



▶▶ Interim Report 2011

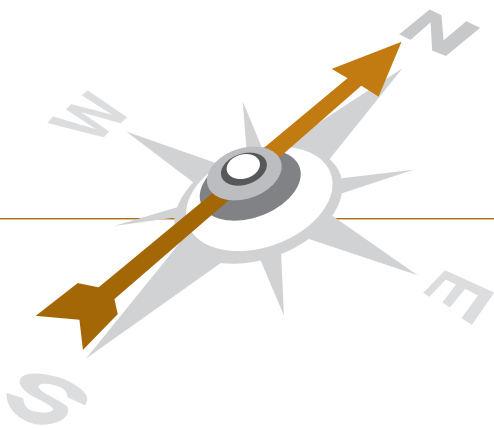
Build Home with  
**HEART**  
Create Future with  
**ASPIRATION**



**KWG Property Holding Limited**

Incorporated in the Cayman Islands with limited liability

Stock Code: 1813



## CONTENTS

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Corporate Information .....	<b>2</b>
Corporate Profile .....	<b>3</b>
Chairman’s Statement .....	<b>4</b>
Project Summary .....	<b>6</b>
Business Summary .....	<b>7</b>
Management Discussion and Analysis .....	<b>9</b>
Disclosure of Interests .....	<b>14</b>
Corporate Governance and Other Information .....	<b>17</b>
Report on Review of Condensed Consolidated Interim Financial Information .....	<b>20</b>
Condensed Consolidated Interim Financial Information	
Condensed Consolidated Income Statement .....	<b>21</b>
Condensed Consolidated Statement of Comprehensive Income .....	<b>22</b>
Condensed Consolidated Statement of Financial Position .....	<b>23</b>
Condensed Consolidated Statement of Changes in Equity .....	<b>25</b>
Condensed Consolidated Statement of Cash Flows .....	<b>26</b>
Notes to Condensed Consolidated Interim Financial Information .....	<b>27</b>

# CORPORATE INFORMATION

## Directors

### Executive Directors

Mr. Kong Jian Min (*Chairman*)  
Mr. Kong Jian Tao  
(*Chief Executive Officer*)  
Mr. Kong Jian Nan  
Mr. Li Jian Ming  
Mr. Tsui Kam Tim  
Mr. He Wei Zhi  
Mr. Yu Yao Sheng

### Independent Non-executive Directors

Mr. Lee Ka Sze, Carmelo  
Mr. Dai Feng  
Mr. Tam Chun Fai

## Company Secretary

Mr. Tsui Kam Tim

## Authorised Representatives

Mr. Kong Jian Min  
Mr. Tsui Kam Tim

## Audit Committee

Mr. Tam Chun Fai (*Chairman*)  
Mr. Lee Ka Sze, Carmelo  
Mr. Dai Feng

## Remuneration Committee

Mr. Kong Jian Min (*Chairman*)  
Mr. Tam Chun Fai  
Mr. Dai Feng

## Nomination Committee

Mr. Kong Jian Min (*Chairman*)  
Mr. Tam Chun Fai  
Mr. Dai Feng

## Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Principal Place of Business in Hong Kong

Suite 7506, Level 75  
International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

## Principal Share Registrar

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House, 68 Fort Street  
P.O. Box 705, George Town  
Grand Cayman KY1-1107  
Cayman Islands

## Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited  
17M Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## Principal Bankers

Agricultural Bank of China Limited  
Bank of China Limited  
China Construction Bank Corporation  
China Construction Bank (Asia) Corporation Limited  
China Minsheng Banking Corp. Ltd.  
China Guangfa Bank Co., Ltd.  
Guangzhou Rural Commercial Bank  
Industrial and Commercial Bank of China (Asia) Limited  
Industrial and Commercial Bank of China Limited  
Standard Chartered Bank (Hong Kong) Limited

## Auditors

Ernst & Young

## Legal Advisors

as to Hong Kong law:  
Sidley Austin

as to Cayman Islands law:  
Conyers Dill & Pearnan

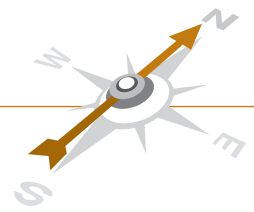
## Website

[www.kwgproperty.com](http://www.kwgproperty.com)

## Stock Code

1813 (Main Board of The Stock Exchange of Hong Kong Limited)

# CORPORATE PROFILE



KWG Property Holding Limited (“KWG Property” or the “Company”, together with its subsidiaries, collectively the “Group”) was founded in 1995 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 1813) since July 2007. KWG Property is one of the leading large-scale property developers in Guangzhou. Since its establishment, KWG Property has been focusing on the development, sales and management of quality properties targeted at mid- to high-income groups.

Over the past 16 years, the Group has built up an efficient property development system as well as a balanced portfolio which offers mid- to high-end residential properties, serviced apartments, villas, Grade A+ office buildings, hotels, high-end shopping malls, etc. Its business scope has also been extended from traditional property development and sales to areas of asset management and property management. A strategic development framework has been formed, with Guangzhou and Hainan as its hub for South China, Suzhou and Shanghai for East China, Chengdu for West China, and Beijing and Tianjin for the Bohai Rim in North China. Projects in Guangzhou, Suzhou, Chengdu, Beijing and Tianjin have already been launched, while the projects in Hainan and individual project in Shanghai are expected to be launched in the year.

KWG Property's current land bank is sufficient for development in the next 5 to 6 years. With sufficient cash flow, healthy financial position and stable operation, the Group will continue to selectively and prudently acquire land sites with good potential to provide a solid foundation for future growth.

To ensure stable development through balanced revenue contribution and risk diversion, the Group will seek in future to build a diversified development portfolio in cities with a strategic balance between mid- to high-end residential properties and commercial properties, such as offices, hotels and high-end shopping malls, to be held on a long-term basis accounting for an increased proportion to complement its residential developments.

# CHAIRMAN'S STATEMENT

Dear Shareholders:

I am pleased to present the interim results of the Group for the six months ended 30 June 2011. During the period under review, the Group recorded total revenue of approximately RMB5,142.6 million, representing a year-on-year increase of 119.6%. Profit attributable to owners of the parent was approximately RMB930.7 million, representing an increase of 128.5% from the same period last year. Earnings per share amounted to RMB32.2 cents.

## **Satisfactory Sales Progress Made by Existing Projects and Increased Launch of Commercial Properties**

During the first six months of 2011, the central government announced a set of tightening measures that aimed at directing the People's Republic of China (the "PRC") property market towards healthy and sustainable development. These included raising the amount of down payment, a higher entry barrier for property purchases and reinforcing controls over mortgage offering criteria by banks. The Group has been closely monitoring changes in government policies and has adjusted the pace and strategy of its business development in a timely manner. We sought to fulfil the demands from the market by accelerating the pace of commercial properties launch (such as serviced apartments, offices and retail shops). For example, we have been recording stable sales from International Creative Valley, the Group's commercial project in the Guangzhou Science Park, since the beginning of the year. Our commercial property products also topped the commercial property market in Guangzhou in terms of both sales amount and sales area for the first half of 2011. In review, the Group was able to sustain stable sales during the first half of the year by the continuous sales of its existing projects without launching any new projects. The Group ranked 23rd among the "Top 30 PRC Property Developers by Pre-sale Amount for the First Half of 2011". Our dominance in the markets and our persistence of high-quality products are further evidenced by our inclusion in "Top 10 developers in Guangzhou by Pre-sale Amount and Pre-sale Area" and "Top 10 Developers in Suzhou by Pre-sale Amount and Pre-sale Area". Our high-end residential project Chengdu Cosmos in Chengdu was also granted "The Best Residential High-rise Development in China of 2011 Bloomberg International Property Awards (Asia-Pacific Region)".

