合景泰富地產

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 2009

HIGHLIGHTS

- Revenue for the year ended 31 December 2009 amounted to RMB4,266.6 million, a significant increase of 171.0% compared with the financial year of 2008.
- Profit attributable to owners of the parent amounted to RMB720.1 million, a growth of 95.4% compared with the financial year of 2008.
- Gross profit margin and net profit margin were 37.9% and 16.9%, respectively.
- Earnings per share increased by 85.7% to RMB26 cents as compared with the financial year of 2008.
- Proposed to declare final dividend of RMB5 cents per ordinary share.

The board of directors (the "Board") of KWG Property Holding Limited ("KWG Property" or the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009. The annual results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	**2009** *RMB'000*	2008 *RMB'000*
REVENUE	6	**4,266,572**	1,574,214
Cost of sales		**(2,650,267)**	(746,413)
Gross profit		**1,616,305**	827,801
Other income and gains	6	**49,265**	150,644
Selling and marketing costs		**(188,494)**	(89,514)
Administrative expenses		**(281,988)**	(170,908)
Other operating expenses, net		**(42,183)**	(1,758)
Fair value gains/(losses) on investment properties, net		**60,587**	(23,569)
Finance costs	7	**(9,024)**	—
Share of profits and losses of:			
An associate		**(10)**	—
Jointly-controlled entities		**65,024**	10,582
PROFIT BEFORE TAX	8	**1,269,482**	703,278
Income tax expenses	9	**(548,025)**	(337,108)
PROFIT FOR THE YEAR		**721,457**	366,170
Attributable to:			
Owners of the parent		**720,078**	368,532
Minority interests		**1,379**	(2,362)
		721,457	366,170
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	11		
Basic		**RMB26 cents**	RMB14 cents
Diluted		**RMB26 cents**	RMB14 cents

Details of the dividends proposed for the year are disclosed in note 10.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009 *RMB'000*	2008 *RMB'000*
PROFIT FOR THE YEAR	**721,457**	366,170
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(32,985)**	(58,242)
Share of other exchange differences on translation of a jointly-controlled entity	**3,071**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(29,914)**	(58,242)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**691,543**	307,928
Attributable to:		
Owners of the parent	**690,184**	324,083
Minority interests	**1,359**	(16,155)
	691,543	307,928

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**981,508**	443,268
Investment properties		**3,501,460**	3,546,400
Land use rights		**572,833**	549,952
Interest in an associate		**1,348,990**	—
Interests in jointly-controlled entities		**1,228,036**	20,487
Deferred tax assets		**398,325**	168,453
Long term prepayment		**—**	1,098,483
Total non-current assets		**8,031,152**	5,827,043
CURRENT ASSETS			
Properties under development		**13,951,102**	11,878,560
Completed properties held for sale		**2,300,415**	1,534,404
Trade receivables	12	**147,413**	30,713
Prepayments, deposits and other receivables		**453,039**	1,069,487
Due from a jointly-controlled entity		**46,999**	50,314
Taxes recoverable		**24,492**	3,316
Restricted cash		**1,069,876**	205,942
Cash and cash equivalents		**2,540,698**	1,167,009
Total current assets		**20,534,034**	15,939,745
CURRENT LIABILITIES			
Trade payables	13	**1,415,470**	2,879,007
Other payables and accruals		**5,222,361**	2,063,396
Due to an associate		**129,956**	—
Interest-bearing bank loans		**2,566,628**	1,058,928
Taxes payable		**1,418,808**	1,012,289
Total current liabilities		**10,753,223**	7,013,620
NET CURRENT ASSETS		**9,780,811**	8,926,125
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,811,963**	14,753,168

	Notes	**2009**	2008
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**6,078,852**	4,935,253
Deferred tax liabilities		**624,788**	626,704
Deferred revenue		**700,000**	—
Total non-current liabilities		**7,403,640**	5,561,957
Net assets		**10,408,323**	9,191,211
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**280,538**	254,093
Treasury shares		**(3,041)**	—
Reserves		**9,982,514**	8,136,797
Proposed final dividends	10	**144,658**	77,813
		10,404,669	8,468,703
Minority interests		**3,654**	722,508
Total equity		**10,408,323**	9,191,211

