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KWG PROPERTY HOLDING LIMITED
合景泰富地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1813)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

HIGHLIGHTS

- Revenue for the six months ended 30 June 2009 amounted to RMB900.6 million, an increase of 25.0% compared with the corresponding period in 2008.
- Profit attributable to equity holders of the parent amounted to RMB169.1 million, representing a decrease of 23.7% compared with the corresponding period in 2008.
- Gross profit margin for the period was 43.8%, a decrease from 60.3% in the corresponding period in 2008.
- Gross profit margin net of land appreciation tax ("LAT") for the period was 36.3% compared to 43.8% for the corresponding period in 2008.
- Net profit margin for the period was 18.7%, a decrease from 31.2% in the corresponding period in 2008.
- Earnings per share for the period amounted to RMB6.5 cents, a decrease from RMB8.6 cents in the corresponding period in 2008.
- Pre-sale for the period amounted to RMB3.0 billion from 12 projects in Guangzhou, Chengdu and Suzhou. Pre-sale reached RMB4.4 billion by end of August 2009, well on track to reach full-year target.
- Completed share placement in July 2009, raised HK$1.5 billion net proceed, reduced net gearing to 43.1% and enlarged shareholder base.

INTERIM RESULTS

The board of directors (the "Board") of KWG Property Holding Limited ("KWG Property") or (the "Company") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2009, together with the comparative figures for the corresponding period in 2008, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2009 together with audited comparative figures as at 31 December 2008, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2009	2008
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	4	**900,568**	720,696
Cost of sales		**(506,043)**	(285,834)
Gross profit		**394,525**	434,862
Other income and gains	4	**28,061**	98,935
Selling and marketing costs		**(58,615)**	(32,445)
Administrative expenses		**(113,555)**	(91,220)
Other operating expenses, net		**(747)**	(559)
Fair value gains on investment properties, net		**32**	22,410
Finance costs	5	**—**	—
Share of profit and loss of a jointly-controlled entity		**30,609**	(1,452)
PROFIT BEFORE TAX	6	**280,310**	430,531
Tax	7	**(111,847)**	(205,910)
PROFIT FOR THE PERIOD		**168,463**	224,621
Attributable to:			
Equity holders of the parent		**169,108**	221,744
Minority interests		**(645)**	2,877
		168,463	224,621
Earnings per share — Basic and diluted	8	**RMB6.5 cents**	RMB8.6 cents
Dividends	9	**—**	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**168,463**	224,621
Exchange differences on translation of foreign operations	**(22,777)**	(33,554)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**145,686**	191,067
Attributable to:		
Equity holders of the parent	**146,351**	201,533
Minority interests	**(665)**	(10,466)
	145,686	191,067

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2009 RMB'000 (Unaudited)	As at 31 December 2008 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**577,869**	443,268
Investment properties		**3,535,119**	3,546,400
Land use rights		**558,068**	549,952
Interest in a jointly-controlled entity		**51,096**	20,487
Deferred tax assets		**203,538**	168,453
Long term prepayment		**1,098,500**	1,098,483
Total non-current assets		**6,024,190**	5,827,043
CURRENT ASSETS			
Properties under development		**12,519,942**	11,878,560
Completed properties held for sale		**1,555,109**	1,534,404
Trade receivables	11	**50,103**	30,713
Prepayments, deposits and other receivables		**1,127,495**	1,069,487
Due from a jointly-controlled entity		**46,314**	50,314
Taxes recoverable		**62,995**	3,316
Restricted cash		**696,171**	205,942
Cash and cash equivalents		**746,179**	1,167,009
Total current assets		**16,804,308**	15,939,745
CURRENT LIABILITIES			
Trade payables	12	**3,033,826**	2,879,007
Other payables and accruals		**2,700,487**	2,063,396
Interest-bearing bank loans		**1,329,263**	1,058,928
Taxes payable		**899,522**	1,012,289
Total current liabilities		**7,963,098**	7,013,620
NET CURRENT ASSETS		**8,841,210**	8,926,125
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,865,400**	14,753,168
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**5,687,167**	4,935,253
Deferred tax liabilities		**635,117**	626,704
Total non-current liabilities		**6,322,284**	5,561,957
Net assets		**8,543,116**	9,191,211
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	13	**254,093**	254,093
Reserves		**8,285,364**	8,136,797
Proposed final dividend		**—**	77,813
		8,539,457	8,468,703
Minority interests		**3,659**	722,508
Total equity		**8,543,116**	9,191,211

Notes:

1. GENERAL 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, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the period, the Company is engaged in investment holding and the subsidiaries of the Company were principally engaged in the property development, property investment and provision of property management services in the People's Republic of China (the "PRC").

