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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

HIGHLIGHTS

- Successfully listed on the main board of the Stock Exchange on 3 July 2007
- Revenue for the year ended 31 December 2007 amounted to RMB3,868.1 million, an increase of 490.9% compared with the financial year of 2006
- Profit attributable to shareholders amounted to RMB2,683.1 million, representing a growth of 1,606.8% compared with the financial year of 2006
- Gross profit margin was 53.2%, an increase from 30.9% in the financial year of 2006
- Net profit margin was 69.4%, an increase from 24.0% in the financial year of 2006
- Earnings per share amounted to RMB120 cents, representing a growth of 1,233.3% compared with the financial year of 2006
- Proposed to declare final dividend of RMB15 cents per share

The board of directors (the "Board") of KWG Property Holding Limited (the "Company") is pleased to announce its first annual results of the Company and its subsidiaries (collectively, the "Group") upon its listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 July 2007.

The Board is pleased to present the audited results of the Group for the year ended 31 December 2007. The annual results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
REVENUE	4	3,868,136	654,632
Cost of sales		(1,809,200)	(452,404)
Gross profit		2,058,936	202,228
Other income and gains	4	206,549	25,633
Selling and marketing costs		(65,437)	(32,572)
Administrative expenses		(148,099)	(51,265)
Other operating expenses, net		(1,086)	(963)
Fair value gains on investment properties		2,288,520	151,611
Finance costs	5	(18,749)	(15,455)
Share of profits and losses of a jointly-controlled entity		(36)	(81)
PROFIT BEFORE TAX	6	4,320,598	279,136
Tax	7	(1,637,788)	(121,980)
PROFIT FOR THE YEAR		2,682,810	157,156
Attributable to:			
Equity holders of the parent		2,683,055	157,156
Minority interests		(245)	–
		2,682,810	157,156
DIVIDENDS			
Proposed final	8	389,063	–
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
– For profit for the year		RMB120 cents	RMB9 cents

CONSOLIDATED BALANCE SHEET
31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		227,685	557,349
Investment properties		3,650,919	531,545
Land use rights		875,254	290,836
Interest in a jointly-controlled entity		3,905	3,941
Deferred tax assets		111,371	31,933
Long term prepayment		933,359	–
Total non-current assets		5,802,493	1,415,604
CURRENT ASSETS			
Properties under development		7,745,585	1,815,109
Completed properties held for sale		1,189,629	8,948
Trade receivables	*10*	34,620	3,042
Prepayments, deposits and other receivables		735,413	74,816
Due from a jointly-controlled entity		29,001	–
Due from a director		–	77,428
Taxes recoverable		1,800	5,051
Restricted cash		147,353	202,432
Cash and cash equivalents		3,288,639	803,904
Total current assets		13,172,040	2,990,730
CURRENT LIABILITIES			
Trade payables	*11*	3,437,982	98,501
Other payables and accruals		1,755,906	568,933
Interest-bearing bank borrowings		275,068	1,127,108
Due to a jointly-controlled entity		–	12,999
Due to related companies		–	168,778
Taxes payable		1,149,171	136,103
Total current liabilities		6,618,127	2,112,422
NET CURRENT ASSETS		6,553,913	878,308
TOTAL ASSETS LESS CURRENT LIABILITIES		12,356,406	2,293,912

	Note	2007 RMB'000	2006 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		2,445,404	1,190,850
Deferred tax liabilities		638,656	116,035
Total non-current liabilities		3,084,060	1,306,885
Net assets		9,272,346	987,027
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		254,093	–
Reserves		7,890,527	987,027
Proposed final dividend	8	389,063	–
		8,533,683	987,027
Minority interests		738,663	–
Total equity		9,272,346	987,027

Notes:

1. **CORPORATE INFORMATION AND GROUP REORGANISATION**

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 registered office of the Company is located at Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands.

Mr. Kong Jian Min, Mr. Kong Jian Tao and Mr. Kong Jian Nan (hereinafter collectively referred to as the "Kong Family") owned various companies in the People's Republic of China (the "PRC") principally engaging in property development, property investment and property management. To rationalise the corporate structure in preparation for the listing of its shares on the Stock Exchange, the Company underwent the reorganisation (the "Reorganisation") to acquire all the subsidiaries and jointly-controlled entity carrying on the property development, property investment and property management business ("Core Business Entities") from the Kong Family and to dispose of certain subsidiaries carrying on other non-property development and investment holding businesses ("Non-core Business Entities") to Mr. Kong Jian Min. Details of the Reorganisation are set out in the Prospectus of the Company dated 18 June 2007.

