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 2008

HIGHLIGHTS

- Revenue for the year ended 31 December 2008 amounted to RMB1,574.2 million, a decrease of 59.3% compared with the financial year of 2007.
- Profit attributable to shareholders amounted to RMB368.5 million, a decrease of 86.3% compared with the financial year of 2007. Excluding the revaluation effect, profit attributable to shareholders amounted to RMB386.2 million, a decrease of 60.1% compared with the financial year of 2007.
- Gross profit margin was 52.6%, a decrease from 53.2% in the financial year of 2007.
- Net profit margin was 23.3%, a decrease from 69.4% in the financial year of 2007. Excluding the revaluation effect, the net profit margin was 24.4% compared with 25.0% in the financial year of 2007.
- Earnings per share amounted to RMB14 cents, a decrease of 88.3% compared with the financial year of 2007.
- Proposed to declare final dividend of RMB3 cents per ordinary share.

The board of directors (the "Board") of KWG Property Holding Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008. The annual results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	**2008** **RMB'000**	2007 *RMB'000*
REVENUE	4	**1,574,214**	3,868,136
Cost of sales		**(746,413)**	(1,809,200)
Gross profit		**827,801**	2,058,936
Other income and gains	4	**150,644**	206,549
Selling and marketing costs		**(89,514)**	(65,437)
Administrative expenses		**(170,908)**	(148,099)
Other operating expenses, net		**(1,758)**	(1,086)
Fair value (losses)/gains on investment properties, net		**(23,569)**	2,288,520
Finance costs	5	**—**	(18,749)
Share of profit and loss of a jointly-controlled entity		**10,582**	(36)
PROFIT BEFORE TAX	6	**703,278**	4,320,598
Tax	7	**(337,108)**	(1,637,788)
PROFIT FOR THE YEAR		**366,170**	2,682,810
Attributable to:			
Equity holders of the parent		**368,532**	2,683,055
Minority interests		**(2,362)**	(245)
		366,170	2,682,810
DIVIDENDS			
Proposed final	8	**77,813**	389,063
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		**RMB14 cents**	RMB120 cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**443,268**	227,685
Investment properties		**3,546,400**	3,650,919
Land use rights		**549,952**	875,254
Interest in a jointly-controlled entity		**20,487**	3,905
Deferred tax assets		**168,453**	111,371
Long term prepayment		**1,098,483**	933,359
Total non-current assets		**5,827,043**	5,802,493
CURRENT ASSETS			
Properties under development		**11,878,560**	7,745,585
Completed properties held for sale		**1,534,404**	1,189,629
Trade receivables	10	**30,713**	34,620
Prepayments, deposits and other receivables		**1,069,487**	735,413
Due from a jointly-controlled entity		**50,314**	29,001
Taxes recoverable		**3,316**	1,800
Restricted cash		**205,942**	147,353
Cash and cash equivalents		**1,167,009**	3,288,639
Total current assets		**15,939,745**	13,172,040
CURRENT LIABILITIES			
Trade payables	11	**2,879,007**	3,437,982
Other payables and accruals		**2,063,396**	1,755,906
Interest-bearing bank loans		**1,058,928**	275,068
Taxes payable		**1,012,289**	1,149,171
Total current liabilities		**7,013,620**	6,618,127
NET CURRENT ASSETS		**8,926,125**	6,553,913
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,753,168**	12,356,406

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**4,935,253**	2,445,404
Deferred tax liabilities		**626,704**	638,656
Total non-current liabilities		**5,561,957**	3,084,060
Net assets		**9,191,211**	9,272,346
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**254,093**	254,093
Reserves		**8,136,797**	7,890,527
Proposed final dividend	8	**77,813**	389,063
		8,468,703	8,533,683
Minority interests		**722,508**	738,663
Total equity		**9,191,211**	9,272,346

Notes:

1. CORPORATE INFORMATION

KWG Property Holding Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Group was involved in the following principal activities in the People's Republic of China (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 and the disclosure requirements of the Hong Kong Companies Ordinance. 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2008. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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

Summary of significant accounting policies

The accounting policies adopted in this consolidated financial statements are consistent with the Group's audited financial statements for the year ended 31 December 2007.