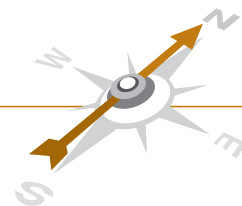
## **Prudent Strategic Expansion Capitalising on Sound Opportunities**

The Group continued to adhere to the principle of prudent land replenishment by closely monitoring the land market and making acquisitions at the right time. Following our entry into the Shanghai market last year, we made further moves to acquire the remaining interests in the New Jiang Wan project in Shanghai in January this year. We also acquired two new sites in Jiading District at reasonable prices, taking the total number of projects in Shanghai to six. Beyond Shanghai, we also acquired a site in Yinshan Lake, Suzhou and another in Wenchang, Hainan, in an effort to continuously expand our geographic region leveraging in resources developed from our presence in those cities. In June, the Group further acquired a commercial site with a prime location within the second ring in Dongcheng District, Beijing. The acquisition represented a strategic move to solidify the Group's footprint in Beijing, and enhance its portfolio of commercial properties in the existing regions where the Group has already established presence.

As at 30 June 2011, the Group had a land bank with a total gross floor area ("GFA") of approximately 8.8 million sq.m. covering 28 projects in 7 cities, which should provide ample land supply for its development needs in the coming 5 to 6 years.

## **Diversification of Product Portfolio to Address Market Demands**

With the growth of the Company in scale, the Group currently has a total of 28 projects, as compared to 20 projects for the same reporting period last year. With more new projects coming onstream for sale in the second half of the year, the number of projects with sales contribution will increase from 11 in the beginning of the year to 17. Apart from building high-end quality residences, we will endeavour to diversify our product range with an increasing emphasis on mid-end projects. By offering home-buyers with mid-end housing characterised by convenient public transport access, suitable sizes, exquisite designs and reasonable pricing to attract customers, we hope that more customers will be able to experience the joy of quality living, while we will also be able to mitigate the impact of regulatory control by expediting cash inflow.



## Efficient Land Development, Expedited Cash Inflow

The Group is committed to develop project in an efficient manner, as illustrated by Suzhou Apex launched in the second half of last year, which took only 10 months from land acquisition to first launch. The Group acquired seven sites during the previous year and by the end of the same year, project construction had commenced on most of them. Six of them (Jinnan New Town in Tianjin, Putuo Project, New Jiang Wan Project and three Jiading's projects in Shanghai) have already been planned for launch in the second half of this year. The Group believes that its practice of quick project development will help shorten the cycle of cash inflow and expedite return on assets.

## Smooth Cashflow Achieved through Prudent Financial Management

During the first half of 2011, the Group was able to effectively sustain cash flow amid tight conditions in the credit market, thanks to its principle of prudent financial management. In view of uncertainties in the credit market for the current year as anticipated by the management at the start of the year, we executed more overseas financing activities. In March, we successfully issued a 5-year senior notes of US\$350.0 million, which further strengthened our financial positions and enhanced our risk mitigation ability. In June, KWG Property together with Guangzhou R&F Properties Co., Ltd ("R&F") procured a project level financing of approximately HK\$2,600.0 million from banks. Moreover, attributing to our reasonable gearing level, sound credit records, stable sales and balanced loan facilities access from both local and overseas channels, we continue to maintain a healthy financial position in the austere credit market thanks to our projects' ideal locations, convenient transport access and reasonable land costs.

## Outlook

Looking to the second half of the year, the Group plans to launch brand new projects in Guangzhou, Shanghai, Tianjin and Hainan, most of which are located in city center or with convenient access to public transportation. We expect the new projects to boost our sales, generating a positive effect for us to further penetrate into the markets.

Meanwhile, we will continue to closely monitor market trends and policy changes. Besides strengthening product research and development to drive sales, we will improve our risk mitigation abilities by employing consistent efforts to upgrade our financial management systems and enhance our internal controls and governance standards.

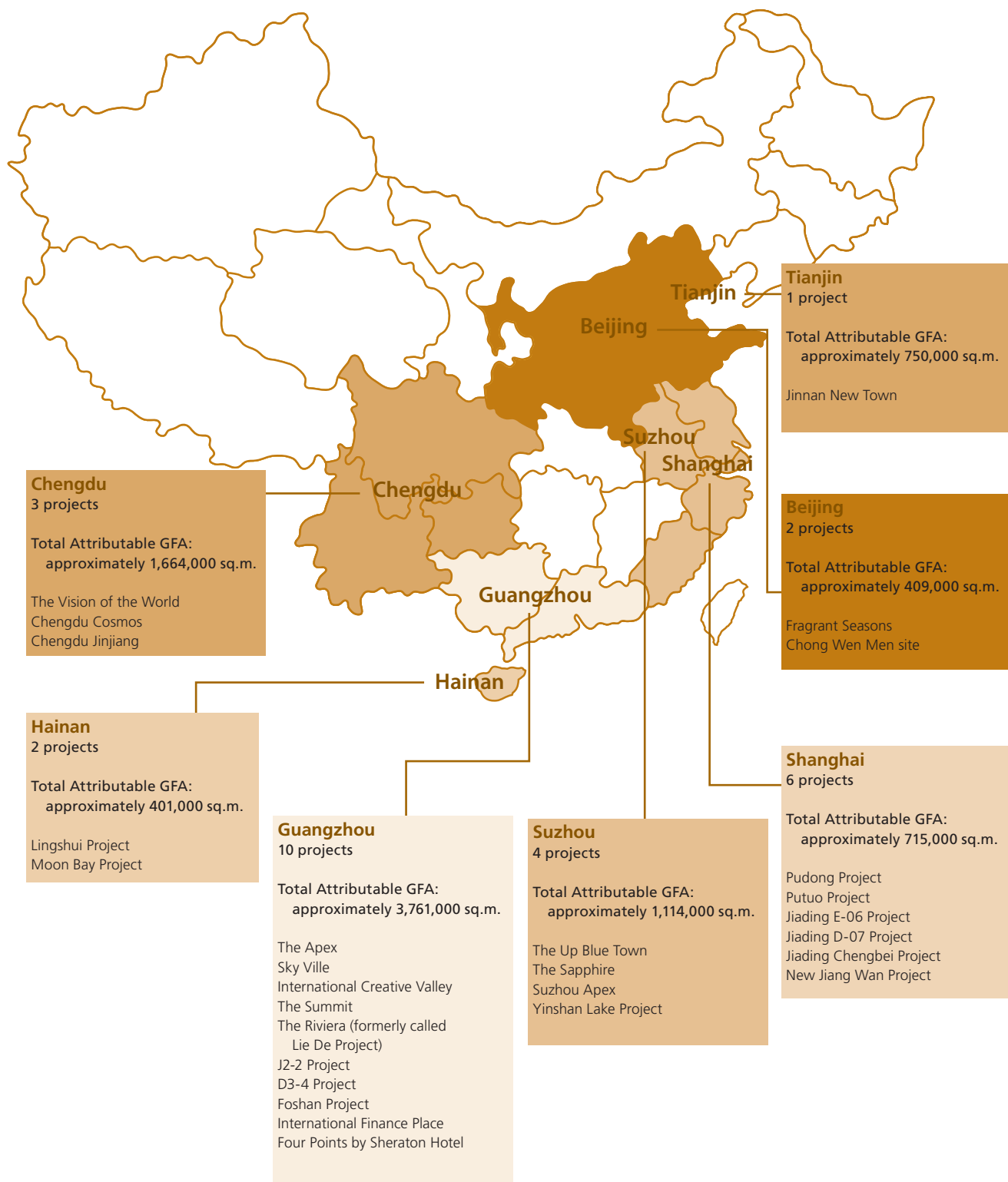
Last but not least, on behalf of the board of directors (the "Board"), I would like to express sincere gratitude to our shareholders, investors and business partners for your trust and support, as well as to our staff for their contributions. We will continue to retribute the society and our customers with fostering a culture of fine living in fulfillment of our mission to "Build Home with Heart, Create Future with Aspiration."