The unaudited condensed interim financial information was reviewed by the audit committee of the Company and approved by the Board for issue on 31 August 2009.

2. BASIS OF PREPARATION

The unaudited condensed interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 'Interim Financial Reporting', issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited condensed interim financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

The unaudited condensed interim financial information has been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. The accounting policies adopted are consistent with the Group's audited financial statements for the year ended 31 December 2008, except for the adoption of the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the annual reporting period beginning on or after 1 January 2009.

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*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
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*
HKFRS 8	*Operating Segments*
HKFRS 2 (Amendment)	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 (Amendments)	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
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*
HK (IFRIC) — Int 13	*Customer Loyalty Programmes*
HK (IFRIC) — Int 15	*Agreements for the Construction of Real Estate*
HK (IFRIC) — Int 16	*Hedges of a Net Investment in a Foreign Operation*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs (2008)** 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 annual periods on or after 1 July 2009 and has not been adopted by the Group, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

* *Improvements to HKFRSs (2008)* 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.

Except for HKFS 8 and HKAS 1 (Revised) giving rise to new accounting policies and additional disclosures as further described below, the adoption of the new interpretations and amendments has had no significant financial effect on these condensed consolidated financial information.

- HKAS 1 (revised) *Presentation of Financial Statements*

  The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The unaudited condensed interim financial information have been prepared under the revised disclosure requirements.

- HKFRS 8 *Operating Segments*

  HKFRS 8 replaces HKAS 14, 'Segment Reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, the Board, who makes strategic decisions. The Group applies HKFRS 8 retrospectively and the comparative figures have been restated accordingly.

4. REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Sales of properties	**832,403**	679,645
Gross rental income	**44,712**	29,570
Property management fees	**23,453**	11,481
	900,568	720,696
Other income and gains:		
Gain/(loss) on disposal of investment properties	**(1,264)**	25,672
Bank interest income	**1,963**	22,615
Foreign exchange differences, net	**23,389**	48,787
Others	**3,973**	1,861
	28,061	98,935

For management purposes, the Group is organised into three operating segments, namely, as follow:

(i) Property development: Sale of property
(ii) Property investment: Leasing of property
(iii) Property management: Provision of property management services

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

The segment results for the six months ended 30 June 2009 are as follows:

	Property development *(Note)* ***RMB'000*** **(Unaudited)**	**Property investment** ***RMB'000*** **(Unaudited)**	**Property management** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Segment revenue:				
Sales to external customers	**832,403**	**44,712**	**23,453**	**900,568**
Segment profit	**303,854**	**42,618**	**3,448**	**349,920**
Interest income and unallocated income				**29,325**
Unallocated expenses				**(98,935)**
Profit before tax				**280,310**
Tax				**(111,847)**
Profit for the period				**168,463**

The segment results for the six months ended 30 June 2008 are as follows:

	Property development *(Note)* *RMB'000* (Unaudited)	Property investment *RMB'000* (Unaudited)	Property management *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue:				
Sales to external customers	679,645	29,570	11,481	720,696
Segment profit	369,519	76,803	1,387	447,709
Interest income and unallocated income				73,263
Unallocated expenses				(90,441)
Profit before tax				430,531
Tax				(205,910)
Profit for the period				224,621

Note: The segment profit includes share of profit and loss of a jointly-controlled entity.

5. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**224,685**	138,025
Less: Interest capitalised	**(224,685)**	(138,025)
	—	—

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**500,658**	282,410
Depreciation	**5,734**	4,036
Amortisation of land use rights	**1,652**	365
Less: Amount capitalised in assets under construction	**(1,343)**	—
	309	365
Loss on disposal of items of property, plant and equipment	**—**	331
Employee benefit expense (excluding directors' remuneration)		
Wages and salaries	**62,376**	45,923
Pension scheme contributions	**2,590**	2,315
	64,966	48,238
Less: Amount capitalised in assets under construction and properties under development	**(24,694)**	(19,713)
	40,272	28,525

7. TAX

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — PRC		
Corporate income tax ("CIT")	**69,057**	115,153
Land appreciation tax ("LAT")	**69,462**	132,644
Deferred	**(26,672)**	(41,887)
Total tax charge for the period	**111,847**	205,910

The share of CIT and LAT attributable to the jointly-controlled entity amounting to approximately RMB10,203,000 (six months ended 30 June 2008: Nil) and RMB9,617,000 (six months ended 30 June 2008: Nil), respectively, are included in "Share of profit and loss of a jointly-controlled entity" on the face of the condensed consolidated income statement.

Hong Kong profits tax

No Hong Kong profits tax was provided because the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2009 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 six months ended 30 June 2009 and 2008, based on the existing legislation, interpretations and practices in respect thereof.

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. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to ordinary equity holders of the parent for the six months ended 30 June 2009 and 2008 are as follows:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent *(RMB thousands)*	**169,108**	221,744
Weight average number of ordinary shares in issue *(thousands)*	**2,593,750**	2,593,750
Earnings per share *(RMB cents per share)*	**6.5**	8.6

Diluted earnings per share amount for the period ended 30 June 2009 and 2008 is the same as the basic earnings per share as no diluting events existed during these periods.

9. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

10. CAPITAL EXPENDITURE

During the six months ended 30 June 2009, the Group acquired property, plant and equipment of approximately RMB138,992,000 (six months ended 30 June 2008: approximately RMB118,712,000).

11. TRADE RECEIVABLES

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. The ageing analysis of trade receivables is as follows:

	As at	
	30 June	31 December
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**42,253**	20,643
4 to 6 months	**410**	2,010
7 to 12 months	**1,410**	7,280
Over 1 year	**6,030**	780
	50,103	30,713

12. TRADE PAYABLES

All trade payables were fallen due within one year or repayable on demand as of 30 June 2009 and 31 December 2008.

13. SHARE CAPITAL

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**
		HK$'000	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Authorised			
At 30 June 2008, 31 December 2008 and 30 June 2009	8,000,000,000	800,000	786,113
Issued and fully paid			
At 30 June 2008, 31 December 2008 and 30 June 2009	2,593,750,000	259,375	254,093

14. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 30 June 2009, Plus Earn Consultants Limited, a company incorporated in the British Virgin Islands and is owned as to 76.5% by Mr. Kong Jian Min, as to 15.0% by Mr. Kong Jian Tao and as to 8.5% by Mr. Kong Jian Nan, the controlling shareholders of the Company ("the Vendor"), the Company, Morgan Stanley & Co. International plc. and Credit Suisse (Hong Kong) Limited ("the Placing Agents") entered into the placing agreement pursuant to which the Placing Agents have agreed to, as agent of the Vendor and on a fully underwritten basis, procure purchasers to acquire, and the Vendor has agreed to sell 300,000,000 existing ordinary shares of the Company at the placing price of HK$5.10 per share. Pursuant to the placing of 300,000,000 existing ordinary share, the Vendor and the Company also entered into the subscription agreement on 30 June 2009 pursuant to which the Vendor has conditionally agreed to subscribe for the 300,000,000 new ordinary shares at HK$5.10 per share, which is the same as the aforesaid placing price. Details of the information were contained in the Company's announcement dated 1 July 2009.

On 13 July 2009, 300,000,000 new ordinary shares of the Company were subscribed by the Vendor at HK$5.10 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Transaction volume of China property market has begun to bottom out since the end of fourth quarter of 2008. By the first quarter of 2009, such trend became more evident as the transaction volume at major cities showed signs of stabilization. In the second quarter, transaction volume continued to increase, and the selling prices started to increased, with certain cities recovered to the level of the same period of 2007. The trend of improving volume and prices in individual cities, gradually spread out to the rest of China, and resulted in a growth in nationwide gross sales amount and average selling prices on a period-to-period basis.