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 & HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement and* HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC) — Int 11	*HKFRS 2 — Group and Treasury Share Transactions*
HK(IFRIC) — Int 12	*Service Concession Arrangements*
HK(IFRIC) — Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and* HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRSs*[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 & HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and* HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendments	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[2]
HK (IFRIC) — Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) — Int 9 Reassessment of Embedded Derivatives and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*[6]
HK (IFRIC) — Int 13	*Customer Loyalty Programmes*[3]
HK (IFRIC) — Int 15	*Agreements for the Construction of Real Estate*[1]
HK (IFRIC) — Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK (IFRIC) — Int 17	*Distributions of Non-cash Assets to Owners*[2]
HK (IFRIC) — Int 18	*Transfers of Assets from Customers*[5]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 July 2008

[4] Effective for annual periods beginning on or after 1 October 2008

[5] Effective for transfers of assets from customers received on or after 1 July 2009

[6] Effective for annual periods ending on or after 30 June 2009

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

* *Improvement to HKFRSs* contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

The Group's principal businesses are property development, property investment and provision of property management services. 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 (2007: Nil).

Year ended 31 December 2008

	Property development	Property investment	Property management	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	**1,471,220**	**74,526**	**28,468**	**1,574,214**
Segment results	**644,342**	**92,492**	**20,878**	**757,712**
Interest income and unallocated income				**105,892**
Unallocated expenses				**(170,908)**
Share of profit and loss of a jointly-controlled entity	**10,582**	—	—	**10,582**
Profit before tax				**703,278**
Tax				**(337,108)**
Profit for the year				**366,170**
Assets and liabilities:				
Segment assets	**14,609,926**	**4,471,471**	**384**	**19,081,781**
Interest in a jointly-controlled entity	**20,487**	—	—	**20,487**
Unallocated assets				**2,664,520**
Total assets				**21,766,788**
Segment liabilities	**3,329,387**	**353,302**	—	**3,682,689**
Unallocated liabilities				**8,892,888**
Total liabilities				**12,575,577**
Other segment information:				
Depreciation and amortisation	**9,464**	**2,437**	**41**	**11,942**
Fair value losses on investment properties, net	—	**23,569**	—	**23,569**

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
Total assets				18,974,533
Segment liabilities	3,616,568	605,427	—	4,221,995
Unallocated liabilities				5,480,192
Total liabilities				9,702,187
Other segment information:				
Depreciation and amortisation	4,916	1,245	32	6,193
Fair value gains on investment properties	—	2,288,520	—	2,288,520

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, gross 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:

	2008	2007
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**1,471,220**	3,846,838
Gross rental income	**74,526**	11,639
Property management fees	**28,468**	9,659
	1,574,214	3,868,136
Other income and gains		
Bank interest income	**23,537**	133,327
Gain on disposal of investment properties	**44,752**	13,784
Government grant	**—**	7,900
Foreign exchange differences, net	**73,675**	43,179
Others	**8,680**	8,359
	150,644	206,549

5. FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**302,997**	186,629
Interest on bank loans wholly repayable after five years	**37,011**	—
Interest on amounts due to related companies	**—**	245
Less: Interest capitalised	**(340,008)**	(168,125)
	—	18,749

6. PROFIT BEFORE TAX

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

	2008 *RMB'000*	2007 *RMB'000*
Cost of properties sold	**738,895**	1,804,785
Depreciation	**8,638**	5,930
Amortisation of land use rights	**3,304**	263
Less: Amount capitalised in assets under construction	**(2,686)**	—
	618	263
Employee benefits expenses (excluding directors' remuneration):		
Wages and salaries	**89,371**	63,875
Pension scheme contributions	**5,041**	2,835
Less: Amount capitalised in assets under construction and properties under development	**(41,867)**	(30,224)
	52,545	36,486
Loss on disposal of items of property, plant and equipment	**331**	—

7. TAX

	2008 *RMB'000*	2007 *RMB'000*
Group:		
Current — PRC		
Corporate income tax ("CIT")	**208,548**	660,604
Land appreciation tax ("LAT")	**197,594**	572,215
	406,142	1,232,819
Deferred	**(69,034)**	404,969
Total tax charge for the year	**337,108**	1,637,788

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 years ended 31 December 2007 and 2008.