**Kong Jian Min**

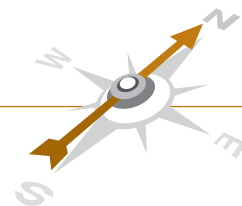
*Chairman*

18 August 2011

# PROJECT SUMMARY



# BUSINESS SUMMARY



## Period under Review

During the first six months of 2011, the central government announced a set of tightening measures that aimed at directing the PRC property market towards healthy and sustainable development. These included raising the amount of down payment, a higher entry barrier for property purchases and reinforcing control over mortgage offering criteria by banks. The Group has been closely monitoring changes in the market and responded in a prudent manner. During the period under review, the Group reported stable sales and the Group's pre-sale was derived mainly from the continuous sales of its existing projects. Meanwhile, the Group seized acquisition opportunities during the first half of the year and acquired certain sites with an aggregate total GFA of approximately 640,000 sq.m. at reasonable prices, to take advantage of resource-sharing and increasing its brand recognition. As at 30 June 2011, the Group had a land bank with a total GFA of approximately 8.8 million sq.m. covering 28 projects in 7 cities, namely Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Tianjin and Shanghai.

## Overview of the Group's Property Development

As at 30 June 2011, the Group had total 28 projects, out of which 23 projects are under development, which were located in Guangzhou, Suzhou, Chengdu, Beijing, Shanghai, Hainan and Tianjin, respectively.

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
1.	The Apex	Guangzhou	W Hotel / W serviced apartments	80	100
2.	Sky Ville	Guangzhou	Villas / residential / 5-star hotel / retail	150	100
3.	International Creative Valley	Guangzhou	Office / serviced apartments / retail	121	100
4.	The Summit	Guangzhou	Residential / villas / serviced apartments / office / retail	2,493	100
5.	D3-4 Project	Guangzhou	Serviced apartments / office	34	100
6.	J2-2 Project	Guangzhou	Office / retail	72	50
7.	The Riviera	Guangzhou	Serviced apartments / office / hotel / retail	155	33
8.	The Up Blue Town	Suzhou	Residential / serviced apartments	9	100
9.	The Sapphire	Suzhou	Residential / hotel / office / serviced apartments	543	100
10.	Suzhou Apex	Suzhou	Residential / hotel / retail / serviced apartments	402	90
11.	Yinshan Lake Project	Suzhou	Residential	160	100
12.	The Vision of the World	Chengdu	Residential / serviced apartments	389	100
13.	Chengdu Cosmos	Chengdu	Residential / hotel / serviced apartments / office / retail	825	100
14.	Chengdu Jinjiang	Chengdu	Residential / retail	450	50
15.	Fragrant Seasons	Beijing	Residential / villas / serviced apartments	393	100
16.	Lingshui Project	Hainan	Villas / residential / hotel	293	100



No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
17.	Jinnan New Town	Tianjin	Residential / villas / retail	750	25
18.	Pudong Project	Shanghai	Office	78	100
19.	Putuo Project	Shanghai	Residential / serviced apartments / retail	79	50
20.	Jiading E-06 Project	Shanghai	Residential / office / retail	111	100
21.	Jiading D-07 Project	Shanghai	Serviced apartments / retail	158	90
22.	Jiading Chengbei Project	Shanghai	Residential / retail	154	100
23.	New Jiang Wan Project	Shanghai	Residential / office / retail	135	50

### Investment Properties under Construction

As at 30 June 2011, there were a number of high-end star-rated hotels and high-end shopping malls under planning, located in Guangzhou, Suzhou, Chengdu, Hainan and Shanghai. Currently, except Four Points by Sheraton Hotel which had been completed, two hotels, Huadu Sheraton Resort Hotel and W Hotel, are currently under construction. The Group will continue to maintain in its business portfolio a balanced share of investment property, over which the Group will exercise full management control through risk and return analyses as well as a comprehensive operational management mechanism for investment property.

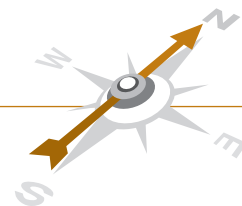
District	Name of the Hotel	Rooms	Star	Expected Commencement Schedule
Guangzhou	Huadu Sheraton Resort Hotel	98	5 star	2011
Guangzhou	W Hotel	317	5 star	2012

### Completed Investment Properties

As at 30 June 2011, the occupancy rate of International Finance Place ("IFP"), the Group's Grade A+ office building which had been completed and commenced operation, stood at above 99.0%. The Group continued to lease spaces on a selective basis in order to maintain the high-end and premium nature of IFP tenants. Tenants who have signed up include above 13 domestic and foreign banks, Guangzhou offices of multinational corporations and diplomatic establishments such as the Italian Consulate.

Our Four Points by Sheraton Hotel, a 4-star business hotel located in Dongpu, Guangzhou, was in smooth operation since its opening in September 2009. For the six months ended 30 June 2011, the Group reported hotel operation income of approximately RMB34.0 million.

# MANAGEMENT DISCUSSION AND ANALYSIS



## Market Review

During the first half of 2011, the central government announced a set of tightening measures that aimed at directing the PRC property market towards healthy and sustainable development. These included raising the amount of down payment, a higher entry barrier for property purchases and reinforcing control over mortgage offering criteria by banks. Meanwhile, credit supply was tightened and plans were made to construct more social-housing under the social security scheme.

The management is of the view that market regulation and correction is a necessary stage in the course of healthy and comprehensive development of the industry. The Group has been closely monitoring the situation and will make swift and pro-active adjustments in response to market changes. The Group's diversified product mix gives flexibility to bring forward the construction and launch of commercial properties, such as serviced apartments, offices and retail, which are not under purchase or lending restriction. Besides strengthening product research and development to drive sales, the Group has also been improving its risk aversion abilities by employing consistent efforts to upgrade the financial management systems and enhance internal controls and governance standards.

## Business Review

The Group's pre-sales for the first half of 2011 were mainly from existing projects, without launching any new project during the period. The Group reported stable sales for the first half of the year. As at 30 June 2011, pre-sales completed by the Group amounted to approximately RMB6,500.0 million. In terms of project, the office blocks of International Creative Valley, the Group's commercial project in Guangzhou, topped the commercial property market in Guangzhou in terms of both sales amount and sales area for the first half of 2011. The high-end residential project Chengdu Cosmos in Chengdu was also granted "The Best Residential High-rise Development in China of 2011 Bloomberg International Property Awards (Asia-Pacific Region)" by Bloomberg. Region-wise, the Group was a dominant player in the markets of Guangzhou and Suzhou that ranked among the top 10 property enterprises of the respective regions by pre-sales. Nationwide, the Group had the honour of ranking 23rd among the "Top 30 PRC Property Developers by Pre-sales for the First Half of 2011". The Group believes that the increasing popularity of its products and growing brand recognition will be important driving forces for the gradual expansion of the Group's market shares.

The Group seized acquisitions opportunities during the first half of the year and acquired an aggregate total GFA of approximately 640,000 sq.m. at reasonable prices, to further enhance its footprint in cities where it has already established presence. As at 30 June 2011, the Group had a land bank with a total GFA of approximately 8.8 million sq.m., covering 28 projects in 7 cities, namely Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Tianjin and Shanghai.

## Investment properties

As at 30 June 2011, the occupancy rate of KWG Property's IFP, one of the Group's major investment properties, stood at above 99.0%, as IFP remained one of the top Grade A+ office buildings in Guangzhou in terms of average rental rate, building quality, excellent property management service, and high-end tenant-mix.

## Hotel properties and serviced apartments

Operations have been smooth at Four Points by Sheraton which is located in Dongpu, Guangzhou since its opening in September 2009, with business revenue steadily on the rise. Meanwhile, the Group's W Hotel, the first W Hotel and W Apartments in China, and Sheraton Huadu Resort are currently under construction. The two hotels and the W Apartments are expected to commence operation in the near future.

