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 2015

HIGHLIGHTS

- Revenue for the six months ended 30 June 2015 amounted to RMB3,921.5 million, a decrease of 27.8% as compared with the corresponding period in 2014.
- Profit attributable to owners of the Company for the period amounted to RMB1,371.8 million, representing a slight increase of 2.0% as compared with the corresponding period in 2014.
- Gross profit margin and net profit margin were 36.5% and 34.9%, respectively.
- Basic earnings per share attributable to owners of the Company for the period amounted to RMB46.6 cents, a slight increase from RMB46.5 cents for the corresponding period in 2014.

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 2015, together with the comparative figures for the corresponding period in 2014, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2015 together with audited comparative figures as at 31 December 2014. The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	4	**3,921,542**	5,434,192
Cost of sales		**(2,490,823)**	(3,493,759)
Gross profit		**1,430,719**	1,940,433
Other income and gains, net	4	**35,523**	44,240
Selling and marketing expenses		**(124,816)**	(146,789)
Administrative expenses		**(404,346)**	(402,346)
Other operating expenses, net		**(30,419)**	(137,759)
Fair value gains on investment properties, net		**109,351**	111,411
Finance costs	5	**(10,451)**	(6,083)
Share of profits and losses of:			
Associates		**(2,661)**	(3,908)
Joint ventures		**827,184**	511,333
PROFIT BEFORE TAX	6	**1,830,084**	1,910,532
Income tax expenses	7	**(459,951)**	(566,823)
PROFIT FOR THE PERIOD		**1,370,133**	1,343,709
Attributable to:			
Owners of the Company		**1,371,840**	1,345,313
Non-controlling interests		**(1,707)**	(1,604)
		1,370,133	1,343,709
Earnings per share attributable to owners of the Company			
– Basic	9	**RMB46.6 cents**	RMB46.5 cents
– Diluted	9	**RMB46.5 cents**	RMB46.5 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,370,133**	1,343,709
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,847**	(66,719)
Share of exchange differences on translation of associates	**387**	(7,016)
Share of exchange differences on translation of joint ventures	**290**	(20,305)
NET OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**2,524**	(94,040)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,372,657**	1,249,669
Attributable to:		
Owners of the Company	**1,374,364**	1,251,273
Non-controlling interests	**(1,707)**	(1,604)
	1,372,657	1,249,669

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,567,133**	3,584,388
Investment properties		**7,191,700**	7,046,100
Land use rights		**924,714**	939,522
Interests in associates		**764,924**	767,400
Interests in joint ventures		**18,552,726**	16,622,226
Deferred tax assets		**1,178,074**	1,075,366
Total non-current assets		**32,179,271**	30,035,002
CURRENT ASSETS			
Properties under development		**23,454,932**	22,898,303
Completed properties held for sale		**5,151,730**	5,487,119
Trade receivables	10	**304,249**	217,317
Prepayments, deposits and other receivables		**2,064,691**	1,869,921
Due from a joint venture		**40**	54
Taxes recoverable		**188,875**	168,164
Restricted cash		**1,408,753**	776,897
Cash and cash equivalents		**8,793,206**	10,094,238
Total current assets		**41,366,476**	41,512,013
CURRENT LIABILITIES			
Trade and bills payables	11	**2,217,153**	2,693,611
Other payables and accruals		**7,890,139**	7,254,556
Due to joint ventures		**12,636,616**	10,700,785
Interest-bearing bank and other borrowings		**2,324,777**	3,465,336
Taxes payable		**4,198,151**	3,933,326
Total current liabilities		**29,266,836**	28,047,614
NET CURRENT ASSETS		**12,099,640**	13,464,399
TOTAL ASSETS LESS CURRENT LIABILITIES		**44,278,911**	43,499,401

	As at	
	30 June	31 December
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Due to a joint venture	**–**	1,000,000
Interest-bearing bank and other borrowings	**22,426,328**	21,047,717
Deferred tax liabilities	**1,009,195**	1,013,226
Deferred revenue	**2,042**	2,042
Total non-current liabilities	**23,437,565**	23,062,985
NET ASSETS	**20,841,346**	20,436,416
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**284,806**	284,706
Reserves	**20,537,677**	19,158,882
Proposed final dividends	**–**	972,258
	20,822,483	20,415,846
Non-controlling interests	**18,863**	20,570
TOTAL EQUITY	**20,841,346**	20,436,416

Notes:

1. CORPORATE 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
- Property management

In the opinion of the directors, the immediate and ultimate holding company of the Company is Plus Earn Consultants Limited, which is incorporated in the British Virgin Islands (the "BVI").