PRC corporate income tax

The PRC CIT in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2007 and 2008, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the PRC CIT law passed during the Tenth National People's Congress on 16 March 2007, the new CIT rates for domestic and foreign enterprises were unified at 25%, which was effective from 1 January 2008. As a result, the CIT rate of all the subsidiaries of the Company incorporated in the PRC changed from 33% to 25% with effect from 1 January 2008.

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

	2008	2007
	RMB'000	*RMB'000*
Proposed final — RMB3 cents (2007: RMB15 cents) per ordinary share	**77,813**	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 calculation of the basic earnings per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

A diluted earnings per share amount for the years ended 31 December 2007 and 2008 is the same as the basic earnings per share as no diluting events existed during these years.

The calculation of basic earnings per share is based on:

	2008	2007
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**368,532**	2,683,055

	Number of shares	
	2008	2007
Share		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,593,750,000**	2,231,849,315

10. TRADE RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**30,713**	34,620

Trade receivables consist of receivables from sale of properties and rental under operating leases. 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 respective balance sheet dates is as follows:

	2008	2007
	RMB'000	*RMB'000*
Within 3 months	**20,643**	30,103
4 to 6 months	**2,010**	4,127
7 to 12 months	**7,280**	390
Over 1 year	**780**	—
	30,713	34,620

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the balance sheet date is as follows:

	2008	2007
	RMB'000	*RMB'000*
Due within one year or on demand	**2,879,007**	3,437,982

The trade payables are non-interest-bearing and are normally settled on terms of three to six months.

12. POST BALANCE SHEET EVENT

On 12 March 2009, the joint venture between Prime Way Enterprises Limited, a wholly-owned subsidiary of the Group, and the investors with respect to the property development in Chengdu has been terminated by way of transfer back to the Company the Investor Shares for US$101,300,420.22. Details of the information were contained in the Company's announcement dated 12 March 2009.

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 provision of property management services.

The revenue amounted to approximately RMB1,574.2 million in 2008, representing a decrease of 59.3% from approximately RMB3,868.1 million in 2007, primarily due to the decrease of total gross floor area (the "GFA") delivered in sales of properties in 2008.

In 2008, the revenue generated from property development, property investment and property management services were approximately RMB1,471.2 million, RMB74.5 million and RMB28.5 million, respectively.

Property development

Revenue generated from property development decreased by 61.8% to approximately RMB1,471.2 million in 2008 from approximately RMB3,846.8 million in 2007, primarily due to a 59.8% decrease in the total GFA delivered to 133,531 sq.m. in 2008 from 332,329 sq.m. in 2007. The decrease in the total GFA delivered in 2008 was principally due to the delay in the construction schedule of two of the Group's property development projects which were originally scheduled for completion in 2008, thus rendering a decrease in the total GFA for completion and delivery. Besides, the slowdown in the PRC property market in 2008 also led to a decline in both the number of property transactions and the price, whilst also adversely affected the sales performance of certain projects of the Group. The Group adjusted the pace of development, principally to handle the sudden deterioration in the operating environment during 2008, which was driven by the global economic crisis, rapid decline in the PRC property market as a result of the Central Government's macroeconomic policy and tightened credit environment. Some of its projects in the mid-tier segment were particularly impacted by the depressed operating environment. Despite the poor market sentiment and our decrease in GFA delivered, the Group maintained a high recognised average selling price, at RMB 11,017.7 per sq.m., as compared to RMB 11,575.3 per sq.m. in 2007.

Property investment

Revenue generated from the provision of property investment increased by 542.2% to approximately RMB74.5 million in 2008 from approximately RMB11.6 million in 2007, primarily attributable to an increase in the number of properties leased in 2008 as a result of the completion and delivery of our major investment property, International Finance Place ("IFP"), in July 2007.

Provision of property management services

Revenue generated from the provision of property management services increased by 193.8% to approximately RMB28.5 million in 2008 from approximately RMB9.7 million in 2007, primarily attributable to an increase in the number of properties under management.

Cost of sales

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

Cost of sales decreased by 58.7% to approximately RMB746.4 million in 2008 from approximately RMB1,809.2 million in 2007, primarily due to an overall decrease in cost of properties sold following the decrease in GFA delivered.