The Company's shares were listed on the Stock Exchange on 3 July 2007.

During the year, the Group was involved in the following principal activities in the PRC:

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. All the subsidiaries of the Group are under common control during the periods as they are directly or indirectly wholly owned by the Kong Family and the Kong Family governs their financial and operating policies prior to and after the Reorganisation. Accordingly, the comparative amounts for the year ended 31 December 2006 have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Business combination under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs, as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties perspective. No amount is recognised in respect of goodwill or excess of acquirers' interests in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
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 principal effects of adopting these new and revised HKFRSs are as follows:

(a) *HKFRS 7 Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) *HKAS 1 Amendment – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) *HK(IFRIC)-Int 8 Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to its or the Group's employees for identified services provided in accordance with the Company's or Group's share option scheme, the interpretation has had no effect on these financial statements.

(d) *HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements impact on the financial position or results of operations of the Group.

(e) *HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1 January 2009)
HKAS 23 (Revised)	Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
HK(IFRIC)-Int 12	Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008)

3. SEGMENT INFORMATION

The Group's principal businesses are property development, property investment and property management. No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the PRC, and over 90% of the Group's assets are located in the PRC.

There were no intersegment sales and transfers during the year.

Year ended 31 December 2007

	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Total** *RMB'000*
Segment revenue:				
Sales to external customers	3,846,838	11,639	9,659	3,868,136
Segment results	1,980,306	2,312,417	1,994	4,294,717
Interest income and unallocated income				192,765
Unallocated expenses				(148,099)
Finance costs				(18,749)
Share of profit and loss of a jointly-controlled entity	(36)	–	–	(36)
Profit before tax				4,320,598
Tax				(1,637,788)
Profit for the year				2,682,810
Assets and liabilities				
Segment assets	10,340,248	4,316,615	188	14,657,051
Interest in a jointly-controlled entity	3,905	–	–	3,905
Unallocated assets				4,313,577
				18,974,533
Segment liabilities	3,616,568	605,427	–	4,221,995
Unallocated liabilities				5,480,192
				9,702,187
Other segment information:				
Depreciation and amortisation	4,916	1,245	32	6,193
Fair value gains on investments properties	–	2,288,520	–	2,288,520

Year ended 31 December 2006

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	646,871	3,390	4,371	654,632
Segment results	166,186	168,573	357	335,116
Interest income and unallocated income				10,821
Unallocated expenses				(51,265)
Finance costs				(15,455)
Share of profit and loss of a jointly-controlled entity	(81)	–	–	(81)
Profit before tax				279,136
Tax				(121,980)
Profit for the year				157,156
Assets and liabilities				
Segment assets	1,847,574	1,359,045	210	3,206,829
Interest in a jointly-controlled entity	3,941	–	–	3,941
Unallocated assets				1,195,564
				4,406,334
Segment liabilities	571,491	31,055	–	602,546
Unallocated liabilities				2,816,761
				3,419,307
Other segment information:				
Depreciation and amortisation	3,103	21	31	3,155
Fair value gains on investments properties	–	151,611	–	151,611

4. REVENUE, OTHER INCOME AND GAINS

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

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

	2007 *RMB'000*	**2006** *RMB'000*
Revenue		
Sale of properties	3,846,838	646,871
Gross rental income	11,639	3,390
Property management fees	9,659	4,371
	3,868,136	654,632
Other income and gains		
Bank interest income	133,327	3,749
Gain on disposal of investment properties	13,784	14,812
Government grants	7,900	–
Foreign exchange differences, net	43,179	–
Others	8,359	7,072
	206,549	25,633

5. FINANCE COSTS

	2007 *RMB'000*	**2006** *RMB'000*
Interest on bank loans and other loans wholly repayable within five years	186,629	105,802
Interest on amounts due to related companies	245	5,879
Less: Interest capitalised	(168,125)	(96,226)
	18,749	15,455