The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company and approved by the Board for issue on 26 August 2015.

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 2014, 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 2015 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 2014, except for the adoption of the following revised HKFRSs issued by the HKICPA, which are effective for the annual reporting period beginning on or after 1 January 2015.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs has had no significant financial effect on the Group's unaudited condensed consolidated interim financial information and there have been no significant changes to the accounting policies applied in the unaudited condensed consolidated interim financial information.

4. REVENUE, OTHER INCOME AND GAINS, NET AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the gross proceeds, net of business tax, from the sale of properties, gross rental income received and receivable from investment properties, gross revenue from hotel operation and property management fee income during the period.

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Sale of properties	**3,547,817**	5,104,977
Gross rental income	**79,708**	73,335
Hotel operation income	**177,131**	149,782
Property management fee income	**116,886**	106,098
	3,921,542	5,434,192
Other income and gains, net:		
Bank interest income	**15,388**	25,070
Others	**20,135**	19,170
	35,523	44,240

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

(a) Property development: Sale of properties
(b) Property investment: Leasing of properties
(c) Hotel operation: Operation of hotels
(d) Property management: Provision of property management services

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

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

The Group's revenue from external customers is derived solely from its operations in the PRC.

The segment results for the six months ended 30 June 2015 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	**3,547,817**	**79,708**	**177,131**	**116,886**	**3,921,542**
Segment results	**1,837,596**	**188,628**	**52,028**	**(2,065)**	**2,076,187**
Reconciliation:					
Interest income and unallocated income					**35,523**
Unallocated expenses					**(271,175)**
Finance costs					**(10,451)**
Profit before tax					**1,830,084**
Income tax expenses					**(459,951)**
Profit for the period					**1,370,133**

The segment results for the six months ended 30 June 2014 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	5,104,977	73,335	149,782	106,098	5,434,192
Segment results	1,945,787	184,219	28,156	17,141	2,175,303
Reconciliation:					
Interest income and unallocated income					44,240
Unallocated expenses					(302,928)
Finance costs					(6,083)
Profit before tax					1,910,532
Income tax expenses					(566,823)
Profit for the period					1,343,709

Note: The segment results include share of profits and losses of joint ventures and associates.

5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**1,098,335**	1,095,028
Less: Interest capitalised	**(1,087,884)**	(1,088,945)
	10,451	6,083

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**2,390,710**	3,391,189
Less: Government grant released	**(139)**	(28)
	2,390,571	3,391,161
Depreciation	**72,857**	66,484
Amortisation of land use rights	**9,979**	9,013
Less: Amount capitalised in assets under construction	**(8,317)**	(7,351)
	1,662	1,662
Loss on disposal of items of property, plant and equipment*	**244**	2
Premium paid on early redemption of senior notes*	**–**	137,257
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**270,301**	239,024
Pension scheme contributions	**27,109**	21,814
Equity-settled share option expenses	**6**	171
	297,416	261,009
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	**(78,421)**	(66,743)
	218,995	194,266

* These items are included in "Other operating expenses, net" in the unaudited condensed consolidated statement of profit or loss.

7. INCOME TAX EXPENSES

	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current – PRC		
Corporate income tax ("CIT")	**296,338**	372,583
Land appreciation tax ("LAT")	**270,352**	230,031
	566,690	602,614
Deferred	**(106,739)**	(35,791)
Total tax charge for the period	**459,951**	566,823

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 2015 and 2014.

PRC CIT

PRC CIT in respect of operations in the PRC have been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2015 and 2014, based on existing legislation, interpretations and practices in respect thereof.