Land cost per sq.m. decreased from RMB1,327.8 in 2007 to RMB1,117.6 in 2008, principally due to the delivery of a portion of IFP and our luxury residential project, The Cosmos in 2007, where land cost is relatively higher. Both of them were built in Pearl River New Town, a prime location of Guangzhou City.

Construction cost per sq.m. increased from RMB3,790.5 in 2007 to RMB4,152.8 in 2008, principally due to an overall increase in material costs.

Gross profit

Gross profit of the Group decreased by 59.8% to approximately RMB827.8 million in 2008 from approximately RMB2,058.9 million in 2007. The decrease in gross profit was in line with the decrease in the total revenue in 2008. Despite the decrease in GFA delivered, the Group maintained its gross profit margin at 52.6% in 2008 (2007: 53.2%).

Other income and gains

Other income and gains decreased by 27.1% to approximately RMB150.6 million in 2008 from approximately RMB206.5 million in 2007, mainly comprising the gains on the disposal of investment properties of approximately RMB44.8 million, interest income of approximately RMB23.5 million and net exchange gains of approximately RMB73.7 million.

Gains on the disposal of investment properties increased by 224.7% or approximately RMB31.0 million in 2008, primarily due to the sale of retail shop units and carpark spaces at its existing projects, attributable to increase in GFA sold in 2008 as compared with 2007.

Selling and marketing costs

Selling and marketing costs of the Group increased by 36.9% to approximately RMB89.5 million in 2008 from approximately RMB65.4 million in 2007, which is primarily due to an increase of 43.1% in advertising expenses to approximately RMB64.1 million in 2008 from approximately RMB44.8 million in 2007, which was largely attributable to increased advertising for our new projects, such as City Island in Suzhou, Waterfront Mansion in Conghua, Sky Ville Phase II and The Apex in 2008. However, selling and marketing personnel salaries and benefits for 2008 decreased to approximately RMB10.0 million from approximately RMB14.2 million in 2007, primarily affected by the reduction in sales commission for sales of property during 2008.

Administrative expenses

Administrative expenses of the Group increased by 15.4% to approximately RMB170.9 million in 2008 from approximately RMB148.1 million in 2007, primarily attributable to an increased headcount to catch up with the rapid development of the Group in order to achieve its long term goal. A total of four regional offices were established in Suzhou, Chengdu, Beijing and Hainan. Despite the slowdown in the PRC property market in 2008, the Group believes that people are key elements for future growth and grasp the opportunities ahead. The Group also provided extensive training, built an incentive scheme as well as a teamwork-oriented corporate culture with high sense of belonging to pave the way for long term development.

Other operating expenses, net

Other operating expenses of the Group increased by 63.6% to approximately RMB1.8 million in 2008 from approximately RMB1.1 million in 2007, primarily due to an increase in operating costs of facilities at our residential development such as clubhouses and dining facilities.

Fair value losses on investment properties, net

Induced by the global economic crisis, the rapid decline in the PRC property market and lack of new significant investment property, the Group reported net fair value losses on investment properties of approximately RMB23.6 million in 2008 (2007: gains of approximately RMB2,288.5 million).

Finance costs

Finance costs of the Group decreased by 100.0% to nil in 2008 from approximately RMB18.7 million in 2007, mainly reflecting the capitalisation of the borrowing costs on the corresponding projects in 2008.

Tax

Tax decreased by 79.4% to approximately RMB337.1 million in 2008 from approximately RMB1,637.8 million in 2007, primarily due to a decrease in profit attributable to the equity holders of the parent and provisions for LAT as a result of a decrease in properties sold in

2008. The decrease in tax was also contributed by the reduction of the PRC CIT rate from 33% in 2007 to 25% in 2008 and the decrease of the deferred tax charges resulting from the decrease in fair value gains on investment properties in 2008.

Profit attributable to the equity holders of the parent

Profit attributable to the equity holders of the parent of the Group in 2008 decreased by 86.3% to approximately RMB368.5 million from approximately RMB2,683.1 million in 2007. Net profit margin fell to 23.3% in 2008 from 69.4% in 2007, mainly due to the decrease in fair value gains on investment properties to net losses of approximately RMB23.6 million in 2008 as compared with gains of approximately RMB2,288.5 million in 2007. Stripping the effect of the fair value gains or losses, the profit attributable to equity holders of the parent of the Group would have been approximately RMB386.2 million for 2008, as compared to approximately RMB966.7 million for 2007, representing a net profit margin of 24.4% for 2008 and 25.0% for 2007.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2008, the carrying amount of the Group's cash and bank deposits was approximately RMB1,373.0 million (31 December 2007: RMB3,436.0 million), representing a decrease of 60.0% as compared to that as at 31 December 2007.