6. PROFIT BEFORE TAX

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

	2007	2006
	RMB'000	*RMB'000*
Cost of properties sold	1,804,785	450,936
Depreciation	5,930	3,047
Amortisation of land use rights	263	108
Employee benefits expense (excluding directors' remuneration)		
Wages and salaries	63,875	30,022
Pension scheme contributions	2,835	988
Less: Amount capitalised in assets under construction and properties under development	(30,224)	(13,790)
	36,486	17,220

7. TAX

	2007	2006
	RMB'000	*RMB'000*
Current – PRC		
PRC corporate income tax ("CIT")	660,604	58,895
Land appreciation tax ("LAT")	572,215	32,828
	1,232,819	91,723
Deferred	404,969	30,257
Total tax charge for the year	1,637,788	121,980

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 year.

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 years ended 31 December 2006 and 2007, 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 financial information of the Group for the year ended 31 December 2007.

PRC land appreciation tax

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

8. DIVIDENDS

	2007	2006
	RMB'000	*RMB'000*
Proposed final – RMB15 cents (2006: Nil) per ordinary share	389,063	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic earnings per share are as follows:

	2007	2006
Profit attributable to equity holders of the parent (RMB thousands)	2,683,055	157,156
Weighted average number of ordinary shares in issue (thousands)	2,231,849	1,711,130
Earnings per share (RMB cents per share)	120	9

The calculation of basic earnings per share is based on the Group's profit attributable to equity holder of the parent of RMB2,683,055,000 (2006: RMB157,156,000) and the weighted average of 2,231,849,315 shares in issue during the year (2006: share deemed to be issued on 1 January 2006, after taking into consideration of the 1,874,998,000 shares issued arising from the Reorganisation and deemed to have been in issue throughout the accounting years presented).

A diluted earnings per share amount has not been disclosed as there is no dilutive potential shares as at 31 December 2007 (2006: Nil).

10. TRADE RECEIVABLES

	2007	2006
	RMB'000	*RMB'000*
Trade receivables	34,620	3,042

The Group's 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. Trade receivables are non-interest-bearing. An aged analysis of the trade receivables as at the respective balance sheet dates is as follows.

	2007	2006
	RMB'000	*RMB'000*
Within 3 months	30,103	1,277
4 to 6 months	4,127	750
7 to 12 months	390	460
Over 1 year	–	555
	34,620	3,042

11. TRADE PAYABLES

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

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 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 increased by 490.9% to approximately RMB3,868.1 million in 2007 from approximately RMB654.6 million in 2006, primarily attributable to the increase in sales of properties in 2007.

In 2007, the revenue generated from property development, property investment and property management are approximately RMB3,846.8 million, RMB11.6 million and RMB9.7 million, respectively

Property development

Revenue generated from property development increased by 494.7% to approximately RMB3,846.8 million in 2007 from approximately RMB646.9 million in 2006, primarily attributable to a 173.1% increase in the total gross floor area (the "GFA") sold to 332,329 sq.m. in 2007 from 121,692 sq.m. in 2006 and a 117.7% increase in the recognised average selling price of property from RMB5,315.9 per sq.m. in 2006 to RMB11,575.3 per sq.m. in 2007. The significant increase in the recognised average selling price per sq.m. in 2007 over 2006 was principally due to the sale of certain high-end products with distinctive designs and high-quality living environment, like The Cosmos and Sky Ville projects, and an appreciation in the Guangzhou City property market.

Property investment

Revenue generated from the property investment increased by 241.2% to approximately RMB11.6 million in 2007 from approximately RMB3.4 million in 2006, primarily attributable to an increase in the number of rental properties leased. In July 2007, our major investment property, International Finance Place ("IFP"), was completed and operated to boost the rental income during the year.

Property management

Revenue generated from the property management increased by 125.6% to approximately RMB9.7 million in 2007 from approximately RMB4.3 million in 2006, primarily attributable to an increase in the number of properties under management. The completion and operation of IFP in July 2007 used to boost our property management fees income during the year.

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 increased by 299.9% to approximately RMB1,809.2 million in 2007 from approximately RMB452.4 million in 2006, primarily due to an overall increase in cost of properties sold following the increase in number of projects sold and the rising in average land and construction costs on development of higher-end and higher-quality properties.

