighted average number of ordinary shares in issue (thousands)	1,875,000
Earnings per share (RMB cents per share)	6.1

The weighted average of 1,875,000,000 ordinary shares in issue during the period is derived after taking into consideration of the capitalisation issue of 1,874,998,000 ordinary shares, which deemed to have been in issue throughout the accounting period presented.

No diluted earnings per share amount for the six months ended 30 June 2007 has been disclosed as no diluting events existed during that period.

For the six months ended 30 June 2006, earnings per share information is not presented as its inclusion is not considered meaningful due to the Reorganisation and the preparation of the results on combined basis as disclosed in note 2.1 above.

8. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

9. CAPITAL EXPENDITURE

During the six months ended 30 June 2007, the Group acquired property, plant and equipment and land use rights of RMB168,807,000 and RMB61,959,000 respectively (six months ended 30 June 2006: RMB118,844,000 and RMB1,354,000 respectively).

10. TRADE RECEIVABLES

Trade receivables mainly arise from sale of properties. Consideration in respect of properties sold are payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The ageing analysis of trade receivables is as follows:

	30 June	As at
	2007	31 December
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	10,245	1,277
4 to 6 months	2,824	750
7 to 12 months	190	460
Over 1 year	–	555
	<hr/>	<hr/>
	13,259	3,042
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE PAYABLES

All trade payables were fallen due within one year or repayable on demand as of 30 June 2007 and 31 December 2006.

12. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>
Authorised			
Ordinary share of HK\$0.10 each upon incorporation	3,800,000	380	390
Increase in authorised share capital	7,996,200,000	799,620	785,723
	<u>8,000,000,000</u>	<u>800,000</u>	<u>786,113</u>
As 30 June 2007	<u>8,000,000,000</u>	<u>800,000</u>	<u>786,113</u>
Issued and fully paid			
At 28 July 2006 (date of incorporation)	1	–	–
Issue of shares of HK\$0.10 each	1,999	–	–
	<u>2,000</u>	<u>–</u>	<u>–</u>
At 31 December 2006 and 1 January 2007	2,000	–	–
Capitalisation issue	1,874,998,000	187,500	184,241
	<u>1,875,000,000</u>	<u>187,500</u>	<u>184,241</u>
At 30 June 2007	<u>1,875,000,000</u>	<u>187,500</u>	<u>184,241</u>

13. POST BALANCE SHEET EVENT

On 3 July 2007, the Company issued 625,000,000 new ordinary shares of HK\$0.10 each at HK\$7.28 per share in connection with its global offering and the commencement of the listing of its shares on the Main Board of the Stock Exchange, and raised gross proceeds of approximately HK\$4,550,000,000. In addition, on 9 July 2007, pursuant to the exercise of the over-allotment option, an additional 93,750,000 new ordinary shares of HK\$0.10 each were issued at HK\$7.28 per share and gross proceeds of approximately HK\$682,500,000 were raised.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Review

Year 2007 represents a milestone for the Company. The Company was successfully listed on The Stock Exchange of Hong Kong Limited on 3 July 2007. The listing not only provides the Company with funds for future development but also signifies the success of the Company in accession into the international capital market, leading the Company into a new era. Oversubscription of 227 times was recorded in the public offer in Hong Kong.

The Company raised gross proceeds of approximately HK\$5,232.5 million from its listing which has further enhanced the Group's financial capability. It facilitates further development of the Company's business and its increasing land bank.

Market Review

During the first half of 2007, China's economy continued its steady growth with an increase of approximately 11.5% in its GDP. The economy is expected to maintain its steady growth during the second half of 2007.

In order to promote healthy development of the property market, in the first half of 2007, the State Council of China promulgated measures in respect of the settlement of LAT to stabilise the market and the prices of properties. The government has indicated that the promulgation and implementation of these macro measures is expected to provide a healthy market environment for stable development of the property market.

Business Review

The Group's property development is principally located in Guangzhou, Suzhou and Chengdu, the PRC. At the beginning of the year, the total gross floor area ("GFA") under development of the Group was approximately 1,495,000 square metre, among which approximately 330,000 square metre is expected to be completed and delivered in the second half of 2007 as planned. For the six months ended 30 June 2007, the Group's additional total GFA under development was approximately 1,760,000 square metre. As at 30 June 2007, the Group had a total of 18 projects under development (including investment properties) of which 16 are located in Guangzhou and 2 in Suzhou. In July 2007, the Group entered into land grant contracts to acquire parcels of land in Chengdu, Sichuan Province at an aggregate cost of approximately RMB3,622.8 million with an estimated aggregate GFA of 723,000 square metre. The Group intends to develop residential units, Grade A+ office buildings, shopping mall, carpark spaces and 5 star hotel on these parcels of land. The expected total GFA of these projects under development was approximately 3,978,000 square metre.

