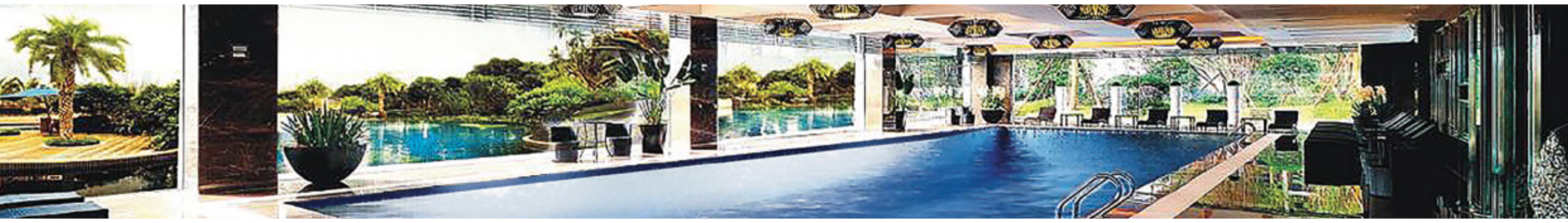
INTERIM REPORT 2015

# E X P A N S I O N



• 以 心 築 家 • Build Home with Heart • Create Future with Aspiration • 創 建 未 來 •

KWG
合景泰富地產

## KWG PROPERTY HOLDING LIMITED

Incorporated in the Cayman Islands with limited liability Stock Code: 1813

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# 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

### Independent Non-executive Directors

Mr. Lee Ka Sze, Carmelo, JP
Mr. Tam Chun Fai
Mr. Li Bin Hai

## 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, JP
Mr. Li Bin Hai

## Remuneration Committee

Mr. Tam Chun Fai *(Chairman)*
Mr. Kong Jian Min
Mr. Li Bin Hai

## Nomination Committee

Mr. Kong Jian Min *(Chairman)*
Mr. Tam Chun Fai
Mr. Li Bin Hai

## 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 and Transfer Agent

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor
Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
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
China Construction Bank Corporation
Industrial and Commercial Bank of
China Limited
Bank of China Limited
The Bank of East Asia (China) Limited
Standard Chartered Bank (Hong Kong)
Limited
Industrial and Commercial Bank of
China (Asia) Limited
China Guangfa Bank Co., Ltd.
China Minsheng Banking Corp. Ltd.
The Hongkong and Shanghai Banking
Corporation Limited
Guangzhou Rural Commercial Bank
Co., Ltd.

## Auditors

Ernst & Young

## Legal Advisors

as to Hong Kong law:
Sidley Austin

as to Cayman Islands law:
Conyers Dill & Pearman

## Website

www.kwgproperty.com

## Stock Code

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

# CORPORATE PROFILE

Founded in 1995, KWG Property Holding Limited ("KWG Property" or the "Company", together with its subsidiaries, collectively the "Group") is now one of the leading large-scale property developers in Guangzhou. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1813) in July 2007. Since its establishment, KWG Property has been focusing on the development, sales, operation and management of quality properties.

Over the past 20 years, the Group has built a comprehensive property development system supported by a balanced portfolio of different types of products, including medium and high-end residential properties, serviced apartments, villas, office buildings, hotels and shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou, Nanning and Hainan as its hub for South China, Suzhou, Shanghai, Hangzhou and Nanjing for East China, Chengdu for South-west China, Beijing and Tianjin for the Bohai Rim region, and Zhengzhou for Central China. At present, the Group has a number of mixed-use projects in the above regions. All of them have been well-received by consumers and achieved satisfactory sales.

The Group has always adhered to a prudent land bank replenishment strategy. Its current land bank is sufficient for development in the coming 4 to 5 years.

The Group will devote more resources for the establishment of a diversified development portfolio with a balance of residential and commercial properties to ensure stable development in the future. By implementing a prudent growth strategy, the Group will focus on residential properties while increasing the proportion of commercial properties, such as offices, hotels and premium shopping malls, to keep the profit portfolio steady, mitigate concentration risk and ensure longer term growth.

# CHAIRMAN'S STATEMENT

I am pleased to present the interim results of the Group for the six months ended 30 June 2015. During the period under review, the Group recorded total revenue of approximately RMB3,921.5 million. Profit attributable to owners of the Company was approximately RMB1,371.8 million, representing an increase of 2.0% from the same period of the previous year. Basic earnings per share attributable to owners of the Company amounted to RMB46.6 cents.