Land costs per sq.m. increased from RMB435.5 in 2006 to RMB1,327.8 in 2007, principally due to the sale of The Cosmos project which was built in Pearl River New Town, a prime location of Guangzhou City. Construction cost per sq.m. increased from RMB3,059.6 in 2006 to RMB3,790.5 in 2007, primarily due to the use of higher-end fixtures and furnishings in the Group's luxury residential project, The Cosmos.

Gross profit

Gross profit of the Group increased by 918.2% to approximately RMB2,058.9 million in 2007 from approximately RMB202.2 million in 2006. The Group's gross profit margin increased to 53.2% in 2007 from 30.9% in 2006. The increase in gross profit margin was primarily due to an increase in the average selling price of property to RMB11,575.3 per sq.m. in 2007 from RMB5,315.9 per sq.m. in 2006, primarily due to an increase in higher-end and higher-quality properties the Group developed and an overall increase in average selling prices in the Guangzhou City property market.

Other income and gains

Other income and gains increased by 706.6% to approximately RMB206.5 million in 2007 from approximately RMB25.6 million in 2006, primarily attributable to the gains on the disposal of investment properties of RMB13.8 million, a subsidy income of RMB7.9 million, net exchange gains of RMB43.2 million and interest income of approximately RMB133.3 million earned on the over-subscription monies from the Group's initial public offering (the "IPO").

Gains on the disposal of investment properties, primarily relating to the sale of retail shop units and carpark spaces at our La Bali, Color of United and City of Perfection projects. In 2007, the total GFA of investment properties sold was 4,991 sq.m., as compared to 4,453 sq.m. in 2006.

Selling and marketing costs

Selling and marketing costs of the Group increased by 100.6% to approximately RMB65.4 million in 2007 from approximately RMB32.6 million in 2006, which is primarily due to an increase of 101.8% in advertising expenses to approximately RMB44.8 million in 2007 from approximately RMB22.2 million in 2006, largely attributable to increased advertising for our IFP , The Cosmos, Ma'an Mountain No. 1, Linghui Chuangzhan Commercial Centre, Jinghu Garden and Sky Ville projects in 2007. Selling and marketing personnel salaries and benefits for 2007 increased to approximately RMB14.2 million from approximately RMB6.8 million in 2006, primarily as a result of an increased headcount achieved from higher sales volume in 2007.

Administrative expenses

Administrative expenses of the Group increased by 188.7% to approximately RMB148.1 million in 2007 from approximately RMB51.3 million in 2006, primarily attributable to an increased headcount to catch up with the rapid development of the Group during its listing and afterwards. In 2007, two offices were newly established in Suzhou and Chengdu. The increase of other tax and surcharges on sales of properties and the expenses in related to the listing of the Shares on the Stock Exchange also contributed to the increment in 2007.

Other operating expenses

Other operating expenses of the Group remained constant in both years. 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 1,409.6% to approximately RMB2,288.5 million in 2007 from approximately RMB151.6 million in 2006, primarily due to the overall appreciation of properties in the Guangzhou City. Additionally, the total GFA attributable to our investment properties increased from 41,717 sq.m. for retail shop units and 737 carpark spaces at the end of 2006 to 56,309 sq.m. for office, 43,658 sq.m. for retail shop units and 1,126 carpark spaces at the end of 2007, primarily related to our IFP project. Such increase provided a significantly greater GFA base upon which fair value gains on investment property accrued.

Finance costs

Finance costs of the Group increased by 20.6% to approximately RMB18.7 million in 2007 from RMB15.5 million in 2006, mainly reflecting the interest payments on a new loan of HK$600.0 million, which was fully repaid in September 2007.

Tax

Tax increased by 1,242.5% to approximately RMB1,637.8 million in 2007 from approximately RMB122.0 million in 2006, primarily due to an increase in profit attributable to the equity holders of the parent and provisions for LAT as a result of an increase in properties sold in 2007, and net off with the tax effect on the write-down of deferred tax assets and liabilities resulted from the reduction of the Enterprise Income Tax rate to 25% in 2008 from the present 33%.

Profit attributable to the equity holders of the parent

Profit attributable to the equity holders of the parent of the Group in 2007 increased by 1,606.8% to approximately RMB2,683.1 million from approximately RMB157.2 million in 2006. Such net profit margin increased to 69.4% in 2007 from 24.0% in 2006, as a result of the cumulative effect of the foregoing factors.

Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2007, the carrying amount of the Group's cash and bank deposits was approximately RMB3,436.0 million (31 December 2006: RMB1,006.3 million), representing an increase of 241.4% 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 31 December 2007, the carrying amount of the restricted cash was approximately RMB147.4 million (31 December 2006: RMB202.4 million).

Borrowings and charges on the Group's assets

The Group had an aggregated borrowings as at 31 December 2007 of approximately RMB2,720.5 million, of which approximately RMB275.1 million will be repayable within 1 year, approximately RMB2,254.5 million will be repayable between 2 and 5 years and approximately RMB190.9 million will be repayable over 5 years.

As at 31 December 2007, the Group's bank loans of approximately RMB1,763.5 million were secured by property, plant and equipment, land use rights, investment properties and completed properties held for sale of the Group with total carrying values of approximately RMB3,580.6 million.

The carrying amounts of all the Group's bank loans are denominated in RMB except for a secured loan balance of approximately HK$851.9 million as at 31 December 2007 which was denominated in Hong Kong dollars. The Group's borrowings of approximately RMB1,922.8 million are charged at fixed interest rates as at 31 December 2007.

Gearing ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalent and restricted cash) over the total capital and reserves attributable to equity holders of the parent. As at 31 December 2007, the gearing ratio was -8.4%, i.e. the Group was in a net cash position (31 December 2006: 132.9%). As the ongoing new project development and the land replenishment will utilise the IPO proceeds and additional borrowings will be raised, if required, the gearing ratio is expected to be gradually increased to a reasonable level.

Risk of exchange rate fluctuation

The Group mainly operates in the PRC, so most of its revenue and expenses are measured in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

During 2007, though the exchange rates of RMB to the U.S. dollar and the Hong Kong dollar kept on increasing, the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent liabilities

As at 31 December 2007, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB1,558.1 million (31 December 2006: 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 principals 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.

BUSINESS REVIEW

Land bank

Year 2007 was the year in which the Group extended its development to other influent cities out of Guangzhou. In addition to maintain its edges of development in Guangdong region, the Group successfully entered into the market of Suzhou in Eastern China, Chengdu in South-western China, Lingshui City of Hainan in Southern China in 2007. Later, in January 2008, the Group further extended its development to Beijing the capital city of China. The scope of development is formed with its stronghold in Guangdong and footprints in the four major areas of the country.

The Group has been committed to acquire quality land in prime location through various channels for enhancing its capacity of sustainable development. In 2007, the Group acquired 11 parcels of premium land with GFA of approximately 3.9 million sq.m. by various means such as auction, bidding and listing for sales. Land bank has grown significantly, in which the area attributable to the Group was approximately 3.21 million sq.m.

Overview of new land acquired in 2007

District	Project	Location	Total GFA *('000 m^2)*	Interests attributable to the Company	Total GFA attributable to the Company *('000 m^2)*
Guangzhou	Kehui Development Centre	Guangzhou Science City	300	100%	300
Suzhou	朗悦灣 (Weitang Project)	Suzhou	213	100%	213
Suzhou	Land lots B, C Project	Suzhou	788	100%	788
Guangzhou	Conghua Project	Conghua	280	100%	280
Chengdu	Chengdu land lot no. 3	South part of Xinqu	48	65%	32
Chengdu	Chengdu land lots no. 9 and 10	South part of Xinqu	618	65%	402
Guangzhou	Lie De Project	Pearl River New Town	568	33.33%	189
Chengdu	Chengdu land lots no. 6 and 7	高新西區	529	100%	529
Suzhou	QianDeng County Project	QianDeng County, Kunshan	146	100%	146
Hainan	Hainan Project	Lingshui County	266	100%	266
Guangzhou	J2-2 Project	Pearl River New Town	145	50%	73
Total:			3,901		3,218

On 31 January 2008, the Group, through auction, acquired quality land in Mapo County, Shunyi District, Beijing of the GFA of 500,000 sq.m. which is a wholly owned by the Group.