The management believes that gradual market recovery during the reporting period was attributable to a number of factors, including: 1) the benefits of favourable market policies began to realise. The macro policies implemented by the central and local governments during the latter half of 2008 came into effect during the first six months of 2009. In March 2009, the Guangdong Government promulgated "Certain Opinions on Facilitating Stable and Healthy Development of the Real Estate Market" and announced a series of market-favourable policies, such as the extension of payment deadlines for land premiums, the encouragement of banking support for property developers, the reduction or exemption of home purchase taxes and the approval of instalment payment of land appreciation tax. In May 2009, the General Office of the State Council promulgated the "State Council Notice on Adjusting the Capital Ratio Requirement for Fixed Asset Investment Projects", in which the minimum level of owned capital for investments in ordinary commodity residential housing was lowered from 35% to 20%. These policies combined to give rise to a positive marketplace; 2) the release of pent-up market demand in better market conditions; 3) the strengthening of confidence in the market for home buyers as a whole resulting from an aggregated impact of policies that further lowered the costs of home purchases; 4) strong marketing and promotion speed up the digestion of inventory.

While market statistic during the first six months of 2009 will likely provide a good platform for market growth in the second half of the year, the macro-landscape will still be closely related to the pace of economic recovery globally and in China. As such, the Group will continue to adhere to strategy of proactively responding to market changes with a prudent approach to drive the sales of the Group's projects in the second half.

Business Review

The first six months of 2009 marked the full launch of the Group's new projects outside of Guangzhou, through which the Group's philosophy of quality living was introduced to buyers in other regions outside Guangzhou. Benefited from positive market sentiment, the Group reported steady sales growth for its projects in various new regions. During the reporting period, 12 projects have commenced sale, registering total pre-sales of approximately RMB3.0 billion or total GFA sold of approximately 400,000 sq.m., representing substantial improvements over the same period of 2008.

Meanwhile, the Group has 18 projects under different stages of development, which reported smooth progress during the reporting period. In the first half of 2009, the Group launched 5 new projects in and outside Guangzhou, including the serviced apartments of The Apex, a high-end comprehensive project in Pearl River New Town, Guangzhou, The Vision of the World and The Emerald, a mid-to-high-end residential project and a high-end residential project in Chengdu, The Up Blue Town, a mid-to-high-end residential project and The Sapphire, a high-end comprehensive project in Suzhou.

Benefited from the Group's effort in strengthening business development in regions outside Guangzhou, these new projects received extensive recognition in their respective markets and posted satisfactory results. In recent years, the Group has continued to speed up project development in different regions, enhanced management standard and proactively carried out early stage marketing campaigns and brand promotion activities. All these measures contributed to a solid market foundation for the launch of new projects in regions outside Guangzhou. In the future, the Group will continue to strengthen the promotion of its brand name in regions outside Guangzhou, so as to further deepen appeal of our projects to our customers and enhance our ability to charge premium pricing.

Investment Properties

With an occupancy rate of close to 90% as at 30 June 2009, International Finance Place ("IFP"), one of the Group's major investment properties, continued to be one of the most reputable grade A+ office buildings in Guangzhou, due to its exquisite quality, top-rate management services and a tenant base comprising prestigious names.

Hotel Properties and Serviced Apartments

As at 30 June 2009, the Group's wholly-owned projects, including W Hotel and W-Residence Serviced Apartments, Huadu Sheraton Resort Hotel, and Four Points by Sheraton Hotel, were under construction. The Group has entered into operating agreements with Starwood Group to operate these hotels and associated serviced apartments for 10 to 15 years. W Hotel and W-Residence Serviced Apartments are designed to provide 302 hotel rooms and 150 serviced apartment suites, and Huadu Sheraton Resort Hotel is designed to provide 102 villa-style hotel rooms. Both projects are scheduled to commence operation next year. In addition, Four Points by Sheraton Hotel, which houses 300 hotel rooms, is currently engaging in full-scale preparation for operation, which is expected to commence in September this year.

Market Outlook

With the market becoming stable and the pent-up demand for residential housing unleashed following market revival in the first half of 2009, the property market is now expected to embark on healthy recovery and growth.