PRC LAT

PRC LAT are levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

8. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2015 (2014: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts for the six months ended 30 June 2015 is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 2,946,671,468 (2014: 2,893,150,000) in issue during the period.

For the six months ended 30 June 2015, the calculation of the diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation of 2,946,671,468 plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares of 1,235,512.

No adjustment had been made to the basic earnings per share amount presented for the six months ended 30 June 2014 in respect of a dilution as the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

The calculations of the basic and diluted earnings per share amounts are based on:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company	**1,371,840**	1,345,313

	Number of shares	
	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**2,946,671,468**	2,893,150,000
Effect of dilution – share options	**1,235,512**	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	**2,947,906,980**	2,893,150,000

10. TRADE RECEIVABLES

Trade receivables mainly consist of receivables from the sale of properties, rentals 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
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**265,328**	187,267
4 to 6 months	**8,892**	8,547
7 to 12 months	**17,764**	8,694
Over 1 year	**12,265**	12,809
	304,249	217,317

11. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period is as follows:

	As at	
	30 June	31 December
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due within one year or on demand	**2,217,153**	2,693,611

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

12. SUBSEQUENT EVENT

(a) On 24 July 2015, the Company, as the guarantor, and Rich Come Enterprises Limited ("Rich Come"), a limited liability company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company, as the purchaser, have entered into an equity transfer agreement with Sun Hung Kai Development (China) Limited ("Sun Hung Kai"), an independent third party and a limited liability company incorporated in Hong Kong, as the vendor, pursuant to which Rich Come has agreed to acquire 30% of the registered capital and 30% of the shareholder's loan of Lyntondale Holdings Limited, a limited liability company incorporated in the BVI. For further details on the above transaction, please refer to the related announcement of the Company dated 17 July 2015.

(b) On 24 July 2015, the Company, as the guarantor, and High Ascent Enterprises Limited ("High Ascent"), a limited liability company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company, as the purchaser, have entered into an equity transfer agreement with Sun Hung Kai, an independent third party and a limited liability company incorporated in Hong Kong, as the vendor, pursuant to which High Ascent has agreed to acquire 30% of the registered capital and 30% of the shareholder's loan of Bonserry Investments Limited, a limited liability company incorporated in the BVI. For further details on the above transaction, please refer to the related announcement of the Company dated 17 July 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

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

The revenue amounted to approximately RMB3,921.5 million in the first half of 2015, representing a decrease of 27.8% from approximately RMB5,434.2 million for the corresponding period in 2014.

The revenue generated from property development, property investment, hotel operation and property management were approximately RMB3,547.8 million, RMB79.7 million, RMB177.1 million and RMB116.9 million, respectively, during the six months ended 30 June 2015.

Property development

Revenue generated from property development decreased by 30.5% to approximately RMB3,547.8 million for the six months ended 30 June 2015 from approximately RMB5,105.0 million for the corresponding period in 2014, primarily due to a decrease in the total gross floor area ("GFA") delivered to 301,248 sq.m. in the first half of 2015 from 420,711 sq.m. for the corresponding period in 2014. The decrease in revenue was also attributable to a slight decrease in the recognised average selling price to RMB11,777 per sq.m. from RMB12,134 per sq.m. in the corresponding period in 2014.

Property investment

Revenue generated from property investment increased by 8.7% to approximately RMB79.7 million for the six months ended 30 June 2015 from approximately RMB73.3 million for the corresponding period in 2014.

Hotel operation

Revenue generated from hotel operation increased by 18.2% to approximately RMB177.1 million for the six months ended 30 June 2015 from approximately RMB149.8 million for the corresponding period in 2014, primarily attributable to an increase in occupancy rate of our W Hotel in Guangzhou.

Property management

Revenue generated from property management increased by 10.2% to approximately RMB116.9 million for the six months ended 30 June 2015 from approximately RMB106.1 million for the corresponding period in 2014, 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 the Group's 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 period of construction.

Cost of sales decreased by 28.7% to approximately RMB2,490.8 million for the six months ended 30 June 2015 from approximately RMB3,493.8 million for the corresponding period in 2014, primarily due to the decrease of total GFA delivered in sales of properties.