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 2008, the carrying amount of the restricted cash was approximately RMB205.9 million (31 December 2007: RMB147.4 million).

Borrowings and charges on the Group's assets

The Group had an aggregate borrowings as at 31 December 2008 of approximately RMB5,994.2 million, of which approximately RMB1,058.9 million will be repayable within 1 year, approximately RMB4,751.8 million will be repayable between 2 and 5 years and approximately RMB183.5 million will be repayable over 5 years.

As at 31 December 2008, the Group's bank loans of approximately RMB3,669.1 million were secured by property, plant and equipment, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying values of approximately RMB4,791.1 million.

The carrying amounts of all the Group's bank loans were denominated in RMB except for certain secured loan balances with an aggregate amount of approximately HK$1,038.0 million as at 31 December 2008 which were denominated in Hong Kong dollars. All of the Group's borrowings were charged at floating interest rates as at 31 December 2008.

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 31 December 2008, the gearing ratio was 50.3% (the Group was in a net cash position as at 31 December 2007). The increase in gearing ratio in 2008 was primarily attributable to the continuous raising of new borrowings as a result of the ongoing new property development projects.

Risk of exchange rate fluctuation

The Group mainly operates in the PRC, so most of its revenues 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 2008, though the exchange rates of RMB against 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

(i) As at 31 December 2008, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB1,624.9 million (31 December 2007: RMB1,558.1 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled 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 property 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 interest and penalty and therefore no provision has been made in the financial statements for the year ended 31 December 2008 for the guarantees.

(ii) Pursuant to certain land use rights grant contracts entered into between the Group and the relevant PRC land bureau, the land use rights of certain land were contracted to be granted to the Group upon full payment of the land premium under the respective land use rights grant contracts. According to the terms of such land use rights grant contracts, if the delay in payment of the land premium is outstanding for more than six months, the relevant PRC land bureau may terminate the land use rights grant contracts, repossess the relevant land and may also claim for the compensation. The Group has applied to the relevant PRC land bureau for extension of the time limit for payment of the outstanding land premium. As at the date of this announcement, the Group has not received any notice from the relevant PRC land bureau which would indicate that it intends to terminate the land use rights grant contracts and seek the compensation. Based on the legal advice of the Company's PRC legal advisers, the directors of the Company are of the opinion that the land use rights grant contracts are still effective and as at 31 December 2008, no accrual for compensation has been made as the likelihood of such liability arising has been determined to be remote.

BUSINESS REVIEW

The market environment

Since late 2007, with the breakdown of the US sub-prime mortgage market, the global economy has experienced an unprecedented shock. During 2008, the collapse of major global financial markets, especially those in the US and Europe, has resulted in far-reaching effects in the credit market, fund flows and liquidity, which had rippling effects in all major business sectors. The Chinese economy, while remaining closely linked to the rest of the global economy, recorded respectable growth in 2008.

The Chinese property market has experienced a very difficult year in 2008. Prior to the outbreak of the global economic crisis, the PRC Central Government issued a number of key macroeconomic measures, with the aim to cool down the overheating real estate market. As these measures took effect in 2008, the global economic crisis caused a sharp turn in market sentiment, significantly affecting the PRC property market. In 2008, both property transaction volume and prices recorded significant decline. According to data published by the National Statistics Bureau, nationwide residential housing transactions for each quarter in 2008 decreased by 0.3%, 10.8%, 27.2% and 25.3% (measured by GFA), or by 5.2%, 4.9%, 33.9% and 26.0% (measured by transaction amounts), respectively. Starting from the third quarter of 2008, the focus of the government's macro-economic control policy had shifted from curbing overheated economic activities in the first half of the year to the preservation of economic growth in the latter half of the year.