## Market Outlook

The management is of the view that market regulation and correction is a necessary stage in the course of healthy and comprehensive development of the industry, which also drives the Group in its adaptation to market changes and enhances its risk aversion ability. The Group will continue to closely monitor future market trends and respond to market changes in a prudent and pro-active manner by strengthening its corporate development and maintaining stringent financial discipline.

The Group planned to launch a number of brand new projects during the second half of the year, such as The Riviera (formerly known as the Lie De Project) in Guangzhou central business district, the Putuo Project and New Jiang Wan Project in Shanghai, the Lingshui Project in Hainan which enjoys unblocked sea view and the Jinnan New Town in Tianjin which was newly launched in early August. We expect that the launch of new projects will boost sales and further enhance our brand recognition, leading us to further enlarge our market share in each city.

## 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 RMB5,142.6 million in the first half of 2011, representing a significant increase of 119.6% from approximately RMB2,342.1 million for the corresponding period in 2010, primarily due to the increase of total GFA delivered in sales of properties in the first half of 2011.

The revenue generated from property development, property investment, hotel operation and provision of property management services were approximately RMB4,996.1 million, RMB69.7 million, RMB34.0 million and RMB42.8 million, respectively, during the six months ended 30 June 2011.

### *Property development*

Revenue generated from property development increased by 124.1% to approximately RMB4,996.1 million for the six months ended 30 June 2011 from approximately RMB2,229.7 million for the corresponding period in 2010, primarily attributable to a 104.6% increase in the total GFA delivered to 501,290 sq.m. in the first half of 2011 from 244,969 sq.m. for the corresponding period in 2010. The increase in the total GFA delivered was primarily due to the Group's effort of delivering an increased number of projects in other high growth cities.

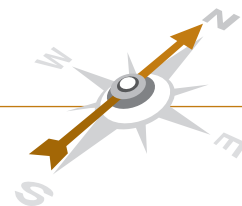
The increase in revenue was also attributable to the increase in the recognised average selling price of our properties sold. The recognised average selling price of property increased to RMB9,966 per sq.m. in the first half of 2011 from RMB9,102 per sq.m. for the corresponding period in 2010 reflecting a better product mix as well as an upgrade on city mix.

### *Property investment*

Revenue generated from property investment increased by 21.4% to approximately RMB69.7 million for the six months ended 30 June 2011 from approximately RMB57.4 million for the corresponding period in 2010, primarily attributable to an increase in total GFA of our rental area leased in IFP during the period under review.

### *Hotel operation*

Revenue generated from hotel operation increased by 53.8% to approximately RMB34.0 million for the six months ended 30 June 2011 from approximately RMB22.1 million for the corresponding period in 2010, primarily attributable to an increase in occupancy rate of our Four Points by Sheraton Guangzhou, Dongpu.



### *Provision of property management services*

Revenue generated from the provision of property management services increased by 30.1% to approximately RMB42.8 million for the six months ended 30 June 2011 from approximately RMB32.9 million for the corresponding period in 2010, primarily attributable to an increase in the number of properties under management.

### **Cost of Sales**

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

Cost of sales increased by 112.4% to approximately RMB2,864.3 million for the six months ended 30 June 2011 from approximately RMB1,348.6 million for the corresponding period in 2010, primarily due to an overall increase in cost of properties sold following the increase in GFA delivered.

Land cost per sq.m. and construction cost per sq.m. remained constant in both periods.

### **Gross Profit**

Gross profit increased by 129.3% to approximately RMB2,278.3 million for the six months ended 30 June 2011 from approximately RMB993.5 million for the corresponding period in 2010. The increase of gross profit was principally due to the increase in the total revenue and recognised average selling price of properties delivered in the first half of 2011.

### **Other Income and Gains**

Other income and gains increased by 64.7% to approximately RMB47.6 million for the six months ended 30 June 2011 from approximately RMB28.9 million for the corresponding period in 2010, mainly comprising interest income of approximately RMB25.8 million and net exchange gains of approximately RMB11.1 million.

### **Selling and Marketing Costs**

Selling and marketing costs of the Group slightly increased by 5.3% to approximately RMB106.9 million for the six months ended 30 June 2011 from approximately RMB101.5 million for the corresponding period in 2010.

### **Administrative Expenses**

Administrative expenses of the Group increased by 43.7% to approximately RMB245.2 million for the six months ended 30 June 2011 from approximately RMB170.6 million for the corresponding period in 2010, primarily attributable to an increased headcount to catch up with the rapid development of the Group in various regional offices in order to achieve its long term goal. The Group believes that people are key elements for future growth and grasping the opportunities ahead. The Group also provided extensive training, built incentive schemes as well as a teamwork-oriented corporate culture with high sense of belonging to retain experienced employees. The increase of other tax and surcharges on sale of properties also contributed to the increment in administrative expenses for the six months ended 30 June 2011.

### **Other Operating Expenses, Net**

Other operating expenses of the Group was approximately RMB0.5 million for the six months ended 30 June 2011 (six months ended 30 June 2010: approximately RMB0.8 million), mainly comprising the losses on the disposal of certain investment properties and operating costs of facilities at our residential development such as clubhouse and dining facilities during the period.

### **Fair Value Gains on Investment Properties, Net**

During the first half of 2011, as there was no new investment property project and the market value of the Group's existing investment properties remained stable, therefore there were no significant fair value gains on investment properties for the Group. The Group reported net fair value gains on investment properties of approximately RMB3.5 million for the six months ended 30 June 2011 (six months ended 30 June 2010: approximately RMB2.3 million).

### Finance Costs

Finance costs of the Group being approximately RMB91.5 million for the six months ended 30 June 2011 (six months ended 30 June 2010: approximately RMB5.0 million), related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus such borrowing costs have not been capitalised.

### Income Tax Expenses

Income tax expenses increased by 169.4% to approximately RMB950.8 million for the six months ended 30 June 2011 from approximately RMB352.9 million for the corresponding period in 2010, primarily due to an increase in profit before tax and provision for LAT as a result of the increase in total GFA delivered in sales of properties in the first six months of 2011.

### Profit Attributable to the Owners of the Parent

Profit attributable to the owners of the parent of the Group for the six months ended 30 June 2011 increased by 128.5% to approximately RMB930.7 million from approximately RMB407.3 million for the corresponding period in 2010. Net profit margin increased to 18.1% for the six months ended 30 June 2011 from 17.4% for the corresponding period in 2010, as a result of the cumulative effect of the foregoing factors.

## Liquidity, Financial and Capital Resources

### Cash Position

As at 30 June 2011, the carrying amount of the Group's cash and bank balances was approximately RMB6,450.2 million (31 December 2010: approximately RMB6,803.6 million), representing a decrease of 5.2% as compared to that as at 31 December 2010.

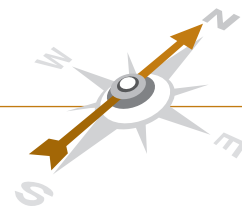
Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 30 June 2011, the carrying amount of the restricted cash was approximately RMB1,396.6 million (31 December 2010: approximately RMB1,528.0 million).

### Borrowings and Charges on the Group's Assets

As at 30 June 2011, the Group's bank loans and senior notes were approximately RMB10,103.0 million and RMB3,801.1 million (equivalent) respectively. Amongst the loans, approximately RMB2,704.6 million were repayable within 1 year, approximately RMB6,763.4 million were repayable between 2 and 5 years and approximately RMB635.0 million were repayable over 5 years. Amongst the senior notes, approximately RMB2,218.0 million was repayable between 2 and 5 years and approximately RMB1,583.1 million was repayable over 5 years.

