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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

HIGHLIGHTS

- Revenue for the six months ended 30 June 2012 amounted to RMB4,621.7 million, a decrease of 10.1% compared with the corresponding period in 2011.

- Profit attributable to owners of the Company for the period amounted to RMB911.7 million, representing a slight decrease of 2.0% compared with the corresponding period in 2011.

- Gross profit margin for the period was 43.8%, a slight decrease from 44.3% in the corresponding period in 2011.

- Net profit margin after deducting fair value gains on investment properties and related tax for the period was 17.3%, a slight decrease from 18.0% in the corresponding period in 2011.

- Earnings per share attributable to owners of the Company for the period amounted to RMB31.5 cents, a slight decrease from RMB32.2 cents in the corresponding period in 2011.

INTERIM RESULTS

The board of directors (the "Board") of KWG Property Holding Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012 together with audited comparative figures as at 31 December 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	4	**4,621,684**	5,142,556
Cost of sales		**(2,596,418)**	(2,864,293)
Gross profit		**2,025,266**	2,278,263
Other income and gains, net	4	**36,092**	47,559
Selling and marketing costs		**(109,404)**	(106,909)
Administrative expenses		**(308,966)**	(245,162)
Other operating expenses, net		**(341)**	(530)
Fair value gains on investment properties, net		**175,328**	3,530
Finance costs	5	**(70,375)**	(91,458)
Share of profits and losses of:			
Associates		**(1,045)**	(3,675)
Jointly-controlled entities		**(24,662)**	(172)
PROFIT BEFORE TAX	6	**1,721,893**	1,881,446
Income tax expenses	7	**(791,177)**	(950,802)
PROFIT FOR THE PERIOD		**930,716**	930,644
Attributable to:			
Owners of the Company		**911,699**	930,659
Non-controlling interests		**19,017**	(15)
		930,716	930,644
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic and diluted	8	**RMB31.5 cents**	RMB32.2 cents

Details of the dividends proposed for the period are disclosed in note 9.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**930,716**	930,644
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	**(13,284)**	43,190
Share of exchange differences on translation of associates	**(1,201)**	16,271
Share of exchange differences on translation of jointly-controlled entities	**(12,842)**	8,791
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(27,327)**	68,252
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**903,389**	998,896
Attributable to:		
Owners of the Company	**884,372**	998,911
Non-controlling interests	**19,017**	(15)
	903,389	998,896

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,145,011**	1,778,937
Investment properties		**4,399,485**	4,234,290
Land use rights		**1,032,301**	1,060,030
Interests in associates		**614,043**	1,998,766
Interests in jointly-controlled entities		**6,204,847**	6,508,942
Deferred tax assets		**974,399**	881,880
Total non-current assets		**15,370,086**	16,462,845
CURRENT ASSETS			
Properties under development		**19,475,604**	17,933,719
Completed properties held for sale		**2,455,370**	3,022,634
Trade receivables	10	**90,768**	60,772
Prepayments, deposits and other receivables		**1,346,860**	1,574,683
Due from a jointly-controlled entity		**—**	43,713
Taxes recoverable		**138,829**	114,748
Restricted cash		**1,121,325**	1,348,580
Cash and cash equivalents		**5,887,888**	4,024,609
Total current assets		**30,516,644**	28,123,458
CURRENT LIABILITIES			
Trade payables	11	**2,390,830**	2,934,780
Other payables and accruals		**5,621,533**	7,684,208
Due to associates		**—**	1,081,720
Due to jointly-controlled entities		**1,907,490**	589,631
Interest-bearing bank and other borrowings		**3,765,442**	3,409,572
Taxes payable		**3,547,961**	3,290,594
Total current liabilities		**17,233,256**	18,990,505
NET CURRENT ASSETS		**13,283,388**	9,132,953
TOTAL ASSETS LESS CURRENT LIABILITIES		**28,653,474**	25,595,798

	As at 30 June 2012 *RMB'000* (Unaudited)	As at 31 December 2011 *RMB'000* (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**13,187,059**	10,424,816
Deferred tax liabilities	**794,296**	766,964
Deferred revenue	**711,000**	711,000
Total non-current liabilities	**14,692,355**	11,902,780
Net assets	**13,961,119**	13,693,018
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**280,485**	280,485
Reserves	**13,459,404**	12,573,827
Proposed final dividends	**—**	636,493
	13,739,889	13,490,805
Non-controlling interests	**221,230**	202,213
Total equity	**13,961,119**	13,693,018

Notes:

1. GENERAL INFORMATION

KWG Property Holding Limited 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 Group was involved in the following principal activities in the People's Republic of China (the "PRC"):

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

The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company and approved by the Board for issue on 17 August 2012.