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, P.O. Box 2681, 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
- hotel operation (commenced in current year)
- 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 2009. 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 owners not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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*
HKFRS 2 Amendments	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*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments — Disclosures of information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and 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*
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*
HK(IFRIC) — Int 18	*Transfers of Assets from Customers (adopted from 1 July 2009)*
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary,* which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKFRS 8, HKAS 1 (Revised) and HKAS 40, the adoption of these new and revised HKFRSs 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 principal effects of adopting HKFRS 8, HKAS 1 (Revised) and HKAS 40 are as follows:

HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 5 to the financial statements.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKAS 40 *Investment Property*

HKAS 40 revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 January 2009. The Group's accounting policy for investment properties is to subsequently state them at fair value with changes in fair values recognised in profit or loss. As a result of the amendment, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed.

As a result of the adoption of this amendment, the Group reclassified properties under development of approximately RMB11.8 million into investment properties. A fair value increase of approximately RMB58.4 million in respect of the investment properties under construction has been recognised in the income statement for the year ended 31 December 2009.

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[1]
HK(IFRIC) — Int 14 Amendments	Amendments to HK(IFRIC) — Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC) — Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC) — Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC) — Int 9 and HK(IFRIC) — Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far the Group considers that except for the adoption of HKAS 27 (Revised) and HKFRS 3 (Revised), these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operation and financial position.

5. SEGMENT INFORMATION

For management purpose, the Group is organised into four operating segments, namely, as follow:

i)	Property development:	Sale of properties
ii)	Property investment:	Leasing of properties
iii)	Hotel operation:	Operation of a hotel
iv)	Property management:	Provision of property management services

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

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

The Group's revenue from external customers is derived solely from its operations in the PRC, and no non-current assets of the Group are located outside the PRC.

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Year ended 31 December 2009

	Property development *RMB'000*	Property investment *RMB'000*	Hotel operation *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	**4,109,986**	**98,701**	**10,003**	**47,882**	**4,266,572**
Segment results	**1,351,695**	**115,921**	**(837)**	**8,059**	**1,474,838**
Reconciliations:					
Interest income and unallocated income					**49,265**
Unallocated expenses					**(245,597)**
Finance costs					**(9,024)**
Profit before tax					**1,269,482**
Tax					**(548,025)**
Profit for the year					**721,457**
Other segment information:					
Depreciation and amortisation	**16,298**	**2,437**	**4,483**	**74**	**23,292**
Fair value gains on investment properties, net	**—**	**60,587**	**—**	**—**	**60,587**
Share of profits and losses of :					
An associate	**(10)**	**—**	**—**	**—**	**(10)**
Jointly-controlled entities	**65,024**	**—**	**—**	**—**	**65,024**

Year ended 31 December 2008

	Property development *RMB'000*	Property investment *RMB'000*	Hotel operation *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	1,471,220	74,526	—	28,468	1,574,214
Segment results	654,924	92,492	—	20,878	768,294
Reconciliations:					
Interest income and unallocated income					105,892
Unallocated expenses					(170,908)
Finance costs					—
Profit before tax					703,278
Tax					(337,108)
Profit for the year					366,170
Other segment information:					
Depreciation and amortisation	9,464	2,437	—	41	11,942
Fair value losses on investment properties, net	—	23,569	—	—	23,569
Share of profits and losses of:					
An associate	—	—	—	—	—
A jointly-controlled entity	10,582	—	—	—	10,582

6. 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, gross revenue from hotel operation and property management fee income during the year.