Land cost per sq.m. decreased from RMB2,970 for the corresponding period in 2014 to RMB2,451 for the six months ended 30 June 2015, due to the change in delivery portfolio with different city mix as compared with that for the corresponding period in 2014.

Construction cost per sq.m. increased from RMB3,769 for the corresponding period in 2014 to RMB4,123 for the six months ended 30 June 2015, principally due to an increased proportion in delivery of serviced apartment with relatively higher construction costs.

Gross Profit

Gross profit of the Group decreased by 26.3% to approximately RMB1,430.7 million for the six months ended 30 June 2015 from approximately RMB1,940.4 million for the corresponding period in 2014. The decrease of gross profit was principally due to the decrease in the total revenue in the first half of 2015. The Group reported a gross profit margin of 36.5% for the six months ended 30 June 2015, a slight increase from 35.7% for the corresponding period in 2014.

Other Income and Gains, Net

Other income and gains, decreased by 19.7% to approximately RMB35.5 million for the six months ended 30 June 2015 from approximately RMB44.2 million for the corresponding period in 2014, and mainly comprised interest income of approximately RMB15.4 million.

Selling and Marketing Expenses

Selling and marketing expenses of the Group decreased by 15.0% to approximately RMB124.8 million for the six months ended 30 June 2015 from approximately RMB146.8 million for the corresponding period in 2014, mainly due to a decrease in sales commission, which was in line with the decrease in revenue generated from sales of properties during the period.

Administrative Expenses

Administrative expenses of the Group increased slightly by 0.5% to approximately RMB404.3 million for the six months ended 30 June 2015 from approximately RMB402.3 million for the corresponding period in 2014.

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB30.4 million for the six months ended 30 June 2015 (2014: approximately RMB137.8 million). During the six months ended 30 June 2014, other operating expense mainly comprised premium paid on early redemption of senior notes, amounting to approximately RMB137.3 million.

Fair Value Gains on Investment Properties, Net

The Group reported fair value gains on investment properties of approximately RMB109.4 million for the six months ended 30 June 2015 (2014: approximately RMB111.4 million), mainly related to various leasable commercial properties in various regions. The fair value gains attributable to those leasable commercial properties, including Global Metropolitan Plaza and International Finance Place ("IFP") in Guangzhou, The Sapphire in Suzhou and Chengdu Cosmos, were approximately RMB85.8 million in the first half of 2015.

Finance Costs

Finance costs of the Group being approximately RMB10.5 million for the six months ended 30 June 2015 (2014: approximately RMB6.1 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, they have not been capitalised.

Income Tax Expenses

Income tax expenses decreased by 18.8% to approximately RMB460.0 million for the six months ended 30 June 2015 from approximately RMB566.8 million for the corresponding period in 2014, primarily due to a decrease in profit before tax as a result of the decrease in the total GFA delivered from sales of properties in the first six months of 2015.

Profit for the Period

The Group reported profit for the period of approximately RMB1,370.1 million for the six months ended 30 June 2015 (2014: approximately RMB1,343.7 million). For the six months ended 30 June 2015, net profit margin was 34.9% (2014: 24.7%).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2015, the carrying amounts of the Group's cash and bank balances were approximately RMB10,202.0 million (31 December 2014: approximately RMB10,871.1 million), representing a decrease of 6.2% as compared to that as at 31 December 2014.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 30 June 2015, the carrying amount of the restricted cash was approximately RMB1,408.8 million (31 December 2014: approximately RMB776.9 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2015, the Group's bank and other loans and senior notes were approximately RMB14,770.5 million and RMB9,980.6 million respectively. Amongst the bank and other loans, approximately RMB2,324.8 million will be repayable within 1 year, approximately RMB9,875.3 million will be repayable between 2 and 5 years and approximately RMB2,570.4 million will be repayable over 5 years. Amongst the senior notes, approximately RMB9,980.6 million will be repayable between 2 and 5 years.