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations).

3. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 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 2011, except for the adoption of the following amendments issued by the HKICPA, which are effective for the annual reporting period beginning on or after 1 January 2012.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of the 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, NET AND SEGMENT INFORMATION

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Sales of properties	**4,460,173**	4,996,092
Gross rental income	**70,834**	69,734
Hotel operation income	**37,468**	33,946
Property management fees	**53,209**	42,784
	4,621,684	5,142,556
Other income and gains, net:		
Bank interest income	**28,374**	25,750
Foreign exchange differences, net	**—**	11,145
Others	**7,718**	10,664
	36,092	47,559

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 hotels
(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.

The segment results for the six months ended 30 June 2012 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)**
Segment revenue:					
Sales to external customers	**4,460,173**	**70,834**	**37,468**	**53,209**	**4,621,684**
Segment results	**1,776,591**	**245,111**	**(8,415)**	**(4,418)**	**2,008,869**
Reconciliations:					
Interest income and unallocated income					**36,092**
Unallocated expenses					**(252,693)**
Finance costs					**(70,375)**
Profit before tax					**1,721,893**
Income tax expenses					**(791,177)**
Profit for the period					**930,716**

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)
Segment revenue:					
Sales to external customers	4,996,092	69,734	33,946	42,784	5,142,556
Segment results	2,047,098	72,699	7,848	4,092	2,131,737
Reconciliations:					
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

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

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**803,871**	514,267
Less: Interest capitalised	**(733,496)**	(422,809)
	70,375	91,458

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**2,591,996**	2,899,082
Less: Government grant released	**(41,976)**	(60,629)
	2,550,020	2,838,453
Depreciation	**34,554**	17,300
Amortisation of land use rights	**13,539**	7,742
Less: Amount capitalised in assets under construction	**(12,709)**	(7,034)
	830	708
Loss on disposal of items of property, plant and equipment	**185**	11
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**170,975**	121,919
Pension scheme contributions	**10,924**	7,688
Equity-settled share option expense	**411**	4,626
	182,310	134,233
Less: Amount capitalised in assets under construction, properties under development and investment properties under construction	**(52,942)**	(42,178)
	129,368	92,055

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — PRC		
Corporate income tax ("CIT")	**418,769**	532,317
Land appreciation tax ("LAT")	**436,852**	537,232
	855,621	1,069,549
Deferred	**(64,444)**	(118,747)
Total tax charge for the period	**791,177**	950,802

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 2012 and 2011.

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 2012 and 2011, 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 COMPANY

The calculation of the basic earnings per share attributable to owners of the Company for the six months ended 30 June 2012 and 2011 are as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(RMB thousands)*	**911,699**	930,659
Weighted average number of ordinary shares in issue *(thousands)*	**2,893,150**	2,893,150
Earnings per share *(RMB cents)*	**31.5**	32.2

No adjustment has been made to the basic earnings per share presented for the six months ended 30 June 2012 and 2011 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 2012 (2011: Nil).

10. 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	31 December
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**63,167**	47,949
4 to 6 months	**8,159**	2,490
7 to 12 months	**10,694**	2,540
Over 1 year	**8,748**	7,793
	90,768	60,772

11. TRADE PAYABLES

All trade payables were fallen due within one year or repayable on demand as of 30 June 2012 and 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

2012 has been a year to further implement real estate austerity measures, as the PRC government stands firmly behind the policies and restated its opposition against speculative investments in real estate as a long term strategy. Since the beginning of the year, the Home Purchase Restriction has continued to be in place in 46 cities across the nation. Moderate easing of bank mortgage for the first home purchases has been introduced to encourage end-user purchase while curbing speculative and investment demands. The benchmark interest rates for deposits and loans has been lowered twice, which facilitated further easing of property mortgage. The construction of social housing around the nation has been reinforced to prevent a further slowdown in macro-economic growth as a result of property investment decline. Such measures have been designed to fortify the effects of regulatory measures adopted in the previous year and lead the real estate sector towards more stable and sustainable development.

Business Review

While the property market was unfortunately impacted by the current set of austerity measures, the stable improvement of living standards and the gradual happening of urbanizations, as well as the increasing demand from first-time buyers and upgrade buyers provide a sound foundation for the Group's business development into the future.