Properties Under Development

Properties to be completed in the second half of 2007

According to the existing construction planning, it is expected that 3 projects will be entirely completed and 2 projects will be partly completed in the second half of 2007.

Name of Projects	Approximate saleable area Total (’000 square metre)	Interests attributable to the Group
Cosmos	106	100%
Linghui Chuangzhan Commercial Centre	40	100%
Phase I of Jinghu Garden	90	100%
Phase I of Sky Ville	61	100%
Ma’an Mountain No. 1	33	100%
GFA expected to be completed in the second half of 2007	<u>330</u>	<u>100%</u>

Pre-sale of properties

As at 30 June 2007, according to the Group’s internal records, the Group had signed pre-sale agreements with its customers with an aggregate contract amount of approximately RMB1,938.7 million, representing an increase of 204.2% as compared with 30 June 2006. Such contracted sales were in line with the Group’s sales target and the directors believe that the Group can achieve its sales target for the year 2007. According to the Group’s accounting policy, contracted sales will be recognised as revenue after the customers have made full payment for the purchase prices and the properties presold have been completed and delivered to such customers.

Investment Properties

The Group develops office buildings, retail shop units and carpark spaces for leasing and/or for capital appreciation. In July 2007, one of the Group’s major investment properties, IFP, was completed. It comprises office properties with a total leasable GFA of approximately 91,000 square metre.

Hotel Properties and Serviced Apartments

Guangzhou

W Guangzhou Hotel and Serviced Apartments, Sheraton Resort Hotel and Four Points by Sheraton Hotel have commenced construction. The Group has entered into three operating agreements with relevant subsidiaries of the Starwood Group to operate the hotels and associated serviced apartments for ten to fifteen years.

W Guangzhou Hotel and Serviced Apartments is expected to have 320 hotel rooms and 150 apartments. The foundation of the hotel was under construction at the end of June 2007 and it is expected that the hotel will commence into operations in October 2009.

Sheraton Resort Hotel is expected to have 97 villa-style hotel rooms. At the end of June 2007, capping for 70% of the rooms was completed. The Group expects that the hotel will commence operations in October 2008.

Four Points by Sheraton Hotel is expected to have 310 hotel rooms. Capping for the hotel was completed at the end of June 2007. The Group expects that the hotel will commence operations in October 2008.

Chengdu

The Group's 5-star hotel in Gaoxin District, Chengdu is expected to commence construction in 2008. Pre planning is currently undergone and it is expected that the hotel will be completed and commence operations in 2010.

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 and (iii) property management fee income. The revenue is primarily generated from its three business segments: property development, property investment and property management.

The revenue decreased by 79.4 % to approximately RMB104.7 million in the first half of 2007 from approximately RMB507.2 million for the corresponding period in 2006, primarily attributable to the decrease of total GFA sold in 2007. The decrease in revenue was partially offset by increases in the average realised selling price of our properties sold, revenue generated from the recurring income of our property investment segment and revenue of our property management segment.

The revenue generated from property development, property investment and property management was RMB99.7 million, RMB1.6 million and RMB3.4 million respectively, during the six months ended 30 June 2007.

Property development

Revenue generated from property development decreased by 80.2% to approximately RMB99.7 million for the six months ended 30 June 2007 from approximately RMB503.9 million for the corresponding period in 2006, primarily attributable to a 95.0% decrease in GFA sold to 4,910.5 square metre in the first half of 2007 from 97,655.3 square metre for the corresponding period in 2006. The decrease in GFA sold was primarily because some of new property development projects were under construction during the six months ended 30 June 2007 and a portion of these new property development projects are expected to

be completed and delivered in the second half of 2007. The recognised average selling price of property increased to RMB20,298 per square metre in the first half of 2007 from RMB5,160 per square metre for the corresponding period in 2006. The significant increase in average selling price is because the sales comprised mainly the commercial properties for current period whereas last period's sales comprised mainly residential units.

Property investment

Revenue generated from property investment increased by 23.1% to approximately RMB1.6 million for the six months ended 30 June 2007 from approximately RMB1.3 million for the corresponding period in 2006, primarily attributable to an increase in the number of rental properties leased in 2007.