The Group continues to be optimistic with 4 new projects and 2 new phases of the existing projects to be launched in the remaining of the year. The Group remains fully confident in achieving the goals we set out for 2009, which will position us strongly for 2010 and beyond.

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 increased by 25.0% to approximately RMB900.6 million in the first half of 2009 from approximately RMB720.7 million for the corresponding period in 2008, primarily attributable to the increase of total GFA delivered in the sales of properties in the first half of 2009, the recurring rental income generated from our property investment segment and revenue of our property management services segment.

The revenue generated from property development, property investment and provision of property management services were approximately RMB832.4 million, RMB44.7 million and RMB23.5 million, respectively, during the six months ended 30 June 2009.

Property development

Revenue generated from property development increased by 22.5% to approximately RMB832.4 million for the six months ended 30 June 2009 from approximately RMB679.6 million for the corresponding period in 2008, primarily attributable to an 80.3% increase in the total GFA delivered to 109,594 sq.m. in the first half of 2009 from 60,788 sq.m. for the corresponding period in 2008. The increase in the total GFA delivered was primarily due to some of property development projects were under construction during the first half of 2008 and three of these development projects were completed and delivered in the second half of 2008 and the first half of 2009.

The increase in revenue was partially offset by the decrease in the recognised average selling price of our properties sold. The recognised average selling price of property decreased to RMB7,595 per sq.m. in the first half of 2009 from RMB11,181 per sq.m. for the corresponding period in 2008. The decrease in recognised average selling price is due to the sales portfolio of the Group comprising more mid-end residential GFA with lower recognised average selling price during the period under review as well as not fully revived market environment after the rapid turndown driven by the global economic crisis in the fourth quarter of 2008.

Property investment

Revenue generated from property investment increased by 51.0% to approximately RMB44.7 million for the six months ended 30 June 2009 from approximately RMB29.6 million for the corresponding period in 2008, primarily attributable to an increase in total GFA of our rental area leased in IFP during the period under review.

Provision of property management services

Revenue generated from the provision of property management services increased by 104.3% to approximately RMB23.5 million for the six months ended 30 June 2009 from approximately RMB11.5 million for the corresponding period in 2008, primarily attributable to an increase in the number of properties under management as well as first half of 2009 being the first full period where we provided property management services to certain projects.

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 construction period.

Cost of sales increased by 77.0% to approximately RMB506.0 million for the six months ended 30 June 2009 from approximately RMB285.8 million for the corresponding period in 2008, primarily due to an overall increase in cost of properties sold following the increase in GFA delivered.

Land costs per sq.m. decreased to RMB862 for the six months ended 2009 from RMB945 for the corresponding period in 2008, principally due to the larger proportion in the delivery of our mid-end residential projects with relatively lower land cost in the first six months of 2009.

Construction cost per sq.m. remained constant in both periods.

Gross Profit

Gross profit decreased by 9.3% to approximately RMB394.5 million for the six months ended 30 June 2009 from approximately RMB434.9 million for the corresponding period in 2008. The decrease of gross profit was principally due to the decrease in recognised average selling price in the first half of 2009 as discussed and the delivery of mid-end residential GFA with lower gross margin. The Group reported a gross profit margin of 43.8% for the six months ended 30 June 2009 (six months ended 30 June 2008: 60.3%). Nevertheless, the Group recorded increment in rental income in the first half of 2009 as compared with the corresponding period in 2008, which partially offset the decrease in gross profit.

Other Income and Gains

Other income and gains decreased by 71.6% to approximately RMB28.1 million for the six months ended 30 June 2009 from approximately RMB98.9 million for the corresponding period in 2008, mainly comprising the losses on the disposal of investment properties of approximately RMB1.3 million, interest income of approximately RMB2.0 million and net exchange gains of approximately RMB23.4 million.

Selling and Marketing Costs

Selling and marketing costs of the Group increased by 80.9% to approximately RMB58.6 million for the six months ended 30 June 2009 from approximately RMB32.4 million for the corresponding period in 2008, which was primarily due to an increase of 87.9% in advertising expenses to approximately RMB42.1 million in the first half of 2009 from approximately RMB22.4 million for the corresponding period in 2008, which was largely attributable to increased advertising for our new projects, such as The Emerald and The Vision of the World in Chengdu, The Sapphire in Suzhou, Waterfront Mansion in Conghua and The Apex in Pearl River New Town, Guangzhou.