The Group's new projects in Shanghai launched during the first half of the year included Shanghai Emerald (上海疊翠峰), The Amazing Bay (上海嘉譽灣), Shanghai Sapphire (上海峰匯) and Shanghai Apex (上海領峰), bringing the number of contributing projects to 16. The Group's ability to execute projects in new cities beyond Guangzhou was further demonstrated as evidenced by the meaningful contributions from Shanghai. During the first six months of 2012, the Group made additional efforts to conduct research in its existing markets, adopting timely adjustments to current product types in response to market changes while further solidify the Group's presence in all cities we have projects in.

To address changes in the property market, the Group made persistent efforts to make appropriate adjustments to its project development strategies and schedules, exercise stringent control over expenditure, increase construction work efficiency and expediate work schedules, with the aim to accelerate project launches and cash collection.

On one hand, the Group accelerated sales by launching commercial projects that are not subject to the Home Purchase Restriction and mortgage restrictions. During the period, the Group made major marketing effort to launch The Riviera (天鑾), a high-end commercial property located in Pearl River New Town, Guangzhou with unblocked river view and comprehensive facilities, as well as the commercial products of Shanghai Sapphire (上海峰匯), located in Jiading New Town of Shanghai. At the same time, the Group continued to launch commercial products within our existing projects in Beijing, Chengdu, Suzhou and Guangzhou, such as apartments and retail shops, so as to boost sales by offering diversified products. For the six months ended 30 June 2012, the Group booked pre-sales of approximately RMB5,400.0 million.

Meanwhile, the Group launched more smaller-size units this year to meet the release of pent-up demand from end-users. In January 2012, Shanghai Emerald (上海疊翠峰), a brand new project located at the north end of Jiading in Shanghai was officially launched, featuring units with a unit size of less than 90 sq.m. The development was well received by the market upon initial debut, as buyers appreciated its superior transportation links, cozy and convenient living environment, and full supporting facilities for day-to-day life. The strong sales of Shanghai Emerald have not only advertised the brand name of the Group and enhanced its reputation and market position in Shanghai, but have also provided solid references and guidelines for the Group's product mix adjustments.

On the other hand, the Group continues to exercise its sensible land acquisition policy and strictly control the pace of buying land. The Group takes careful consideration of the real estate industry outlook, its current land bank, as well as the cost and quality of the potential new land, while prudently seizing the right opportunity to add high quality land bank. Currently, the Group holds an ample land bank with an aggregate gross floor area ("GFA") of approximately 8.6 million sq.m., which should be sufficient for future development for 5–6 years. Nevertheless, the Group continued to monitor government policies and changes in the land market, striving to acquire appropriate-sized premium sites at reasonable prices through a variety of channels, so as to keep land acquisition costs within a controllable range. Meanwhile, the Group continued to improve its corporate governance standards and exercise effective cost control in order to improve overall efficiency.

The Group has been taking advantage of its diversified funding channels to not only solidify its financial standing but also for its long term growth. In March 2012, the Group successfully issued senior notes in the amount of US$400.0 million. The Group also obtained additional loans from domestic banks with close working relationships. Cash flow management has been a top priority for the management to ensure resources and liquidity is properly in place to maximize return and minimize cost. In the meantime, ongoing sound working relationships with domestic and overseas banks allowed the Group to be informed of latest developments in the financing market and potential policy changes, so that the Group could maintain an effective network to enhance corporate financing.

Investment Properties and Hotels

For the six months ended 30 June 2012, turnover of the Group from its investment in office premises and leasing of retail properties amounted to approximately RMB70.8 million (2011: approximately RMB69.7 million).

1) *Hotels*

   Sheraton Guangzhou Huadu Resort has been operating smoothly since its soft launch in November 2011, generating revenue growth and winning the trust of customers as it offers outstanding hotel services and the comfort of a high-end scenic resort.

   The W Hotel of the Group will be opened for business at the end of 2012 to provide comfortable accommodation and premium services for customers. W Hotel is a brand name for modern, luxury, and fashion under Starwood Hotels & Resorts Worldwide, Inc., and the Group's W Hotel is the first and, as of now, the only W Hotel in China.

2) *Investment properties completed and available for lease*

   International Finance Place ("IFP"), one of the major investment properties of the Group, is located in the Pearl River New Town, a central district of Guangzhou. The office space of IFP is very popular with high-end tenants, such as large financial institutions who are attracted by the convenient location and transportation, as well as its high-quality premise and excellent property management. As at 30 June 2012, the occupancy rate of IFP stood at above 99.0%, with offices mainly taken up by domestic and foreign banks, the Guangzhou offices of various multi-national corporations and consulate.