As at 30 June 2015, the Group's bank and other loans of approximately RMB14,770.5 million were secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying value of approximately RMB21,007.5 million, and equity interests of certain subsidiaries 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 shares.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately HK$2,447.5 million and US$11.2 million as at 30 June 2015 which were denominated in Hong Kong dollar and U.S. dollar respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB1,850.0 million which were charged at fixed interest rates as at 30 June 2015. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 30 June 2015.

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 2015, the gearing ratio was 69.8% (31 December 2014: 66.8%).

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 PRC'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 ("PBOC").

In the first half of 2015, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar maintained a relatively stable level and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operations of the Group.

Contingent Liabilities

(i) As at 30 June 2015, the Group had the contingent liabilities relating to guarantees given to banks in respect of mortgage facilities for certain purchasers amounting to approximately RMB5,207.4 million (31 December 2014: approximately RMB5,103.2 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments by the purchasers, 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 information as at 30 June 2015 and the financial statements as at 31 December 2014 for the guarantees.

(ii) As at 30 June 2015 and 31 December 2014, the Group had provided guarantees in respect of certain bank loans for its joint ventures.

(iii) As at 30 June 2015 and 31 December 2014, the Group had provided a guarantee in respect of a bank loan for an associate.

Market Review

During the first half of 2015, the property market saw gradual recovery after the introduction of a series of adjustments to government policies, with notable growth in transaction volume since the second quarter.

On one hand, in view of the overall sluggishness in the macroenvironment, PBOC made proactive adjustments to its financial and credit policies to give major boost to property market sentiment. PBOC lowered the RMB deposit reserve rate of financial institutions by an aggregate of 200 basis points over three cuts announced in February, April and June, respectively, to enhance liquidity and improve financing environment for property companies. Meanwhile, PBOC also announced successive reductions in the benchmark lending and deposit interest rates of financial institutions in March, May and June, each by 25 basis points. After the third rate cut announced on 28 June, the interest rate for commercial loans with a term of 5 years or above and the interest rate for housing provident fund loans were reduced to historical lows of 5.4% and 3.5%, respectively. The reduction in financing costs has effectively fueled the property market.

On the other hand, the Central Government relaxed the down-payment ratio for the second property purchase to further encourage spending on residential properties. In the "Notice of the People's Bank of China, Ministry of Housing and Urban-Rural Development and China Banking Regulatory Commission on Issues relating to Policies on Personal Housing Loans" (《中國人民銀行住房城鄉建設部中國銀行業監督管理委員會關於個人住房貸款政策有關問題的通知》) issued on 30 March, it was stated that, in respect of commercial loans, "a family already own one residential property with outstanding housing loan that wishes to apply for another personal housing loan to purchase a common residential property for its own usage to improve its living conditions shall be entitled to an adjusted minimum down-payment ratio of not lower than 40%." Following the promulgation of this new policy, provincial and municipal governments responded to the call for relaxation and lowered the down-payment ratio to 40%–50% for families seeking to purchase a second residential property.

In view of the high level of inventory during the period, local governments have launched a range of policies and measures based on local conditions to stabilise the property market, such as the granting of financial subsidies, reduction or exemption of deeds tax and adjustment of common housing standards, the combined effect of which has benefitted the first-time buyers' demand and effectively accelerate inventory clearance. First-time buyers' products were selling fast as demands in first-tier and second-tier cities continued to re-emerge owing to multiple favourable factors, while upgrading demand increased rapidly, indicating ongoing recovery of the property market.

Business Review

During the first half of the year, the Group capitalised on the window of favourable policy period and adjusted strategy to expedite pre-sales and speed up inventory clearance. Over the years, the Group had adopted a geographic setup where most of its property projects are located in first-tier and second-tier cities, such as Beijing, Shanghai, Guangzhou, Tianjin, Suzhou, Hangzhou, Nanjing, Chengdu, Nanning, Zhengzhou and Hainan. As more than two-thirds of our saleable resources are located in first-tier cities, we enjoyed a meaningful advantage in the market recovery, reporting stable or improving sales. For the six months ended 30 June 2015, the Group reported an attributable pre-sales amount of approximately RMB9,400 million, comprising contribution from 37 projects and completing 42% of the annual sales target.