Administrative Expenses

Administrative expenses of the Group increased by 24.6% to approximately RMB113.6 million for the six months ended 30 June 2009 from approximately RMB91.2 million for the corresponding period in 2008, primarily attributable to an increased headcount to catch up with the rapid development of the Group in order to achieve its long term goal. 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 remained constant in the first half of 2009 as compared with the corresponding period in 2008. 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

As there was no new investment property project and the market value of the Group's existing investment property remained stable, therefore there was no significant fair value gains on investment properties for the Group during the first half of 2009. The Group reported net fair value gains on investment properties of approximately RMB32,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: approximately RMB22.4 million).

Finance Costs

Finance costs of the Group were nil for the six months ended 30 June 2009 and 2008, reflecting the capitalisation of our finance cost into the corresponding projects in both periods.

Tax

Tax decreased by 45.7% to approximately RMB111.8 million for the six months ended 30 June 2009 from approximately RMB205.9 million for the corresponding period in 2008, 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 gross profit.

Profit Attributable to the Equity Holders of the Parent

Profit attributable to the equity holders of the parent of the Group for the six months ended 30 June 2009 of the Group decreased by 23.7% to approximately RMB169.1 million from approximately RMB221.7 million for the corresponding period in 2008. Net profit margin decreased to 18.8% for the six months ended 30 June 2009 from 30.8% for the corresponding period in 2008, as a result of the cumulative effect of the foregoing factors.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2009, the carrying amount of the Group's cash and bank deposits was approximately RMB1,442.4 million (31 December 2008: approximately RMB1,373.0 million), representing an increase of 5.1% as compared to that as at 31 December 2008.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 30 June 2009, the carrying amount of the restricted cash was approximately RMB696.2 million (31 December 2008: approximately RMB205.9 million).

Borrowings and Charges on Group's Assets

The Group had aggregate borrowings as at 30 June 2009 of approximately RMB7,016.4 million, of which approximately RMB1,329.3 million are repayable within 1 year, approximately RMB4,828.0 million are repayable between 2 and 5 years and approximately RMB859.1 million are repayable after 5 years.

As at 30 June 2009, certain bank loans of the Group were secured by property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale and time deposits of the Group with total carrying values of approximately RMB5,095.2 million.

The carrying amounts of all the Group's bank loans are denominated in RMB except for a loan balance of approximately HK$1,485.2 million as at 30 June 2009 which was denominated in Hong Kong dollars. All of the Group's borrowings were charged at floating interest rates as at 30 June 2009.

Gearing Ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 30 June 2009, the gearing ratio was 65.2% (31 December 2008: 50.3%). The increase in gearing ratio during the six months ended 30 June 2009 was primarily attributable to the continuous raising of new borrowings as a result of the ongoing new project development. Amortisation for our share placement in July this year, our net gearing ratio as at 30 June 2009 would be 43.1%.

Risk of Exchange Rate Fluctuation

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

In the first half of 2009, the exchange rates of Renminbi to the U.S. dollar and the Hong Kong dollar maintained a relatively stable level and the Board expects that any fluctuation of Renminbi's exchange rate will not have material adverse effect on the operations of the Group.

Contingent Liabilities

i) As at 30 June 2009, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB2,159.3 million (31 December 2008: approximately RMB1,624.9 million). This represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made as at 30 June 2009 and 31 December 2008 in the financial statements 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 a specified period, 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.

Employees and Emolument Policies

As at 30 June 2009, the Group employed a total of approximately 1,900 employees. The total staff costs incurred were approximately RMB65.0 million during the six months ended 30 June 2009. 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 30 June 2009, no options had been granted, exercised or cancelled under the share option scheme adopted on 11 June 2007.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

AUDIT COMMITTEE

The audit committee of the Company comprises three members who are independent non-executive directors, namely Mr. Tam Chun Fai (the chairman), Mr. Lee Ka Sze, Carmelo and Mr. Dai Feng. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 June 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.kwgproperty.com) and the Stock Exchange (www.hkex.com.hk). An interim report for the six months ended 30 June 2009 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 31 August 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.