Business Outlook

The Group plans to launch a number of brand new projects in the second half of the year. These will include Chengdu Sky Ville (天譽, previously known as Chengdu Jinjiang Project) in the new central business district of Chengdu, the Biological Island Project (生物島項目) adjacent to the Guangzhou University Town, the Pearl Coast (汀瀾海岸) in Hainan and the Suzhou Emerald (蘇州疊翠峰, previously known as Yinshan Lake Project) in Suzhou. Meanwhile, the Group will continue to step up with the launch of new phases of existing projects. The Group will further improve its hotel management and the management standards of its investment properties. By continuously enhancing the competitive advantage of its products and its integrated corporate strengths, and by gaining market recognition and reputation through the launch of existing and brand new projects, we are set to further enlarge market shares in various cities to take on challenges as well as opportunities as the Group stride forward on the back of sound and stable fundamentals.

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 RMB4,621.7 million in the first half of 2012, representing a decrease of 10.1% from approximately RMB5,142.6 million for the corresponding period in 2011, primarily due to the decrease of total GFA delivered in sales of properties in the first half of 2012.

The revenue generated from property development, property investment, hotel operation and provision of property management services were approximately RMB4,460.2 million, RMB70.8 million, RMB37.5 million and RMB53.2 million, respectively, during the six months ended 30 June 2012.

Property development

Revenue generated from property development decreased by 10.7% to approximately RMB4,460.2 million for the six months ended 30 June 2012 from approximately RMB4,996.1 million for the corresponding period in 2011, primarily due to a 24.5% decrease in the total GFA delivered to 378,472 sq.m. in the first half of 2012 from 501,290 sq.m. for the corresponding period in 2011. Despite the decrease in GFA delivered, the Group maintained a high recognised average selling price at RMB11,785 per sq.m., as compared to RMB9,966 per sq.m. for the corresponding period in 2011, reflecting a better product mix as well as an upgrade on city mix.

Property investment

Revenue generated from property investment slightly increased by 1.6% to approximately RMB70.8 million for the six months ended 30 June 2012 from approximately RMB69.7 million for the corresponding period in 2011.

Hotel operation

Revenue generated from hotel operation increased by 10.3% to approximately RMB37.5 million for the six months ended 30 June 2012 from approximately RMB34.0 million for the corresponding period in 2011, primarily attributable to the soft launch of our Sheraton Guangzhou Huadu Resort in November 2011.

Provision of property management services

Revenue generated from the provision of property management services increased by 24.3% to approximately RMB53.2 million for the six months ended 30 June 2012 from approximately RMB42.8 million for the corresponding period in 2011, 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 costs of construction, costs of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the construction period.

Cost of sales decreased by 9.4% to approximately RMB2,596.4 million for the six months ended 30 June 2012 from approximately RMB2,864.3 million for the corresponding period in 2011, primarily due to an overall decrease in cost of properties sold following the decrease in GFA delivered.

Land cost per sq.m. for the six months ended 30 June 2012 increased from RMB1,813 for the corresponding period in 2011 to RMB2,145, reflecting the upgrade on city mix with relatively higher land costs.

Construction cost per sq.m. for the six months ended 30 June 2012 increased from RMB3,541 for the corresponding period in 2011 to RMB4,087, principally due to the increase in delivery of high-end properties with relatively higher construction costs.

Gross Profit

Gross profit decreased by 11.1% to approximately RMB2,025.3 million for the six months ended 30 June 2012 from approximately RMB2,278.3 million for the corresponding period in 2011. The decrease of gross profit was principally due to the decrease in the total revenue in the first half of 2012. The decrease in gross profit was partially offset by the increase in average selling price as discussed, resulting in a slight decrease in the Group's gross profit margin to 43.8% for the six months ended 30 June 2012 (2011: 44.3%).

Other Income and Gains, Net

Other income and gains decreased by 24.2% to approximately RMB36.1 million for the six months ended 30 June 2012 from approximately RMB47.6 million for the corresponding period in 2011, mainly comprising interest income of approximately RMB28.4 million.

Selling and Marketing Costs

Selling and marketing costs of the Group slightly increased by 2.3% to approximately RMB109.4 million for the six months ended 30 June 2012 from approximately RMB106.9 million for the corresponding period in 2011.

Administrative Expenses

Administrative expenses of the Group increased by 26.0% to approximately RMB309.0 million for the six months ended 30 June 2012 from approximately RMB245.2 million for the corresponding period in 2011, 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 soft launch of our Sheraton Guangzhou Huadu Resort also contributed to the increment in the first half of 2012.