During the period, the Group launched three new projects. These included The Horizon in Nansha, Guangzhou, Tianjin Boulevard Terrace I and Shine City in Nanjing, catering to the needs of first-time and upgrading home buyers. The Horizon is located in the core area of the Nansha Free Trade Zone in Guangzhou near the new headquarters of the Nansha District Government and Jiaomen Station of Metro Line 4, with a full range of surrounding commercial facilities. At the debut launch in early 2015, 60% of the 75- to 108-square metre fitted units were sold within the first hour, thanks to the superior quality and facilities of the development. The Group also made timely launches of new batches and blocks from existing projects, such as The Summit in Guangzhou, The Eden in Guangzhou, The Core of Center in Nanning, Hangzhou Jade Garden and Vision of the World in Shanghai, to replenish saleable resources. The Eden in Liwan District, Guangzhou has been widely acclaimed by customers since its launch because of its sound location and favourable urban planning. During the year, 130 to 200 square metre fitted units were launched for upgrade buyers, and the development continued to rank top among property bestsellers in Guangzhou.

Given the increasingly intense competition in the market, the Group strives to improve sales, strengthen brand-building and customer relationships, in addition to maintaining high quality products, to provide assurance for long-term development. To motivate sales personnel and drive sales growth, the Group employed more direct sales team during the year to handle projects sales instead of rely solely on agents. In connection with promotion on the Wechat platform, the Group updated the "Wechat customer service" module and standardized the guidelines for various processes, such as appointments for visits, purchases, contract registration and property title registration. Responses for the processes were specified and the "KWG Home" sub-module was introduced to provide timely updates on owners' activities and tracking of owners' complaints and suggestions.

In terms of our land bank, the Group monitors closely on changes in regional land market and selectively add new land in first-tier and second-tier cities. During the first half of the year, the Group refrained from bidding for sites at high premiums. Instead, it replenished land bank and expanded presence in East China region by acquiring a land site in Yuhuatai District near the South Station in Nanjing in collaboration with a third-party developer partner.

As at 30 June 2015, the Group owned 55 projects located in 11 cities across China with an attributable land bank of approximately 9.8 million square metres.

In regards to commercial properties, the Group actively planned for the development and operation of commercial properties with suitable strategies to prepare for a diversified model with services of the highest standards. Currently, "U Fun," the shopping center of Amazing Bay in Xinjiangwan, Shanghai has started pre-leasing work for tenancy and is scheduled to open by the end of this year. The Group will strive to seize opportunities and take on challenges in the commercial property market, with plans to launch shopping center gradually in other regions in 2–3 years' time.

On the financing front, the Group maintains a prudent strategy and monitors the domestic and international capital markets, choosing the right financing channels to sustain development and further optimize its financial structure. During the year, new borrowings incurred by the Group were mostly domestic loans, as the domestic financing market offered lower funding cost relative to off-shore bond markets where higher interest rates prevailed. Meanwhile, the Group continued to broaden sources of revenue and enhance cost savings, make reasonable land acquisitions, in order to maintain a safe level of sufficient cashflow.

Investment Properties and Hotels

1) Hotels

During the first half of 2015, the Group has 4 hotels operating in Guangzhou: W Hotel Guangzhou, an international high-end fashionable hotel in Pearl River New Town; The Mulian Guangzhou, a boutique business hotel in Tianhe District; Four Points by Sheraton Guangzhou, Dongpu in Tianhe District specialised in business banquets; and Sheraton Guangzhou Huadu Resort in Huadu District, a hideaway for leisure and holiday resort. Operated by world-class hotel management groups, these hotels are reporting growth in revenue because of their geographic advantage and customer-oriented services. During the reporting period, W Hotel Guangzhou enhanced its leisure and entertainment facilities with fashionable elements by collaborating with famous restaurants in town. The hotel operation continues to excel as revenue rose in line with increasing popularity with customers.