In the PRC property sector, the Central Government and its local counterparts adopted proactive fiscal measures such as tax and interest rate cuts, adjustments to down payment requirements and financial subsidies for property purchases. More specifically, the People's Bank of China announced five consecutive times of interest rate cuts in benchmark lending rates complemented by four cuts in deposit-reserve ratio requirement during the period, while the Ministry of Finance moved to lower the deed tax for first-time home buyers. In some cities in the PRC, home buyers were entitled to resident status, differentiated financial subsidies and reduction/exemption of personal taxes, etc. These efforts provided some stimulus to trading and played a positive role in stabilising and alleviating pressure in the property market. With the policies of preserving economic growth jointly implemented by the administrations at the central and local levels, China's property market returned to a more rational state for stable development.

As a result of these economic and property sector measures, sentiments have improved in the domestic property market in early 2009 as local governments continued to announce favourable policies in response to the Central Government's call for "stimulation of domestic demand, realignments to economic structure and preservation of economic growth". For the first 2 months of 2009, transaction amounts and the total GFA sold have increased by 13.1% and 1.1% respectively, as compared to the corresponding period in 2008. This shows an initial sign of bottoming out of the property market. With an extremely difficult operating environment in 2008, the Group inevitably reported disappointing financial results.

At the same time, the Group has taken the effort to make substantial progress in its stated strategy of regional expansion, to prepare itself for 2009 and future years. These initiatives include:

1. Maintaining our leadership position in Guangzhou, with the delivery of our leading projects namely, The Cosmos and Sky Ville, as well as a successful launch of The Apex, and at the same time, making substantial progress in our new regions, with the successful initial launch of City Island in Suzhou;

2. Maintaining our competitive advantage in product design, cost control and brand management, all of which are critical in our continuous roll-out of new projects;

3. Maintaining an appropriate balance of high and mid-end products which suit the demand of our target consumers in each of our projects, and a balanced product mix, including residential, office, hotel and retail sectors;

4. Upgrading our operating efficiency, by setting up full regional offices in Southwest China (Chengdu, Hainan), East China (Suzhou), North China (Beijing), and together with our home base in Guangzhou, to form a network of business centers for our continued expansion in these regions;

5. Deepening our management team, to have professionals with relevant experience in their respective areas to join the Group, and improved our management information system and business processes; and

6. Maintaining prudent financial discipline and focus on cash flow and leverage, and continued to build up financial resources, which is especially important in a tight credit environment.

With the successful implementation of these initiatives, the Group believes it will be well-positioned to work through the current market challenges and capitalise on new opportunities as the global and Chinese economy recovers in 2009 and beyond.

Land bank

In 2009, the Group will continue to adopt a prudent policy with regard to the expansion of our land bank. We will maintain diversified sources for land acquisition, aiming at premium sites at prime urban locations with excellent growth potentials, which will augment the location value of our projects and geographic value of our products and thereby further reinforcing our ability in sustainable development. In 2008, we added GFA attributable to the Group with approximately 490,000 sq.m. through land auction in Beijing. Together with the land acquisition of approximately 1,299,000 sq.m. attributable GFA to the Group in Zengcheng in late 2007, as at 31 December 2008, the Group had a land bank of approximately 6,230,000 sq.m. attributable GFA, which should be sufficient to meet the requirements of the Group for its steady and sustainable development in the next 4 to 5 years.

Projects under development

As at 31 December 2008, the Group had 16 development projects under development or planned for development, which were located in Guangzhou, Suzhou, Chengdu, Beijing and Hainan.