As at 30 June 2011, 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 RMB9,437.2 million and equity interests of certain subsidiaries and an associate of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

The carrying amounts of all the Group's bank loans were denominated in RMB except for certain loan balances with aggregate amounts of approximately HK\$1,516.7 million and US\$90.9 million as at 30 June 2011 which were denominated in Hong Kong dollar and U.S. dollar respectively. All of the Group's bank loans were charged at floating interest rates except for a loan balance with an amount of RMB90.1 million which was charged at fixed interest rate as at 30 June 2011. The Group's senior notes were denominated in U.S. dollar.



### 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 2011, the gearing ratio was 60.7% (31 December 2010: 47.7%). The increase in gearing ratio in the first half of 2011 mainly reflecting increased cash utilisation in the ongoing property development projects.

### Risk of Exchange Rate Fluctuation

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

In the first half of 2011, the exchange rates of RMB to 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 operations of the Group.

### Contingent Liabilities

- (i) As at 30 June 2011, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB6,750.0 million (31 December 2010: approximately RMB6,160.6 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulting 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 in the financial statements for the period ended 30 June 2011 and the year ended 31 December 2010 for the guarantees.

- (ii) As at 30 June 2011, the Group had provided guarantees in respect of certain bank loans for an associate and jointly-controlled entities.
- (iii) As at 30 June 2011, the Group had provided a guarantee in respect of a bank loan of RMB700.0 million (31 December 2010: RMB700.0 million) for the ex-owner of a project of the Group, The Summit in Guangzhou, the PRC.

### Employees and Emolument Policies

As at 30 June 2011, the Group employed a total of approximately 3,100 employees. The total staff costs incurred were approximately RMB134.2 million during the six months ended 30 June 2011. 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.

# DISCLOSURE OF INTERESTS

## Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares

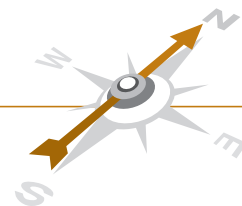
At 30 June 2011, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### Long positions in ordinary shares of the Company:

Name of Director	Long position/ Short position	Nature of interests	Number of shares held (Note 1)	Approximate percentage of shareholding
Kong Jian Min (Notes 2, 3 and 4)	Long position	Interest of a controlled corporation	1,714,441,500	59.26%
	Long position	Beneficial owner	4,067,000	0.14%
Kong Jian Tao (Notes 2 and 3)	Long position	Interest of a controlled corporation	1,687,500,000	58.33%
	Long position	Beneficial owner	1,000,000	0.035%
Kong Jian Nan (Notes 2 and 3)	Long position	Interest of a controlled corporation	1,687,500,000	58.33%
He Wei Zhi (Note 5)	Long position	Interest of spouse	10,000	0.00035%
Yu Yao Sheng	Long position	Beneficial owner	275,000	0.0095%

Notes:

- Share(s) of HK\$0.10 each in the capital of the Company.
- Plus Earn Consultants Limited ("**Plus Earn**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 1,612,500,000 shares through their interests in Plus Earn. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Plus Earn.
- Right Rich Consultants Limited ("**Right Rich**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 75,000,000 shares through their interests in Right Rich. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Right Rich.
- Hero Fine Group Limited ("**Hero Fine**") is legally and beneficially owned as to 100% by Kong Jian Min and Kong Jian Min is therefore deemed to be interested in 26,941,500 shares through his interests in Hero Fine. Kong Jian Min is the sole director of Hero Fine.
- These Shares are held and beneficially owned by Wang Yanlei, the spouse of He Wei Zhi.



### Long positions in shares and underlying shares of associated corporations:

Name of Director	Associated Corporations	Number of shares held in associated corporations	Approximate percentage of shareholding in associated corporations
Kong Jian Min	Plus Earn	765	76.50%
	Right Rich	765	76.50%
Kong Jian Tao	Plus Earn	150	15.00%
	Right Rich	150	15.00%
Kong Jian Nan	Plus Earn	85	8.50%
	Right Rich	85	8.50%

Save as disclosed above, as at 30 June 2011, none of the directors nor chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and shorts position which the directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### Interests and Short Positions of Shareholders Disclosable under the SFO

So far as is known to any directors or chief executive of the Company, as at 30 June 2011, other than the interests and short positions of the directors or chief executive of the Company as disclosed in the section "Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares" above and the section "Share Option Scheme" below, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

#### (I) Interests and Short Positions of Substantial Shareholder(s) in the Shares and Underlying Shares of the Company

*Long positions in the shares of the Company:*

Name	Capacity	Number of shares held (Note 1)	Percentage of issued share capital
Plus Earn (Note 2)	Beneficial owner	1,612,500,000	55.74%

Notes:

- Share(s) of HK\$0.10 each in the capital of the Company.
- Plus Earn is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan.



## DISCLOSURE OF INTERESTS

### (II) Interests and Short Positions of Other Persons in the Shares and Underlying Shares of the Company

*Long positions in the shares of the Company:*

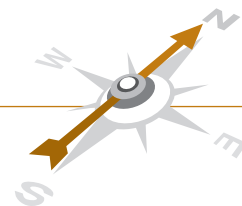
Name	Capacity	Number of shares in Long Position (L)/ Lending Pool (P) (Note 1)	Percentage of issued share capital
JPMorgan Chase & Co.	Interest of controlled corporations	(L) 174,169,904 (P) 91,601,669	6.02% 3.17%

Note:

(1) Share(s) of HK\$0.10 each in the capital of the Company.

Save as disclosed above, as at 30 June 2011, there was no other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

# CORPORATE GOVERNANCE AND OTHER INFORMATION



## 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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the period under review.

## 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 condensed consolidated interim financial information for the six months ended 30 June 2011.

## Remuneration Committee

The remuneration committee was formed on 11 June 2007 with terms of reference in compliance with the Code Provision and is being chaired by Mr. Kong Jian Min. The primary responsibility is to review and formulate policies in respect of remuneration structure of all directors and senior management of the Company and make recommendations to the Board for its consideration. The remuneration committee consists of three members, of which one executive director being Mr. Kong Jian Min and two are independent non-executive directors being Mr. Tam Chun Fai and Mr. Dai Feng.

## Compliance with Model Code

The Company has adopted 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 during the period under review.

## Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2007.

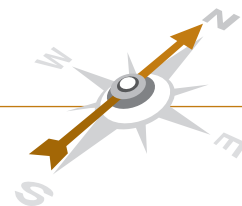
## CORPORATE GOVERNANCE AND OTHER INFORMATION

During the six months ended 30 June 2011, no share options were granted, exercised, cancelled or lapsed. Details of the share options granted pursuant to the Scheme were as follows:

Name of grantee	Number of share options granted as at 1 January 2011	Number of share options granted during the period under review (Note 1)	Number of options outstanding at 30 June 2011	Date of grant	Period during which share options are exercisable (Note 1)	Exercise price per share (HK\$)
Li Jian Ming	619,000	—	619,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
He Wei Zhi	619,000	—	619,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
Tsui Kam Tim	619,000	—	619,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
Yu Yao Sheng	619,000	—	619,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
Tam Chung Fai	30,000	—	30,000	18 December 2009	18 December 2009 – 17 December 2014	6.24
Lee Ka Sze, Carmelo	30,000	—	30,000	18 December 2009	18 December 2009 – 17 December 2014	6.24
Dai Feng	30,000	—	30,000	18 December 2009	18 December 2009 – 17 December 2014	6.24
Other employees of the Group	5,891,000	—	5,891,000	18 December 2009	18 December 2010 – 17 December 2014	6.24
Other employees of the Group	8,000,000	—	8,000,000	30 March 2010	30 March 2010 – 29 March 2015	5.67

Note:

- The vesting period of the share options is from the date of grant until the commencement of the exercise periods.



## Valuation of Share Options

The Company has been using the Black-Scholes Model to value the share options granted.

## Purchase, Sale or Redemption of Listed Securities of the Company

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.