2) Completed Investment Properties for Lease

The Group's existing investment properties for lease comprise mainly IFP in Pearl River New Town, Guangzhou. With its mission of "Manage Home with Heart," since residing foot in Pearl River New Town in 2007, the Group has been focused on the needs of its tenants and striving to upgrade the environment inside and outside the building and the commercial facilities nearby to provide tenants with comfortable and high-end office space. The Group continued to maintain a stable occupancy rate for its investment properties. As at 30 June 2015, the occupancy rate for IFP stood at 98.6%. Major tenants included China Construction Bank, Bank of China, Industrial and Commercial Bank of China, Standard Chartered Bank and other five foreign banks.

Business Outlook

Looking to the second half of 2015, the Group will launch projects in Guangzhou, Tianjin, Hangzhou, Shanghai and Nanning timely to capitalise on the ongoing recovery in the tier-one and tier-two city markets. They include Essence of City, Guangzhou (formerly known as Guangzhou Ta Gang Project), Guangzhou Finance City Project, Tianjin Boulevard Terrace II, The More in Hangzhou, Shanghai Pudong Project and International Finance Place in Nanning, all of which are with distinctive geographic advantages, featuring a reasonable mix of units for first-time buyers and upgrading buyers as well as villas and offices to meet the needs of different customers.

To cope with escalating competition in the market, the Group will continue to strengthen its sales effort and expedite cash collection, exercise stringent control over various costs and expenses, maintain a stable profit margin and lower its gearing ratio. At the same time, the Group will endeavour to improve its operation ability and enhance its overall execution standards to support sustainable development.

Overview of the Group's Property Development

As at 30 June 2015, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing and Zhengzhou.

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
1.	The Summit	Guangzhou	Residential / villas / serviced apartments / office / retail	1,885	100
2.	Global Metropolitan Plaza	Guangzhou	Office / retail	73	50
3.	Tian Hui Plaza (included The Riviera & Top Plaza)	Guangzhou	Serviced apartments / office / hotel / retail	91	33.3
4.	Oriental Bund	Guangzhou	Residential / retail / serviced apartments / office / hotel	560	20
5.	The Star (formerly called The Regent and Biological Island II)	Guangzhou	Serviced apartments / office / retail	199	100
6.	Top of World	Guangzhou	Villas / serviced apartments / office / retail / hotel	567	100
7.	The Eden	Guangzhou	Residential / retail	78	50
8.	Zengcheng Gua Lv Lake	Guangzhou	Villas / hotel	43	100
9.	Essence of City (formerly called Guangzhou Ta Gang Project)	Guangzhou	Residential / villas / retail	344	100
10.	Guangzhou Pazhou Project	Guangzhou	Office / retail	50	50
11.	Guangzhou Finance City Project	Guangzhou	Serviced apartments / office / retail	102	33.3
12.	The Horizon	Guangzhou	Residential / retail	158	35
13.	IFP	Guangzhou	Office / retail	61	100
14.	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
15.	Sheraton Guangzhou Huadu Resort	Guangzhou	Hotel	25	100
16.	W Hotel / W Serviced Apartments	Guangzhou	Hotel / serviced apartments	80	100
17.	The Mulian Guangzhou	Guangzhou	Hotel / retail	8	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
18.	The Sapphire	Suzhou	Residential / hotel / serviced apartments / office / retail	114	100
19.	Suzhou Apex	Suzhou	Residential / hotel / serviced apartments / retail	142	90
20.	Suzhou Emerald	Suzhou	Residential / retail	71	100
21.	Leader Plaza	Suzhou	Serviced apartments / office / retail	37	51
22.	Wan Hui Plaza	Suzhou	Office / retail	60	100
23.	Suzhou Jade Garden	Suzhou	Residential / retail	10	100
24.	The Vision of the World	Chengdu	Residential / serviced apartments / retail	5	100
25.	Chengdu Cosmos	Chengdu	Residential / office / serviced apartments / retail / hotel	500	100
26.	Chengdu Sky Ville	Chengdu	Residential / office / serviced apartments / retail / hotel	405	50
27.	Fragrant Seasons	Beijing	Residential / villas / serviced apartments / retail	28	100
28.	La Villa	Beijing	Residential / office / retail	100	50
29.	Beijing Apex	Beijing	Residential / villas / serviced apartments / office / retail	94	50
30.	Chong Wen Men	Beijing	Retail	16	100
31.	Summer Terrace	Beijing	Residential / villas / retail	27	100
32.	Beijing Tong Zhou I	Beijing	Serviced apartments / office / retail	128	100
33.	Beijing Tong Zhou II	Beijing	Serviced apartments / office / retail	125	100
34.	Rose and Ginkgo Mansion	Beijing	Residential / villas	69	33
35.	Pearl Coast	Hainan	Villas / residential / hotel	236	100
36.	Moon Bay Project	Hainan	Villas / residential / retail / hotel	447	100
37.	Pudong Project	Shanghai	Office / retail	78	100
38.	The Core of Center	Shanghai	Residential / serviced apartments / retail / office	48	50
39.	Shanghai Apex	Shanghai	Residential / serviced apartments / retail / hotel	69	100
40.	Shanghai Sapphire	Shanghai	Serviced apartments / hotel / retail	76	100
41.	Shanghai Emerald	Shanghai	Residential / retail	8	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
42.	Amazing Bay	Shanghai	Residential / office / retail / serviced apartments / hotel	94	50
43.	Vision of World	Shanghai	Residential / serviced apartments / retail	200	100
44.	Jinnan New Town	Tianjin	Residential / serviced apartments / villas / retail	651	25
45.	Boulevard Terrace I	Tianjin	Residential / retail	55	100
46.	Boulevard Terrace II	Tianjin	Residential / villas / retail	32	100
47.	The Core of Center	Nanning	Residential / villas / office / retail	567	87
48.	Guangxi International Finance Place	Nanning	Office / retail	62	87
49.	Guangxi Top of World	Nanning	Residential / villas / hotel / retail	486	87
50.	Hangzhou Jade Garden	Hangzhou	Residential	47	100
51.	Hangzhou La Bali	Hangzhou	Residential / villas	58	100
52.	The More	Hangzhou	Residential	106	100
53.	The Mulian Hangzhou	Hangzhou	Hotel / retail	18	100
54.	Shine City	Nanjing	Residential / office / retail	73	50
55.	Henan Zhengzhou Project	Zhengzhou	Residential / retail	29	100