City (District)	Project	Type of property	Total GFA	GFA attributable to the Group's Interest	Interests attributable to the Group
			('000 m^2)	*('000 m^2)*	*(%)*
Guangzhou	The Apex	High-end comprehensive project: luxury residential/serviced apartments/5-star hotel	161	161	100
Guangzhou	Lie De	High-end comprehensive project: hotel/serviced apartments/office building/shopping mall	573	191	33
Guangzhou	J2-2	High-end comprehensive project: hotel/serviced apartments/office building/shopping mall	145	73	50
Guangzhou	Yucui Garden	Mid- to high-end residential	107	53	50
Guangzhou	Kehui Development Center	Office building	320	320	100
Guangzhou	Sky Ville (Phase II)	Low density villas/townhouses/high-rise apartments/5-star hotel	345	345	100
Guangzhou	Waterfront Mansion	Townhouses/mid- to high-end residential	299	299	100
Guangzhou	Jingdong International City	Large scale comprehensive project: Mid-to high end residential/villas/townhouses/commercial properties	2,548	1,299	51
Suzhou	City Island	Townhouses/mid- to high-end residential	215	215	100
Suzhou	The Up Blue Town	Mid- to high-end residential	147	147	100
Suzhou	Plot B/C Project	High-end residential/hotel/office building	788	788	100
Chengdu	The Emerald	High-end residential	49	32	65*
Chengdu	The Vision of the World	Mid- to high-end residential	509	509	100
Chengdu	Chengdu Cosmos	High-end comprehensive project: residential/hotel/serviced apartments/office building/shopping mall	873	567	65*
Beijing	Shunyi Project	Mid- to high-end residential	490	490	100
Hainan	Lingshui County Qingshuiwan	Hotel/villas	293	293	100

* Subsequent to the completion of the transfer, the project will be 100% owned by the Group

Investment properties and hotels

During the year under review, the Group moderated the development of its hotels and investment properties in progress to assure a comfortable level of cash flow to meet market requirements. In the long run, the Group will continue to explore opportunities in diversified property investments and maintain a balanced product portfolio. We expect the contribution from our portfolio of hotels, retail shop units, shopping malls and offices held on a long-term basis to be steadily maintained at around 20% of the Group's gross revenue.

During the year under review, turnover of the Group from its investment in office premises and leasing of retail properties amounted to approximately RMB74.5 million (2007: approximately RMB11.7 million).

(1) Hotels

As at 31 December 2008, the Group had 3 high-end star-rated hotels in Guangzhou under construction and 6 other high-end star-rated hotels and 2 high-end shopping malls under planning, variously located in Guangzhou, Suzhou, Chengdu and Hainan. To ensure the quality of our hotel services, the Group entered into a management agreement with Starwood Group, an internationally renowned hotel management group. Pursuant to the agreement, Starwood Group will provide hotel and serviced apartment operation and management services with respect to the Group's W Hotel, Huadu Sheraton Resort Hotel, Four Points by Sheraton Hotel, Zengcheng Sheraton Hotel in Guangzhou, and Westin Hotel in Suzhou.

(2) Investment properties completed and available for lease

To uphold the portfolio of premium tenants that IFP has established since coming on-stream in 2007, the Group continues to lease spaces on a selective basis. At present, tenants who have signed up or agreed to sign up include about 20 domestic and foreign banks, the Guangzhou offices of various multi-national corporations and diplomatic missions such as the Italian Consulate.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2008, the Group employed a total of approximately 1,700 employees. The total staff costs incurred was approximately RMB94.4 million during the financial year ended 31 December 2008. 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 commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

As at 31 December 2008, no options had been granted, exercised or cancelled under the share option scheme adopted on 11 June 2007.

DIVIDEND

The Board has proposed payment of final dividend of RMB3 cents per ordinary share for the year ended 31 December 2008. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid on or before 10 July 2009 to the shareholders on the Register of Members as at 5 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 8 June 2009 to Friday, 12 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and be eligible to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 5 June 2009.

PURCHASE, REDEMPTION OR SALE OF SHARES

During the year ended 31 December 2008, 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. Specific enquiries have been made with all directors of the Company regarding any non-compliance with the Model Code and all directors of the Company confirmed that they have complied with the provisions of the Model Code during the financial year ended 31 December 2008.

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. 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 during the year ended 31 December 2008.

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.

The audit committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2008.

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 recommendations on remuneration policy and remuneration package of the directors and members of senior management to the Board. The remuneration committee comprises an executive director, namely Mr. Kong Jian Min, and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Dai Feng. Mr. Kong Jian Min is the chairman of the remuneration committee.

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 nomination committee comprises an executive director, namely Mr. Kong Jian Min, and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Dai Feng. Mr. Kong Jian Min is the chairman of the nomination committee.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The annual report of the Company for the year ended 31 December 2008 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.kwgproperty.com in due course.

ANNUAL GENERAL MEETING ("AGM")

The 2008 AGM of the Company will be held on Friday, 12 June 2009 and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules.

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

Hong Kong, 17 April 2009

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