Property management

Revenue generated from property management increased by 70.0% to approximately RMB3.4 million for the six months ended 30 June 2007 from approximately RMB2.0 million for the corresponding period in 2006, 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 components of cost of sales is cost of properties sold, which includes the direct cost of construction, costs of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the period of construction.

Cost of sales decreased by 87.8% to approximately RMB44.2 million for the six months ended 30 June 2007 from approximately RMB361.9 million for the corresponding period in 2006. The decrease in cost of sales was in line with the decrease in total GFA sold in the first half of 2007.

Gross profit

Although gross profit of the Group decreased by 58.4% to approximately RMB60.5 million for the six months ended 30 June 2007 from approximately RMB145.4 million for the corresponding period in 2006, the gross profit margin increased to 57.8% for the six months ended 30 June 2007 from 28.7% for the corresponding period in 2006. The increase in gross profit margin was primarily attributable to the increase in the average selling price of property to RMB20,298 per square metre for the six months ended 30 June 2007 from RMB5,160 per square metre for the corresponding period in 2006.

Other income and gains

Other income and gains increased by 1,294.3% to approximately RMB97.6 million for the six months ended 30 June 2007 from approximately RMB7.0 million for the corresponding period in 2006, primarily attributable to the gains on the disposal of investment properties of RMB8.3 million, a subsidy income of RMB7.9 million, net exchange gains of RMB12.8 million and interest income of approximately RMB61.5 million earned on the over-subscription monies from the Group's initial public offering.

Gains on the disposal of investment properties increased by 48.2% to approximately RMB8.3 million for the six months ended 30 June 2007 from approximately RMB5.6 million for the corresponding period in 2006, primarily relating to the sale of retail shop units and carpark spaces at our La Bali, Color of United and City of Perfection projects attributable to a 37.8% increase in GFA sold to 2,342.1 square metre in the first half of 2007 from 1,699.8 square metre for the corresponding period in 2006. The increase in the average selling price of property also contributed additional gains on disposal of investment properties.

Selling and marketing costs

Selling and marketing costs of the Group increased by 79.9% to approximately RMB28.6 million for the six months ended 30 June 2007 from approximately RMB15.9 million for the corresponding period in 2006, which is primarily attributable to increased advertising for our IFP, Cosmos, Sky Ville, Ma'an Mountain No.1, Jinghu Garden and Linghui Chuangzhan Commercial Centre projects in the first half of 2007, resulting in the increase in advertisement expenses by 87.9% to approximately RMB21.8 million for the six months ended 30 June 2007 from approximately RMB11.6 million for the corresponding period in 2006. In addition, an increased headcount for selling and marketing personnel also gave rise to the higher selling and marketing costs for the period.

Administrative expenses

Administrative expenses of the Group increased by 131.0% to approximately RMB59.6 million for the six months ended 30 June 2007 from approximately RMB25.8 million for the corresponding period in 2006, primarily attributable to the expenses relating to the Group's listing of approximately RMB20.9 million were charged to the Group's consolidated income statement during the period. Additionally, the recruitment of a large number of staff, which were to satisfy the requirement of rapid development of the Group during its listing and afterwards also caused the administrative expense to increase.

Other operating expenses, net

Other operating expenses of the Group remained constant in both periods. The principal factor behind other operating expenses related to operating costs of facilities at our residential development such as clubhouses and dining facilities.

Fair value gains on investment properties

Fair value gains on investment properties of the Group increased by 33.3% to approximately RMB81.2 million for the six months ended 30 June 2007 from approximately RMB60.9 million for the corresponding period in 2006, primarily due to the overall appreciation of properties in Guangzhou City.

Finance costs

Finance costs of the Group increased by 964.3% to approximately RMB14.9 million for the six months ended 30 June 2007 from approximately RMB1.4 million for the corresponding period in 2006, mainly reflecting the interest payments on the new loan in an aggregate principal amount of HK\$600.0 million.

Tax

Tax decreased by 70.3% to approximately RMB21.6 million for the six months ended 30 June 2007 from approximately RMB72.7 million for the corresponding period in 2006, primarily due to the movement in deferred tax assets and liabilities resulted from the expected reduction of the Corporate Income Tax rate to 25% in 2008 from the present 33% and a decrease in assessable profits during the six months ended 30 June 2007.