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

	2009	2008
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**4,109,986**	1,471,220
Gross rental income	**98,701**	74,526
Hotel operation income	**10,003**	—
Property management fees	**47,882**	28,468
	4,266,572	1,574,214
Other income and gains		
Bank interest income	**7,066**	23,537
Gain on disposal of investment properties	**—**	44,752
Foreign exchange differences, net	**24,646**	73,675
Others	**17,553**	8,680
	49,265	150,644

7. FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
Interest on bank loans	**456,589**	340,008
Less: Interest capitalised	**(447,565)**	(340,008)
	9,024	—

8. PROFIT BEFORE TAX

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

	2009 *RMB'000*	2008 *RMB'000*
Cost of properties sold	**2,636,989**	738,895
Depreciation	**16,716**	8,638
Amortisation of land use rights	**6,576**	3,304
Less: Amount capitalised in assets under construction	**(5,766)**	(2,686)
	810	618
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**130,409**	89,371
Pension scheme contributions	**7,680**	5,041
Equity-settled share option expenses	**757**	—
Less: Amount capitalised in assets under construction and properties under development	**(48,948)**	(41,867)
	89,898	52,545
(Gain)/loss on disposal of investment properties, net	**40,086**	(44,752)
Loss on disposal of items of property, plant and equipment	**—**	331

9. INCOME TAX EXPENSES

	2009 *RMB'000*	2008 *RMB'000*
Current — PRC		
Corporate income tax ("CIT")	**428,578**	208,548
Land appreciation tax ("LAT")	**351,235**	197,594
	779,813	406,142
Deferred	**(231,788)**	(69,034)
Total tax charge for the year	**548,025**	337,108

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 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 years ended 31 December 2009 and 2008, based on 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.

10. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Proposed final — RMB5 cents (2008: RMB3 cents) per ordinary share	**144,658**	77,813

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

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS 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 owners of the parent, and the weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2009 in respect of the share options outstanding during the year as there was no dilutive effect on the basic earnings per share amounts presented with the exercise price of the share options greater than the average market prices of the Company's shares. Diluted earnings per share amount for the year ended 31 December 2008 is the same as the basic earnings per share as no diluting events existed during the prior year.

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

	2009	2008
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent	**720,078**	368,532

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,735,117,000**	2,593,750,000

12. TRADE RECEIVABLES

Trade receivables consist of receivables from the sale of properties and rentals 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 reporting dates is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 3 months	**114,644**	20,643
4 to 6 months	**12,830**	2,010
7 to 12 months	**12,162**	7,280
Over 1 year	**7,777**	780
	147,413	30,713

13. TRADE PAYABLES

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

	2009	2008
	RMB'000	*RMB'000*
Due within one year or on demand	**1,415,470**	2,879,007

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

14. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION

On 17 March 2010, KWG Property and Rich Come Enterprises Limited ("Rich Come"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Sun Hung Kai Development (China) Limited ("SHK China") and Lyntondale Holdings Limited ("Lyntondale") pursuant to which Rich Come would cooperate with SHK China for the development of three parcels of land located in Foshan City, PRC, through the subscription of 20 ordinary shares of Lyntondale by Rich Come. Upon completion of the subscription, the issued share capital of Lyntondale will be held as to 80% by SHK China and as to 20% by Rich Come.

On the same day, KWG Property and High Ascent Enterprises Limited ("High Ascent"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with SHK China and Bonserry Investments Limited ("Bonserry") pursuant to which High Ascent would cooperate with SHK China for the development of four parcels of land located in Foshan City, PRC, through the subscription of 20 ordinary shares of Bonserry by High Ascent. Upon completion of the subscription, the issued share capital of Bonserry will be held as to 80% by SHK China and as to 20% by High Ascent.

Details of the above were contained in the Company's announcement dated 17 March 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

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

The revenue amounted to approximately RMB4,266.6 million in 2009, representing a significant increase of 171.0% from approximately RMB1,574.2 million in 2008, primarily due to the increase of total gross floor area (the "GFA") delivered in sales of properties in 2009.