## Interim Dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

## Disclosure Pursuant to Rule 13.21 of the Listing Rules

A jointly controlled entity in which the Group owns 50% interest, Hines Shanghai New Jiangwan Development Co. Ltd., entered into an agreement for a bank loan of HK\$1.4 billion (the "Loan Agreement") on 29 June 2011. The Loan Agreement includes a condition imposing specific performance obligations on Mr. Kong Jian Min ("Mr. Kong"), the controlling shareholder of the Company. Mr. Kong is interested in approximately 59.40% of the issued share capital of the Company as at 30 June 2011. It will be an event of default in the event that Mr. Kong ceases to (i) hold directly or indirectly an aggregate beneficial ownership of less than 30% in the shares of and interest in the Company; (ii) be directly or indirectly the single largest shareholder of the Company; or (iii) exercise or to be entitled to exercise management control over the Company, and in such event (amongst other things), the Loan Agreement may be terminated by the lenders and the loan may become immediately due and repayable.

## Changes in information of Directors

Pursuant to Rule 13.51 (B) of the Listing Rules, there is no change in any of the information required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 13.51 (2) of the Listing Rules during the course of the directors' term of office.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



**To the board of directors of KWG Property Holding Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated interim financial information of KWG Property Holding Limited (the "Company") set out on pages 21 to 36 which comprises the condensed consolidated statement of financial position as at 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

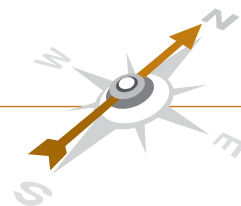
We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**  
*Certified Public Accountants*  
18th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong  
18 August 2011

# CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## Condensed Consolidated Income Statement

	Notes	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>5,142,556</b>	2,342,132
Cost of sales		<b>(2,864,293)</b>	(1,348,587)
Gross profit		<b>2,278,263</b>	993,545
Other income and gains	4	<b>47,559</b>	28,907
Selling and marketing costs		<b>(106,909)</b>	(101,494)
Administrative expenses		<b>(245,162)</b>	(170,550)
Other operating expenses, net		<b>(530)</b>	(760)
Fair value gains on investment properties, net		<b>3,530</b>	2,292
Finance costs	5	<b>(91,458)</b>	(4,961)
Share of profits and losses of:			
Associates		<b>(3,675)</b>	(433)
Jointly-controlled entities		<b>(172)</b>	13,705
<b>PROFIT BEFORE TAX</b>	6	<b>1,881,446</b>	760,251
Income tax expenses	7	<b>(950,802)</b>	(352,903)
<b>PROFIT FOR THE PERIOD</b>		<b>930,644</b>	407,348
Attributable to:			
Owners of the parent		<b>930,659</b>	407,346
Non-controlling interests		<b>(15)</b>	2
		<b>930,644</b>	407,348
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Basic and diluted	8	<b>RMB32.2 cents</b>	RMB14.1 cents

Details of the dividends proposed for the period are disclosed in note 9 to this condensed consolidated interim financial information.

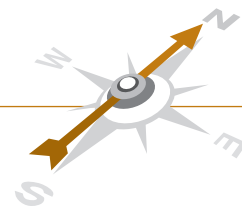
The notes on pages 27 to 36 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>930,644</b>	407,348
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translation of foreign operations	<b>43,190</b>	(127)
Share of exchange differences on translation of associates	<b>16,271</b>	—
Share of exchange differences on translation of jointly-controlled entities	<b>8,791</b>	3,766
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>68,252</b>	3,639
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>998,896</b>	410,987
Attributable to:		
Owners of the parent	<b>998,911</b>	410,985
Non-controlling interests	<b>(15)</b>	2
	<b>998,896</b>	410,987

The notes on pages 27 to 36 form an integral part of this condensed consolidated interim financial information.



## Condensed Consolidated Statement of Financial Position

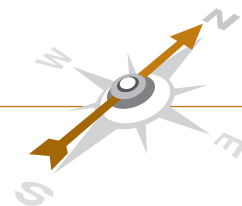
	Notes	As at	
		30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,508,714	1,343,901
Investment properties		3,460,944	3,461,980
Land use rights		920,755	866,274
Interests in associates		3,345,260	3,403,588
Interests in jointly-controlled entities		6,403,460	5,434,914
Deferred tax assets		769,648	603,560
<b>Total non-current assets</b>		<b>16,408,781</b>	15,114,217
<b>CURRENT ASSETS</b>			
Properties under development		15,810,729	13,730,027
Completed properties held for sale		1,923,434	2,553,758
Trade receivables	11	51,644	47,687
Prepayments, deposits and other receivables		1,803,308	1,679,437
Due from a jointly-controlled entity		43,691	46,155
Taxes recoverable		103,448	59,450
Restricted cash		1,396,557	1,527,992
Cash and cash equivalents		5,053,647	5,275,609
<b>Total current assets</b>		<b>26,186,458</b>	24,920,115
<b>CURRENT LIABILITIES</b>			
Trade payables	12	2,174,898	1,670,898
Other payables and accruals		8,742,059	8,745,262
Due to associates		613,274	442,382
Due to jointly-controlled entities		716,686	73,454
Interest-bearing bank and other borrowings	13	2,704,587	2,281,674
Taxes payable		2,743,455	2,217,971
<b>Total current liabilities</b>		<b>17,694,959</b>	15,431,641
<b>NET CURRENT ASSETS</b>		<b>8,491,499</b>	9,488,474
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>24,900,280</b>	24,602,691



**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION**

		As at	
	Notes	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	13	11,199,477	10,049,956
Deferred tax liabilities		716,509	669,168
Deferred revenue		700,000	700,000
Other non-current liabilities		—	1,589,295
Total non-current liabilities		<b>12,615,986</b>	13,008,419
<b>NET ASSETS</b>		<b>12,284,294</b>	11,594,272
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	14	280,485	280,485
Reserves		11,989,818	10,985,534
Proposed final dividends		—	318,247
<b>Non-controlling interests</b>		<b>12,270,303</b>	11,584,266
		<b>13,991</b>	10,006
<b>TOTAL EQUITY</b>		<b>12,284,294</b>	11,594,272

The notes on pages 27 to 36 form an integral part of this condensed consolidated interim financial information.



## Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent											
	Issued capital	Share premium account	Treasury shares reserve	Reserve funds	Exchange fluctuation reserve	Equity-settled share option reserve	Capital reserve	Retained profits	Proposed final dividends	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2010	280,538	6,618,712	(3,041)	263,904	(113,862)	1,194	2,216	3,210,350	144,658	10,404,669	3,654	10,408,323
Profit for the period	—	—	—	—	—	—	—	407,346	—	407,346	2	407,348
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	(127)	—	—	—	—	(127)	—	(127)
Share of exchange differences on translation of jointly-controlled entities	—	—	—	—	3,766	—	—	—	—	3,766	—	3,766
Total comprehensive income for the period	—	—	—	—	3,639	—	—	407,346	—	410,985	2	410,987
Final 2009 dividend declared	—	—	—	—	—	—	—	—	(144,658)	(144,658)	—	(144,658)
Cancellation of shares	(53)	(2,988)	3,041	—	—	—	—	—	—	—	—	—
Acquisition of non-controlling interests	—	—	—	—	—	—	(26,350)	—	—	(26,350)	(3,650)	(30,000)
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	10,000	10,000
Share option expenses	—	—	—	—	—	10,790	—	—	—	10,790	—	10,790
Transfer to reserves	—	—	—	42,389	—	—	—	(42,389)	—	—	—	—
At 30 June 2010	280,485	6,615,724	—	306,293	(110,223)	11,984	(24,134)	3,575,307	—	10,655,436	10,006	10,665,442
At 31 December 2010 and 1 January 2011	<b>280,485</b>	<b>6,615,724*</b>	<b>—</b>	<b>396,752*</b>	<b>(64,492)*</b>	<b>20,657*</b>	<b>(24,134)*</b>	<b>4,041,027*</b>	<b>318,247</b>	<b>11,584,266</b>	<b>10,006</b>	<b>11,594,272</b>
Profit for the period	—	—	—	—	—	—	—	930,659	—	930,659	(15)	930,644
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	43,190	—	—	—	—	43,190	—	43,190
Share of exchange differences on translation of associates	—	—	—	—	16,271	—	—	—	—	16,271	—	16,271
Share of exchange differences on translation of jointly-controlled entities	—	—	—	—	8,791	—	—	—	—	8,791	—	8,791
Total comprehensive income for the period	—	—	—	—	68,252	—	—	930,659	—	998,911	(15)	998,896
Final 2010 dividend declared	—	—	—	—	—	—	—	—	(318,247)	(318,247)	—	(318,247)
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	4,000	4,000
Share option expenses	—	—	—	—	—	5,373	—	—	—	5,373	—	5,373
Transfer to reserves	—	—	—	97,313	—	—	—	(97,313)	—	—	—	—
At 30 June 2011	<b>280,485</b>	<b>6,615,724*</b>	<b>—</b>	<b>494,065*</b>	<b>3,760*</b>	<b>26,030*</b>	<b>(24,134)*</b>	<b>4,874,373*</b>	<b>—</b>	<b>12,270,303</b>	<b>13,991</b>	<b>12,284,294</b>