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB0.3 million for the six months ended 30 June 2012 (2011: approximately RMB0.5 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

The Group reported net fair value gains on investment properties of approximately RMB175.3 million for the six months ended 30 June 2012 (2011: approximately RMB3.5 million), mainly related to various leasable commercial properties in various regions. The fair value gains attributable to leaseable commercial properties including IFP, The Summit, Chengdu Cosmos, The Sapphire and Suzhou Apex were approximately RMB165.4 million for the six months ended 30 June 2012.

Finance Costs

Finance costs of the Group being approximately RMB70.4 million for the six months ended 30 June 2012 (2011: approximately RMB91.5 million) were 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 decreased by 16.8% to approximately RMB791.2 million for the six months ended 30 June 2012 from approximately RMB950.8 million for the corresponding period in 2011, primarily due to a decrease in profit before tax and provision for LAT as a result of the decrease in the total GFA delivered in sales of properties in the first six months of 2012.

Profit for the Period

The Group reported profit for the period of approximately RMB930.7 million for the six months ended 30 June 2012 (2011: approximately RMB930.6 million). Net profit margin (after deducting fair value gains on investment properties and related tax) slightly decreased to 17.3% for the six months ended 30 June 2012 from 18.0% for the corresponding period in 2011, as a result of the cumulative effect of the foregoing factors.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2012, the carrying amount of the Group's cash and bank balances was approximately RMB7,009.2 million (31 December 2011: approximately RMB5,373.2 million), representing an increase of 30.4% as compared to that as at 31 December 2011.

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 2012, the carrying amount of the restricted cash was approximately RMB1,121.3 million (31 December 2011: approximately RMB1,348.6 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2012, the Group's bank loans and senior notes were approximately RMB10,751.8 million and RMB6,200.7 million (equivalent) respectively. Amongst the loans, approximately RMB3,765.4 million were repayable within 1 year, approximately RMB6,330.4 million were repayable between 2 and 5 years and approximately RMB656.0 million were repayable over 5 years. Amongst the senior notes, approximately RMB4,645.4 million was repayable between 2 and 5 years and approximately RMB1,555.3 million was repayable over 5 years.

As at 30 June 2012, 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 RMB12,972.7 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$875.5 million as at 30 June 2012 which were denominated in Hong Kong dollar. All of the Group's bank loans were charged at floating interest rates except for loan balances with an aggregate amount of approximately RMB1,141.0 million which were charged at fixed interest rate as at 30 June 2012. 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 2012, the gearing ratio was 71.2% (31 December 2011: 61.8%). The increase in gearing ratio in the first half of 2012 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 2012, 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 2012, the Group had contingent liabilities relating to guarantees in respect of mortgages for certain purchasers of the Group's properties amounting to approximately RMB4,430.9 million (31 December 2011: approximately RMB6,642.6 million). This represented the guarantees in respect of mortgages 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 (but not limited to) 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 interests and penalties and therefore no provision has been made in the financial statements as at 30 June 2012 and 31 December 2011 for the guarantees.

(ii) As at 30 June 2012 and 31 December 2011, the Group had provided guarantees in respect of certain bank loans for its jointly-controlled entities.

(iii) As at 30 June 2012 and 31 December 2011, the Group had provided a guarantee in respect of a bank loan of RMB700.0 million for the ex-owner of The Summit in Guangzhou, the PRC.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2012, the Group employed a total of approximately 3,650 employees. The total staff costs incurred were approximately RMB182.3 million during the six months ended 30 June 2012. The remuneration of employees was determined based on their performances, skills, experiences 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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2012 (2011: Nil).

AUDIT COMMITTEE

As at 30 June 2012, 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. On 1 July 2012, Mr. Li Bin Hai, an independent non-executive director of the Company, was appointed as a member of audit committee and the audit committee of the Company totally comprises of four members after such appointment. 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 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the period under review, save for the deviations which are explained below.

Code A.6.7

Mr. Dai Feng, an independent non-executive director was unable to attend the Company's annual general meeting which was held on 8 June 2012 ("2011 AGM") due to an engagement in the PRC.

Code E.1.2

Mr. Kong Jian Min, the chairman of the Board was unable to attend the 2011 AGM as he had an engagement that was important to the business of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.kwgproperty.com) and the Stock Exchange (www.hkex.com.hk). An interim report for the six months ended 30 June 2012 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 17 August 2012

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; the independent non-executive directors of the Company are Mr. Lee Ka Sze, Carmelo, Mr. Dai Feng, Mr. Tam Chun Fai and Mr. Li Bin Hai.