In 2009, the revenue generated from property development, property investment, hotel operation and property management services were approximately RMB4,110.0 million, RMB98.7 million, RMB10.0 million and RMB47.9 million, respectively.

Property development

Revenue generated from property development increased by 179.4% to approximately RMB4,110.0 million in 2009 from approximately RMB1,471.2 million in 2008, primarily due to a 281.8% increase in the total GFA delivered to 509,834 sq.m. in 2009 from 133,531 sq.m. in 2008. The increase in the total GFA delivered in 2009 was principally due to some of the property development projects were under construction during 2008 and three of these development projects were completed and delivered in 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 RMB8,061 per sq.m. in 2009 from RMB11,018 per sq.m. in 2008 due to the sales portfolio of the Group comprising more mid-to high end residential GFA with relatively lower recognised average selling price during the year under review.

Property investment

Revenue generated from the provision of property investment increased by 32.5% to approximately RMB98.7 million in 2009 from approximately RMB74.5 million in 2008, primarily attributable to an increase in total GFA of our rental area leased in International Finance Place ("IFP") during the year under review as well as 2009 being the first full year to us of generating rental income from certain tenants.

Hotel operation

In September 2009, our Four Points by Sheraton Guangzhou, Dongpu commenced its soft-launch. The Group reported hotel operation income of approximately RMB10.0 million for 2009 (2008: nil).

Provision of property management services

Revenue generated from the provision of property management services increased by 68.1% to approximately RMB47.9 million in 2009 from approximately RMB28.5 million in 2008, primarily attributable to an increase in the number of properties under management as well as 2009 being the first full year 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 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 increased by 255.1% to approximately RMB2,650.3 million in 2009 from approximately RMB746.4 million in 2008, primarily due to an overall increase in cost of properties sold following the increase in GFA delivered.

Land cost per sq.m. remained constant in both year.

Construction cost per sq.m. decreased from RMB4,153 in 2008 to RMB3,708 in 2009, principally due to the increasing proportion of the Group's construction of mid-end residential projects which have relatively lower construction costs.

Gross profit

Gross profit of the Group increased by 95.3% to approximately RMB1,616.3 million in 2009 from approximately RMB827.8 million in 2008. The increase in gross profit primarily attributable to the increase in the total revenue in 2009. However, the increase of gross profit was partially offset by the decrease in recognised average selling price in 2009 as discussed and the delivery of mid-to high end residential GFA with relatively lower gross margin. The Group reported a gross profit margin of 37.9% for 2009 (2008: 52.6%). The decline in gross profit margin was mainly due to the increasing proportion of the Group's sales and delivery of mid-to high end residential GFA, which have relatively lower average selling price and gross profit margin.

Other income and gains

Other income and gains decreased by 67.3% to approximately RMB49.3 million in 2009 from approximately RMB150.6 million in 2008, mainly comprising interest income of approximately RMB7.1 million and net exchange gains of approximately RMB24.6 million.

Selling and marketing costs

Selling and marketing costs of the Group increased by 110.6% to approximately RMB188.5 million in 2009 from approximately RMB89.5 million in 2008, which is primarily due to an increase of 62.9% in advertising expenses to approximately RMB104.4 million in 2009 from approximately RMB64.1 million in 2008, which was largely attributable to increased advertising for our new projects, such as The Emerald, Chengdu Cosmos and The Vision of the World in Chengdu, The Up Blue Town and The Sapphire in Suzhou, Fragrant Seasons, also known as "Sounds of the Soul", in Beijing, The Apex, International Creative Valley and Zengcheng Summit in Guangzhou.

Administrative expenses

Administrative expenses of the Group increased by 65.0% to approximately RMB282.0 million in 2009 from approximately RMB170.9 million 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. The opening of our Four Points by Sheraton Guangzhou, Dongpu and the increase of other tax and surcharges on sales of properties also contributed to the increment in 2009.

Other operating expenses, net

Other operating expenses of the Group was approximately RMB42.2 million in 2009 (2008: approximately RMB1.8 million), mainly comprising the losses on the disposal of investment properties of approximately RMB40.1 million (2008: nil).