Development and sales of properties

For the period under review, benefiting from the robust economic growth in Guangdong and the Group's reputation acquired with its determination to develop high quality projects, the Group recorded significant growth in sales of properties in 2007, hitting a record high in contracted sale/presale of approximately RMB5,000 million, representing a significant and substantial increase compared to 2006. As at 31 December 2007, the Group had 6 projects available for sale (lease) simultaneously and 5 projects were successfully delivered to owners for occupation. Total completed area was approximately 654,000 sq.m., in which saleable area was approximately 513,000 sq.m. and sales area sold was approximately 361,000 sq.m..

Completed area for the year ended 31 December 2007

Project	**Interests attributable to the Group** *(%)*	**Total completed GFA** *('000 sqm)*	**Saleable GFA** *('000 sqm)*	**Sold/ presold GFA** *('000 sqm)*
Linghui Chungzhan Commercial Centre	100	46	41	40
Cosmos	100	197	145	96
Sky Ville (Phase I)	100	108	153	70
Ma'an Mountain No.1	100	74	62	49
Jinghu Garden (Phase I)	100	125	108	103
IFP	100	102	3	3
Total		**654**	**513**	**361**

Projects under development

As at 31 December 2007, the Group had 13 development projects under or planned for development, which are located in Guangzhou, Suzhou and Chengdu.

City (District)	**Project**	**Type of Property**	**Total GFA** *('000m²)*	**Saleable GFA** *('000m²)*	**Expected pre-sales date**	**Expected completion date**	**Interests attributable to the Group** *(%)*
Guangzhou	Sky Ville (Phase II)	Townhouses and high-rise apartments	470	466	2nd quarter of 2008	June and New 2008 (Phase II)	100%
Guangzhou	Hui Feng	Apartments	100	100	1st quarter of 2008	November 2008	35%

City (District)	Project	Type of Property	Total GFA *('000m²)*	Saleable GFA *('000m²)*	Expected pre-sales date	Expected completion date	Interests attributable to the Group *(%)*
Guangzhou	Jinghu Garden (Phase II)	Townhouses	198	198	1st quarter of 2008	May 2008 (Phase II)	100%
Guangzhou	從化上城灣畔	Townhouses and duplexes	280	280	2nd quarter of 2008	November 2008	100%
Guangzhou	Yucui Garden	Townhouses	110	110	2nd quarter of 2008	October 2008	50%
Guangzhou	Kehui Development Centre	Office block and shopping center	300	300	3rd quarter of 2008	November 2008 (Phase I)	100%
Guangzhou	Ling Feng	Luxury apartments and apartments and hotel	180	80	2nd quarter of 2008	September 2009	100%
Suzhou	朗悅灣	Duplexes, and townhouses	213	213	2nd quarter of 2008	November 2008 (Phase I)	100%
Suzhou	Land lot in Kunshan	Townhouses	146	146	2nd quarter of 2008	June 2009	100%
Suzhou	Land lots B and C	Townhouses	788	788	4th quarter 2008 (Phase I)	June 2009 (Phase I)	100%
Chengdu	Land lot no. 3	Residential units and aucillary facilities	48	48	3rd quarter of 2008	2009	65%
Chengdu	Land lots no. 6 and 7	Residential units and aucillary facilities	529	507	3rd quarter of 2008	June 2009 (Phase I)	100%
Chengdu	Land lots no. 9 and 10	Residential units, apartments and offices and shipping center	618	487	4th quarter of 2008	November 2009 (Phase I)	65%
Total			3,980	3,723			

Investment Properties and Hotels

While developing properties for sales, the Group has also actively diversified its investment properties portfolio with a view to mitigating the affect of market fluctuations and policy changes. In order to provide more balanced revenue and stable income sources and cash flow, the Group aims at increasing the long term holding of the share of hotels, shop units, shopping centers and office buildings operations in the Group's total profit to approximately 20%.

During the year under review, turnover of the Group from its investment on office premises and the leasing of retail properties amounted to RMB11,639,000.

(1) Hotels

The Group is dedicated to the development of luxurious 5-star hotels in prime locations in urban areas while maintaining business and resort hotels. The Group's 3 multi-star hotels in Guangzhou are currently under construction, while 2 other high-end shopping centers and various multi-star hotels, which are located in Guangzhou, Chengdu and Suzhou, were in the stage of planning. To ensure the quality of our hotel services, the Group entered into a management agreement for cooperation with Starwood, an international renowned hotel management corporation, with respect to the Group's W Hotel, the Sheraton Resort Hotel in Huadu and the Four Points by Sheraton Hotel.