Employees and Emolument Policies

As at 30 June 2015, the Group employed a total of approximately 5,290 employees. The total staff costs incurred were approximately RMB297.4 million during the six months ended 30 June 2015. 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 be 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 the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

During the period ended 30 June 2015, a total of 1,265,750 share options were exercised and no share options were granted, cancelled or lapsed as at the date of approval of this results announcement. Details of share option movement during the period will be stated in the coming interim report. In addition, training and development programmes are provided on an on-going basis throughout the Group.

Interim Dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2015 (2014: Nil).

AUDIT COMMITTEE

As at 30 June 2015, 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, JP and Mr. Li Bin Hai. 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 audited consolidated financial statement for the year ended 31 December 2014 and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2015. It has also reviewed and recommended to the Board the current policies and practices on corporate governance of the Company, the Company's compliance with the Corporate Governance Code and the disclosure in the corporate governance report. Further, it has reviewed and monitored the training and continuous professional development of directors and senior management, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the current code of conduct applicable to employees and directors and recommended the same to the Board. The audit committee reported that there was no material uncertainty that cast doubt on the Company's going concern ability.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules 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/en/ivr/index.aspx) and the Stock Exchange (www.hkex.com.hk). An interim report for the six months ended 30 June 2015 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, 26 August 2015

As at the date of this announcement, the board of Directors comprises nine Directors, of which Mr. Kong Jian Min (Chairman), Mr. Kong Jian Tao, Mr. Kong Jian Nan, Mr. Li Jian Ming, Mr. Tsui Kam Tim and Mr. He Wei Zhi are executive Directors and Mr. Lee Ka Sze, Carmelo JP, Mr. Tam Chun Fai and Mr. Li Bin Hai are independent non-executive Directors.