Fair value gains/losses on investment properties, net

The Group reported net fair value gains on investment properties of approximately RMB60.6 million for 2009 (2008: losses of approximately RMB23.6 million), mainly related to the leasable portion of our International Creative Valley in Guangzhou.

Finance costs

Finance costs of the Group being approximately RMB9.0 million in 2009 (2008: nil), related to the borrowing costs on corporate loans. Since such loans were not earmarked for project development, thus such borrowing costs have not been capitalisated.

Tax

Tax increased by 62.6% to approximately RMB548.0 million in 2009 from approximately RMB337.1 million in 2008, primarily due to an increase in profit attributable to the owners of the parent and provisions for LAT as a result of an increase in properties sold in 2009.

Profit attributable to the owners of the parent

Profit attributable to the owners of the parent of the Group in 2009 increased by 95.4% to approximately RMB720.1 million from approximately RMB368.5 million in 2008. Net profit margin decreased to 16.9% in 2009 from 23.3% in 2008, as a result of the cumulative effect of the foregoing factors.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 31 December 2009, the carrying amount of the Group's cash and bank deposits was approximately RMB3,610.6 million (31 December 2008: approximately RMB1,373.0 million), representing a increase of 163.0% 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 31 December 2009, the carrying amount of the restricted cash was approximately RMB1,069.9 million (31 December 2008: approximately RMB205.9 million).

Borrowings and charges on the Group's assets

The Group had an aggregate borrowings as at 31 December 2009 of approximately RMB8,645.5 million, of which approximately RMB2,566.6 million will be repayable within 1 year, approximately RMB5,242.4 million will be repayable between 2 and 5 years and approximately RMB836.5 million will be repayable over 5 years.

As at 31 December 2009, the Group's bank loans of approximately RMB6,438.9 million 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 RMB8,506.1 million.

The carrying amounts of all the Group's bank loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately HK$1,210.0 million as at 31 December 2009 which were denominated in Hong Kong dollars. All of the Group's borrowings were charged at floating interest rates as at 31 December 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 31 December 2009, the gearing ratio was 48.4% (2008: 50.3%).

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 2009, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar maintained a relatively stable level and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

CONTINGENT LIABILITIES

(i) As at 31 December 2009, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB4,067.1 million (31 December 2008: approximately RMB1,624.9 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 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 in the financial statements as at 31 December 2009 and 2008 for the guarantees.

(ii) As at 31 December 2009, the Group had provided a guarantee in respect of a bank loan of RMB700.0 million for the ex-owner of our Zengchang project in Guangzhou, PRC.

BUSINESS REVIEW

Market and business review

The PRC property market has begun to recover in 1Q 2009. With supporting policies from the PRC central government, pent-up and ongoing demand from buyers were released, and resulted in strong increases in transaction volume and prices nationwide. From 2Q 2009 onwards, developers enjoyed good sales results in project launches, with good volume and subsequently with price uptakes. KWG Property had our first major launch in mid April 2009, where we launched four projects, namely Guangzhou's Apex/W Serviced Apartment, Chengdu's Vision of the World and The Emerald, and Suzhou's Up Blue Town, which gave us the first step-up in sales performance.

During the second half of 2009, KWG Property launched a number of high profile, high-end projects and achieved strong sales results. In our Suzhou Sapphire project, we first launched in June 2009 and average selling price ("ASP") of approximately RMB6,600/sq.m.. In our subsequent phases launched in September and November, our ASPs achieved were approximately RMB8,100/sq.m. and RMB10,000/sq.m. respectively. All three launches generated strong volume pick-up, and thus allowed KWG Property to promote our emerging brand name and product recognition in the high-end residential market in Suzhou. In our Chengdu Cosmos project, we first launched in November, we achieved ASP of approximately RMB18,000/sq.m., and sold out the entire phase of 200 units in the first few weeks. This selling price made Chengdu Cosmos to be the highest-priced apartment project in Chengdu. In our Beijing Fragrant Seasons (also known as "Sound of the Soul") project, we first launched in October and achieved ASP of approximately RMB13,800/sq.m. for our lowrise units. This price level exceeded that of neighbouring projects' town houses products, and provided us with the opportunity to build up KWG Property's product recognition and brand name in Beijing.