Profit attributable to the equity holders

Profit attributable to the equity holders for the six months ended 30 June 2007 of the Group increased by 17.7% to approximately RMB114.1 million from approximately RMB96.9 million for the corresponding period in 2006. Such net profit margin increased to 109.0% for the six months ended 30 June 2007 from 19.1% for the corresponding period in 2006, as a result of the cumulative effect of the foregoing factors.

Liquidity, Financial And Capital Resources

Cash position

As at 30 June 2007, the carrying amount of the Group's cash and bank deposits was approximately RMB919.3 million (31 December 2006: RMB1,006.3 million), representing a decrease of 8.6% as compared to that as at 31 December 2006.

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 2007, the carrying amount of the restricted cash was approximately RMB219.4 million (31 December 2006: RMB202.4 million).

Borrowings and charges on group's assets

The Group had aggregate borrowings as at 30 June 2007 of approximately RMB3,089.4 million, of which approximately RMB819.5 million are repayable within 1 year, approximately RMB1,907.6 million are repayable between 2 and 5 years and approximately RMB362.3 million are repayable after 5 years.

As at 30 June 2007, the Group's bank loans of approximately RMB2,799.9 million were secured by property, plant and equipment, land use rights, investment properties and properties under development of the Group with total carrying values of approximately RMB1,750.4 million.

The carrying amounts of all the Group's bank loans are denominated in RMB except for a secured loan balance of approximately HK\$1,451.9 million as at 30 June 2007 which was denominated in Hong Kong dollars. The Group's borrowings of approximately RMB1,674.7 million are charged at fixed interest rates as at 30 June 2007.

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 capital and reserves attributable to equity holders. As at 30 June 2007, the gearing ratio was 193.7% (31 December 2006: 132.9%). The increase in gearing ratio during the six months ended 30 June 2007 was primarily attributable to the continuous raising of new borrowings as a result of the ongoing new project development.

Risk of exchange rate fluctuation

The Group mainly operates in the PRC, so most of its revenue and expenses are measured in Renminbi. The value of Renminbi against the U.S. dollar and currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi 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 2007, though the exchange rates of Renminbi to the U.S. dollar and the Hong Kong dollar increased, the Board expects that any fluctuation of Renminbi's exchange rate will not have material adverse effect on the operations of the Group.

Contingent liabilities

As at 30 June 2007, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB842.9 million (31 December 2006: approximately RMB340.8 million). This represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalty owed by the defaulted 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 can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

Employees

As at 30 June 2007, the Group has employed a total of 1,008 employees. The total staff costs incurred were approximately RMB26.7 million during the six months ended 30 June 2007. Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual performance evaluation.

The Company adopted a share option scheme on 11 June 2007, details of which have been disclosed in the Prospectus. As at 30 June 2007, no options had been granted under the share option scheme.

Prospect

Looking forward, KWG Property Holding Limited would continue to exert its competitive strengths. It would strategically select the locations of its property projects and apply its successful approach within and beyond Guangdong Province. The Company would uphold its spirit in "Building Quality for Infinite Excellence" to bring optimizing returns to the shareholders.

The Board has confidence that the Group's performance will be achieved for the year 2007.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

AUDIT COMMITTEE

The Company established an audit committee in June 2007 with terms of reference in compliance with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (the "Corporate Governance Code"). The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Board.

The audit committee of the Company comprises Mr. Lee Ka Sze, Carmelo, Mr. Dai Feng and Mr. Tam Chun Fai, who are independent non-executive directors. 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 interim financial report for the six months ended 30 June 2007.

CORPORATE GOVERNANCE

Since the Company was only listed on the Main Board of the Stock Exchange on 3 July 2007, the Corporate Governance Code was not applicable to the Company for the period under review.

However, none of the directors of the Company is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not, for any part of the period between 3 July 2007 being the date of the Company's listing and the date of this announcement, in due compliance with the Corporate Governance Code.

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 since the Company's listing.

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. The Company did not have any listed securities before the Company's listing.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.kwgproperty.cn) and the Stock Exchange (www.hkex.com.hk). An interim report for the six months ended 30 June 2007 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
Kong Jian Min
Chairman

Hong Kong, 21 September 2007

As at the date of this announcement, the executive directors are Mr. Kong Jian Min, Mr. Kong Jian Tao, Mr. Kong Jian Nan and Mr. Li Jian Ming. The independent non-executive directors are Mr. Lee Ka Sze, Carmelo, Mr. Dai Feng, and Mr. Tam Chun Fai.