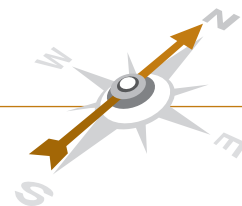
\* These reserve accounts comprise the consolidated reserves of approximately RMB11,989,818,000 (31 December 2010: approximately RMB10,985,534,000) in the condensed consolidated statement of financial position.

The notes on pages 27 to 36 form an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Net cash inflow/(outflow) from operating activities	(591,253)	2,045,056
Net cash outflow from investing activities	(1,282,423)	(1,601,909)
Net cash inflow from financing activities	1,665,236	1,842,907
Net increase/(decrease) in cash and cash equivalents	(208,440)	2,286,054
Cash and cash equivalents at beginning of the period	5,275,609	2,540,698
Effect of foreign exchange rate changes, net	(13,522)	(2,279)
Cash and cash equivalents at end of the period	5,053,647	4,824,473

The notes on pages 27 to 36 form an integral part of this condensed consolidated interim financial information.



## Notes to Condensed Consolidated Interim Financial Information

### 1. General Information

KWG Property Holding Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the property development, property investment, hotel operation and provision of property management services in the People’s Republic of China (the “PRC”).

The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company and approved by the board of directors (the “Board”) for issue on 18 August 2011.

### 2. Basis of Preparation

The unaudited condensed consolidated 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”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations).

### 3. Accounting Policies

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 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 2010, 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 2011.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation — Classification of Rights Issues</i>
HK(IFRIC) — Int 14 Amendments	Amendments to HK(IFRIC) — Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC) — Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

The adoption of the new and revised interpretations and amendments had no significant financial effect on this unaudited condensed consolidated interim financial information and there have been no significant changes to the accounting policies applied in the condensed consolidated interim financial information.

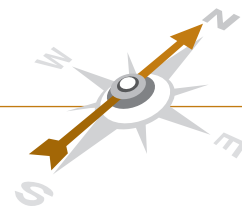
#### 4. Revenue, Other Income and Gains and Segment Information

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
<b>Revenue:</b>		
Sales of properties	4,996,092	2,229,682
Gross rental income	69,734	57,418
Hotel operation income	33,946	22,147
Property management fees	42,784	32,885
	<b>5,142,556</b>	<b>2,342,132</b>
<b>Other income and gains:</b>		
Gain on disposal of investment properties, net	—	334
Bank interest income	25,750	14,069
Foreign exchange differences, net	11,145	5,243
Others	10,664	9,261
	<b>47,559</b>	<b>28,907</b>

For management purposes, the Group is organised into four reportable operating segments as follows:

- (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 periods are all located in the PRC.



#### 4. Revenue, Other Income and Gains and Segment Information (Continued)

The segment results for the six months ended 30 June 2011 are as follows:

	Property development (Note) RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Hotel operation RMB'000 (Unaudited)	Property management RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue:</b>					
Sales to external customers	4,996,092	69,734	33,946	42,784	5,142,556
<b>Segment results</b>	<b>2,047,098</b>	<b>72,699</b>	<b>7,848</b>	<b>4,092</b>	<b>2,131,737</b>
<i>Reconciliations:</i>					
Interest income and unallocated income					47,559
Unallocated expenses					(206,392)
Finance costs					(91,458)
Profit before tax					1,881,446
Income tax expenses					(950,802)
Profit for the period					930,644

The segment results for the six months ended 30 June 2010 are as follows:

	Property development (Note) RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Hotel operation RMB'000 (Unaudited)	Property management RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue:</b>					
Sales to external customers	2,229,682	57,418	22,147	32,885	2,342,132
<b>Segment results</b>	<b>815,446</b>	<b>59,047</b>	<b>(984)</b>	<b>7,510</b>	<b>881,019</b>
<i>Reconciliations:</i>					
Interest income and unallocated income					28,573
Unallocated expenses					(144,380)
Finance costs					(4,961)
Profit before tax					760,251
Income tax expenses					(352,903)
Profit for the period					407,348

Note: The segment results include share of profits and losses of jointly-controlled entities and associates.

CONDENSED CONSOLIDATED INTERIM  
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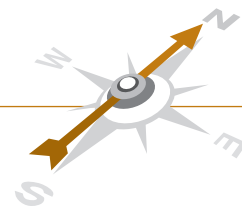
## 5. Finance Costs

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Interest on bank and other borrowings	514,267	291,488
Less: Interest capitalised	(422,809)	(286,527)
	<b>91,458</b>	4,961

## 6. Profit Before Tax

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

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Cost of properties sold	2,899,082	1,336,746
Less: Government grant released	(60,629)	(9,568)
	<b>2,838,453</b>	1,327,178
Depreciation	17,300	15,922
Amortisation of land use rights	7,742	4,938
Less: Amount capitalised in assets under construction	(7,034)	(4,230)
	<b>708</b>	708
(Gain)/loss on disposal of items of property, plant and equipment	11	(195)
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	121,919	93,847
Pension scheme contributions	7,688	5,284
Equity-settled share option expense	4,626	10,088
	<b>134,233</b>	109,219
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	(42,178)	(31,085)
	<b>92,055</b>	78,134



## 7. Income Tax Expenses

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Current — PRC		
Corporate income tax ("CIT")	532,317	185,750
Land appreciation tax ("LAT")	537,232	213,284
	<b>1,069,549</b>	399,034
Deferred	<b>(118,747)</b>	(46,131)
Total tax charge for the period	<b>950,802</b>	352,903

The share of CIT expense and LAT credit attributable to the jointly-controlled entities amounting to approximately RMB128,000 (six months ended 30 June 2010: approximately RMB4,565,000) and approximately RMB229,000 (six months ended 30 June 2010: LAT expense of approximately RMB2,831,000), respectively, are included in "Share of profits and losses of jointly-controlled entities" on the face of the condensed consolidated income statement.

The share of CIT credit attributable to the associates amounting to approximately RMB1,222,000 (six months ended 30 June 2010: CIT expense of approximately RMB144,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

### 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 six months ended 30 June 2011 and 2010.

### 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 2011 and 2010, based on the existing legislation, interpretations and practices in respect thereof.

### PRC land appreciation tax

The 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 Attributable to Owners of the Parent

The calculation of the basic earnings per share attributable to owners of the parent for the six months ended 30 June 2011 and 2010 are as follows:

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Profit attributable to owners of the parent (RMB thousands)	930,659	407,346
Weighted average number of ordinary shares in issue (thousands)	2,893,150	2,893,150
Earnings per share (RMB cents per share)	32.2	14.1

No adjustment has been made to the basic earnings per share presented for the six months ended 30 June 2011 and 2010 in respect of a dilution as the share options outstanding during the periods had an anti-dilutive effect on the basic earnings per share presented.