Throughout the remainder of 2009, KWG Property maintained very strong monthly sales momentum. Our quarterly sales were at approximately RMB2.4 billion, RMB2.0 billion and RMB2.6 billion during 2Q, 3Q and 4Q 2009, respectively. We finished the year with total pre-sale of approximately RMB7.6 billion, 3 times more than our performance in 2008, and 50% higher than our original 2009 budget. This high level of pre-sales resulted in an approximately 60% lock in for our delivery target in 2010, thus providing high visibility for our financial performance.

Land Bank

KWG Property maintained a prudent and sensible land banking strategy during 2009. We have replenished land bank in our existing locations, which would allow us to leverage the brand and product recognitions generated by our existing projects. We were also highly selective in our choice of new land bank. During 2009, we bought one land plot in the open auction market, namely Plot D3-4 in Guangzhou's Pearl River New Town. We expect to build a service apartment project, leveraging on our success in The Apex/W Serviced Apartment achieved in 2009. In addition, we added to our land bank in Suzhou's Wuzhong district, along the upcoming light rail line #1, through private negotiation. We also bought out the equity stakes from our partners in several existing projects, namely Chengdu Cosmos, The Emerald and Guangzhou Zengcheng Summit, to expand our land bank while keeping land cost at a reasonable level. At the same time, during 2009, we also actively paid down our outstanding land premiums. This positions us favourably for future acquisition opportunities in 2010 and beyond. As at 31 December 2009, we had a total land bank of approximately 7 million sq.m. of GFA, and expect this will support 4–5 years of our development.

Projects under development

As at 31 December 2009, the Group had 18 development projects under various stages of development, which were located in Guangzhou, Suzhou, Chengdu, Beijing and Hainan.

District	Project	Type of property	GFA attributable to the Group's Interest *('000 m^2)*	Interests attributable to the Group *(%)*
Guangzhou	The Apex	High-end comprehensive project: luxury residential/serviced apartments/5-star hotel	81	100
Guangzhou	Lie De	High-end comprehensive project: hotel/serviced apartments/office building/shopping mall	155	33
Guangzhou	J2-2	High-end comprehensive project: hotel/serviced apartments/office building/shopping mall	72	50
Guangzhou	Yucui Garden	Mid-to high-end residential	12	50
Guangzhou	International Creative Valley	Office building	320	100
Guangzhou	Sky Ville	Low density villas/townhouses/high-rise apartments/5-star hotel	253	100
Guangzhou	Waterfront Mansion	Townhouses/mid-to high-end residential	115	100
Guangzhou	Zengcheng Summit	Large scale comprehensive project: mid-to high-end residential/villas/townhouses/commercial properties	2,540	100
Guangzhou	D3-4	High-end serviced apartments	34	100
Suzhou	The City Island	Townhouses/mid-to high-end residential	138	100
Suzhou	The Up Blue Town	Mid-to high-end residential	147	100
Suzhou	The Sapphire	High-end residential/hotel/office building	788	100
Suzhou	Mudu	High-end comprehensive project: residential and commercial properties	135	29
Chengdu	The Emerald	High-end residential	28	100
Chengdu	The Vision of the World	Mid-to high-end residential	509	100
Chengdu	Chengdu Cosmos	High-end comprehensive project: residential/hotel/serviced apartments/office building/shopping mall	873	100
Beijing	Fragrant Seasons (also known as "Sound of the Soul")	Mid-to high-end residential	490	100
Hainan	Lingshui Project	Hotel/villas/high-rise apartments	293	100

Investment properties and hotels

During 2009, KWG Property continued the development of its hotels and investment properties in specific projects. In the long run, we will continue to explore opportunities in diversified property investments with the objective to 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 our asset base.