(2) Investment Properties Completed and available for Lease

The Group also focuses on investing in high-end office premises in prime urban locations to secure stable long-term rental income. IFP in the CBD of Guangzhou City, which was invested by the Group, was completed and delivered to the tenants for occupation in July 2007. This office building was built with state-of-the-art technologies with two basements connected to the line no.3 and no. 5 of the Guangzhou subway, which allows higher accessibility to public transportation. Ensuring the best tenants portfolio, the Group engaged Jones Lang LaSalle as our property lease agent to attract and select tenants and to ensure all the tenants are large-scale multi-national financial institutions. Currently, the average monthly rent of IFP is RMB210 per sq.m. As at 25 March 2008, the Group has entered into lease contract and letter of intent with the tenants representing 80% of the total GFA. Most of the tenants are PRC and foreign financial institutions and reputable multinational enterprises.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Hong Kong Stock Exchange on 3 July 2007, after deduction of related issuance expenses, amounted to approximately HK$5,034.0 million. These proceeds were applied during the year ended 31 December 2007 with the remaining sum of approximately HK$800 million being unutilized as follows:–

- approximately HK$600 million, to repay the debt incurred in connection with the Reorganisation.
- approximately HK$1,700 million, to finance land costs.
- approximately HK$1,900 million to finance construction costs.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2007, the Group has employed a total of 1,200 employees. The total staff costs incurred were approximately RMB66.7 million during the financial year ended 31 December 2007. The remuneration of employees was based on their performance, skill, knowledge, experience and market trend. The Group reviewed the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salary, employees may be offered with discretionary bonus and cash awards based on individual performance.

The Company adopted a share option scheme on 11 June 2007 under which the Company may grant options to eligible employees to subscribe for the shares of the Company. Particulars of the scheme are to be set out in the relevant sections of the Annual Report. As at 31 December 2007, no options had been granted, exercised or cancelled under the scheme.

DIVIDEND

The Board has proposed payment of final dividend of RMB15 cents per share for the year ended 31 December 2007. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid on or before 5 July 2008 to the shareholders on the Register of Members as at 6 June 2008.

PURCHASE, REDEMPTION OR SALE OF SHARES

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code of conduct regarding directors' securities transactions. The Company made specific enquiry of all Directors regarding any non-compliance with the Model Code and all Directors confirmed that they have complied with the required standard set out in the Model Code during the financial year ended 31 December 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company believes that sound and good corporate governance practices are not only key elements in enhancing investor confidence and the Company's accountability and transparency but also important to the Company's long-term success. The Company, therefore, strives to attain and maintain effective corporate governance practices and procedures. Since its listing on 3 July 2007, the Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code Provision") as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2007.

Audit Committee

The Audit Committee was established with written terms of reference in accordance with the Code Provisions as set out in Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board to assess matters related to the financial statements and to perform the duties, including reviewing the

Company's financial controls and internal control, financial and accounting policies and practices and the relationship with the external auditor. The Audit Committee comprises three members who are independent non-executive directors, namely Mr. Tam Chun Fai (the chairman), Mr. Lee Ka Sze Carmelo and Mr. Dai Feng.

Remuneration Committee

The Remuneration Committee was established with written terms of reference in accordance with the Code Provisions as set out in Appendix 14 to the Listing Rules. The principal responsibilities of the Remuneration Committee include formulation and making recommendation of remuneration policy and remuneration package of the directors and members of senior management to the Board. The Remuneration Committee is chaired by Mr. Kong Jian Min with two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Dai Feng, as members.

Nomination Committee

The Nomination committee is responsible for reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships. The chairman is Mr. Kong Jian Min, an executive director, and the two other members are Mr. Tam Chun Fai and Mr. Dai Feng. Both of them are independent non-executive directors.

ANNUAL GENERAL MEETING ("AGM")

The 2007 AGM of the Company will be held on Friday, 6 June 2008 and the Notice of AGM will be published and dispatched in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 2 June 2008 to Friday, 6 June 2008 (both days inclusive). In order to establish entitlements to the proposed final dividend which is to be approved in the AGM, and attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 30 May 2008.

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

Hong Kong, 26 March 2007

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