## 9. Dividends

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

## 10. Property, Plant and Equipment

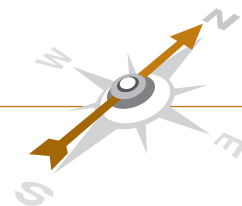
During the six months ended 30 June 2011, additions to property, plant and equipment of the Group amounted to approximately RMB182,135,000 (six months ended 30 June 2010: approximately RMB176,400,000).

Property, plant and equipment with a net book value amounted to approximately RMB22,000 was disposed of by the Group during the six months ended 30 June 2011 (six months ended 30 June 2010: approximately RMB790,000), resulting in a net loss on disposal amounted to approximately RMB11,000 (six months ended 30 June 2010: gain of approximately RMB195,000).

## 11. Trade Receivables

Trade receivables mainly consist of receivables from sale of properties, rental under operating leases and provision of property management services. 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 end of the reporting period is as follows:

	As at	
	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Within 3 months	32,791	31,035
4 to 6 months	6,538	3,135
7 to 12 months	3,457	4,952
Over 1 year	8,858	8,565
	51,644	47,687



## 12. Trade Payables

All trade payables were fallen due within one year or repayable on demand as of 30 June 2011 and 31 December 2010.

## 13. Interest-bearing Bank and Other Borrowings

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Current</b>		
Bank loans — secured	<b>510,100</b>	382,194
Bank loans — denominated in US\$, secured	<b>585,801</b>	595,646
Bank loans — denominated in HK\$, unsecured	<b>248,100</b>	—
Bank loans — unsecured	<b>70,000</b>	—
Current portion of long term bank loans		
— secured	<b>593,156</b>	606,133
— denominated in HK\$, secured	<b>578,047</b>	264,577
— unsecured	<b>119,383</b>	433,124
	<b>2,704,587</b>	2,281,674
<b>Non-current</b>		
Bank loans — secured	<b>6,583,231</b>	7,206,116
Bank loans — denominated in HK\$, secured	<b>276,298</b>	734,499
Bank loans — unsecured	<b>380,000</b>	238,000
Bank loans — denominated in HK\$, unsecured	<b>158,905</b>	253,010
Senior notes — denominated in US\$, secured (a)	<b>3,801,043</b>	1,618,331
	<b>11,199,477</b>	10,049,956
	<b>13,904,064</b>	12,331,630

- (i) 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 RMB9,437,198,000 as at 30 June 2011 (31 December 2010: approximately RMB10,366,542,000).
- (ii) At 30 June 2011 and 31 December 2010, the equity interests of certain subsidiaries and an associate of the Group were pledged to certain banks for the loans granted to the Group.
- (iii) At 30 June 2011 and 31 December 2010, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

Except for the above mentioned borrowings denominated in HK\$ and US\$, all borrowings were denominated in RMB as at 30 June 2011 and 31 December 2010. All of the Group's bank loans were charged at floating interest rates except for a loan balance with an amount of RMB90,100,000 which was charged at fixed interest rate as at 30 June 2011 and 31 December 2010.

### 13. Interest-bearing Bank and Other Borrowings (Continued)

Note:

- (a) On 11 August 2010, the Company issued 12.5% senior notes with a nominal value of US\$250,000,000 (equivalent to approximately RMB1,693,123,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods. The senior notes carry interest at a rate of 12.5% per annum, which is payable semi-annually in arrears on 18 February and 18 August of each year commenced on 18 February 2011. For further details on the senior notes, please refer to the related announcements of the Company dated 12 August 2010 and 19 August 2010.

On 23 March 2011, the Company issued 12.75% senior notes with a nominal value of US\$350,000,000 (equivalent to approximately RMB2,296,035,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods. The senior notes carry interest at a rate of 12.75% per annum, which is payable semi-annually in arrears on 30 March and 30 September of each year commencing on 30 September 2011. For further details on the senior notes, please refer to the related announcements of the Company dated 23 March 2011, 24 March 2011 and 30 March 2011.

### 14. Share Capital

	Number of ordinary shares '000 (Unaudited)	Nominal value of ordinary shares HK\$'000 (Unaudited)	Equivalent nominal value of ordinary shares RMB'000 (Unaudited)
<b>Authorised</b>			
At 31 December 2010 and 30 June 2011	8,000,000	800,000	786,113
<b>Issued and fully paid</b>			
At 31 December 2010 and 30 June 2011	2,893,150	289,315	280,485

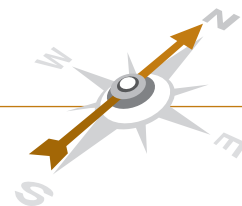
### 15. Acquisition of a Subsidiary

During the period ended 30 June 2011, the Group acquired a 100% equity interest in Shanghai Jinyi Real Estate Limited<sup>#</sup> ("Shanghai Jinyi") through a 90% owned subsidiary. Shanghai Jinyi is principally engaged in the property development. The purchase consideration for the acquisition was approximately RMB66,148,000, which was fully paid on the acquisition date.

The fair values of the identifiable assets and liabilities of Shanghai Jinyi as at the date of acquisition were as follows:

	<b>RMB'000 (Unaudited)</b>
Cash and bank balances	<b>3,498</b>
Properties under development	<b>257,650</b>
Other payables and accruals	<b>(195,000)</b>
	<b>66,148</b>

<sup>#</sup> The English name of this company referred to in this condensed consolidated interim financial information represents management's best effort to translate the Chinese name of that company, as no English name has been registered.



## 16. Contingent Liabilities

- (i) As at 30 June 2011, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB6,750,016,000 (31 December 2010: approximately RMB6,160,559,000). This represented the guarantees in respect of mortgage facilities granted by 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 for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles 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 in the financial statements for the period ended 30 June 2011 and the year ended 31 December 2010 for the guarantees.

- (ii) As at 30 June 2011, the Group had provided guarantees in respect of certain bank loans of RMB300,000,000 (31 December 2010: RMB160,000,000) for an associate.
- (iii) As at 30 June 2011, the Group had provided guarantees in respect of certain bank loans to the extent of approximately RMB1,464,238,000 (31 December 2010: RMB299,970,000) for jointly-controlled entities.
- (iv) As at 30 June 2011, the Group had provided a guarantee in respect of a bank loan of RMB700,000,000 (31 December 2010: RMB700,000,000) for the ex-owner of a project of the Group, The Summit in Guangzhou, the PRC.

## 17. Commitments

	As at	
	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment — Assets under construction	502,601	507,343
Properties being developed by the Group for sale	2,429,836	1,722,853
	<b>2,932,437</b>	2,230,196
Authorised but not contracted for:		
Capital contributions payable of jointly-controlled entities	51,079	487,659

## 18. Related Party Transactions

### (i) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Short term employee benefits	14,720	14,170
Post-employment benefits	286	151
Equity-settled share option expense	2,032	10,790
Total compensation paid to key management personnel	17,038	25,111

### (ii) Outstanding balances with related parties:

	As at	
	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Included in interests in associates/jointly-controlled entities:		
Advances to associates	573,552	580,632
Advances to jointly-controlled entities	1,754,732	1,684,129
Included in current assets/liabilities:		
Due from a jointly-controlled entity	43,691	46,155
Due to associates	613,274	442,382
Due to jointly-controlled entities	716,686	73,454

The above balances are unsecured, interest-free and have no fixed term of repayment.

### (iii) Other transactions with related parties:

Details of guarantees given by the Group to banks in connection with bank loans granted to an associate and certain jointly-controlled entities are included in notes 16(iii) and 16(iv) to the condensed consolidated interim financial information.