During the year under review, turnover of the Group from its investment in office premises and leasing of retail properties amounted to approximately RMB98.7 million (2008: approximately RMB74.5 million).

(1) Hotels

In September 2009, KWG Property commenced the soft launch of our Four Points by Sheraton Guangzhou, Dongpu, located in Tianhe Dongpu, Guangzhou. In addition, KWG Property has two high-end star-rated hotels under construction in Guangzhou, namely, Guangzhou W Hotel and Sheraton Huadu Resort, and six other high-end star-rated hotels and two 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 Guangzhou W Hotel, Huadu Sheraton Resort, Four Points by Sheraton Guangzhou, Dongpu, 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 institutions such as the Italian Consulate.

BUSINESS OUTLOOK

KWG Property looks forward to leveraging the successes of 2009 into 2010. Having fully opened up our land bank and made sales from substantially all of our projects during 2009, we can further fine tune our project sales strategy, e.g. product positioning, pricing, and launch timing. Given many of our new launches were carried out in 4Q 2009, e.g. Chengdu Cosmos, Suzhou Sapphire, Beijing Sound of the Soul, launches of the subsequent phases of these projects would give us a higher level of visibility during 2010.

As a result of the solid pre-sales achieved, we also expect to have meaningful increase in our financial performance for 2010. Our high lock-in rate for 2010 deliveries gave us high assurance. We will continue to focus on the timely and quality completion of these pre-sold properties so as to ensure our delivery of the expected financial results.

We will continue to be highly prudent in our land bank expansion. Our primary focus is new opportunities located in cities where our existing projects are situate. We will also focus on products that we are highly experienced in and familiar with. We will continue to explore opportunities on both the private and auction market, as well as consider new projects as a sole investor and with highly qualified partners. We strive to maintain a balance in expanding our land bank, while being prudent with our financial resources.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2009, the Group employed a total of approximately 2,300 employees. The total staff costs incurred was approximately RMB138.8 million during the financial year ended 31 December 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.

During the year ended 31 December 2009, 8,457,000 share options had been granted by the Company to the grantees, including the Board and certain employees of the Group on 18 December 2009. None of the share options were exercised by the grantees or cancelled by the Company as at the date of approval of these financial statements.

DIVIDEND

The Board of the Company has proposed the payment of a final dividend of RMB5 cent per ordinary share for the year ended 31 December 2009. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid on or before 9 July 2010 to the shareholders whose names appear on the register of members of the Company on 2 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3 June 2010 to Wednesday, 9 June 2010, 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 Wednesday, 2 June 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2009, the Company had repurchased 600,000 shares of HK$0.10 each in the capital of the Company on the Stock Exchange, details of which are as follows:

Date of repurchase	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate consideration (excluding expenses)**
	(Note 1)	*(HK$)*	*(HK$)*	*(HK$)*
30 December 2009	600,000	5.80	5.63	3,453,895.55

Note:

1. Shares were cancelled on 8 January 2010

The Board believes that the repurchase was made for the benefit of the shareholders as a whole as they enhanced the earnings per share of the Company.

Saved as disclosed, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

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 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Group 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 Group, 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 2009.

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 reports to the Board and is delegated by the Board to assess matters related to the financial statements of accounts 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 2009.

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 was established on 11 June 2007. 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

Based on information that is publicly available to the Company and within the knowledge of the directors, the Board confirms that the Company has maintained a sufficient public float as required by the Listing Rules during the year under review.

PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE

The annual report of the Company for the year ended 31 December 2009 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 2009 AGM of the Company will be held on Wednesday, 9 June 2010 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, 24 March 2010

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, Mr. He Wei Zhi and Mr. Yu Yao Sheng; and the independent non-executive directors of the Company are Mr. Lee Ka Sze, Carmelo, Mr. Dai Feng and Mr. Tam Chun Fai.