## 1) Stable sales growth attributable to optimal exposure in prime cities

In view of the ongoing weakness in the macroeconomic environment during the first half of 2015, the central government put forth the objective of sustaining consumption on residential housing. Through three consecutive reductions of the deposit reserve ratio and the benchmark RMB lending and deposit interest rates, relaxation of the down-payment ratio for second property purchase and the threshold for housing provident fund loans, and adjustments to the business tax exemption period for personal housing transactions, the government actively encouraged end-user and upgrading demands, while contemplating an effective mechanism for healthy development in the longer term. Local governments announced measures aimed at stabilising the property market, such as relaxation of home purchase restriction and mortgage rulings and adjustments to housing provident fund loans. Additional financial subsidies and deed tax exemption were also introduced at different locations to stimulate the property market and accelerate inventory de-stocking.

The combined effect of various favourable policies has improved market sentiments and driven the recovery of the property market. Tier-one cities have reported month-on-month increase in transaction volumes, while average transaction prices have also been on the rise since the second quarter. Market conditions in tier-two cities have also gradually improved. There was a general decrease in inventory to sales ratio and stable pick-up in property prices, and the sell-through ratio gradually returned to a reasonable level.

Following the strategic focus on tier-one and higher tier-two cities, the Group's projects now cover Beijing, Shanghai, Guangzhou, Suzhou, Hangzhou, Chengdu and others. Over the years, the Group has developed a sound reputation and strong brand recognition in these cities.

During the first half of 2015, the Group conducted in-depth market research in the cities and regions where it had established presence by launching products in line with market needs, and the Group sought to benefit fully from the impacts brought by favourable policies. More than two-thirds of our saleable resources, comprising a total of 18 projects, are located in tier-one cities. Beijing, Shanghai and Guangzhou contributed approximately 60% of the Group's attributable pre-sales for the first half of 2015.

The Group is confident that premium quality products in line with market demand can always generate stable sales. The Group believes that the markets in tier-one and tier-two cities will continue to be dominated by end-user and upgrading demands in the foreseeable future. As such, we continue to optimise our product mix during the year, focusing on products catered to first-time and upgrading buyers with total gross floor area ("GFA") of 89 to 120 square metres while complementing them with higher-end products with GFA of 150 square metres or above to meet market demands.

Apart from enhancing our capabilities in product development, the Group has also increased the efforts in optimizing marketing and sales functions, such as improving marketing team management, upgrading services on WeChat and adopting more online service provider platform. The combination of innovative means has resulted in stable sales growth and a higher sell-through ratio.

## 2) Prudent land strategy and resource allocation

In early 2015, local governments adjusted their plans to reduce land supply. Property developers slowed down land acquisitions accordingly and the bleak conditions in the market were extended particularly in tier-one and tier-two cities. Statistics of China Index Academy indicated that the number of sites offered for sale and the area of sites sold in 300 cities in China in the first half of 2015 decreased by 30.4% and 39.5%, respectively. Due to the sharp decrease in land supply, property developers were forced to pursue quality sites through competitive bids. As a result, land premiums were driven up and costs rose drastically.

Owing to escalating competition during the year, land prices in some regions have increased to a level similar to or exceeding the sales price of properties in neighbouring areas, resulting in a few "Land King" transactions. Instead of jumping on the bandwagon to bid for sites in the open market, we replenish our land bank at more reasonable prices through cooperation with third-party developers. During the year, the Group acquired a site in the core area of Yuhuatai District, Nanjing through joint venturing with a new strategic partner, such that both parties have effectively lowered land costs.

Through stringent control over land costs and highly selective premium sites, the Group firmly believes that its current land bank will provide strong support for revenue growth in the coming years.

## 3) Expediting construction of investment properties to enhance long-term recurring income

While the Group achieves revenue growth primarily through property sales, the development of investment properties will also make significant contributions to its medium- to long-term development. The Group plans to ensure reliable and recurring cash inflow in the coming years through its portfolio of investment properties, in order to mitigate market cyclicality. The Group plans to increase the construction of investment properties to focus on high-end properties with potential capital appreciation and stable rental income, such as offices, hotels and shopping centers.

The Group currently owns International Finance Place ("IFP") and W Hotel Guangzhou in Pearl River New Town, Four Points by Sheraton Guangzhou, Dongpu and Sheraton Guangzhou Huadu Resort. After several years of dedicated operations, these properties command a strong competitive edge in the local market and generate year-on-year growth in rental income and hotel revenue.

Since 2014, the Group has been speeding up the construction of shopping centers to build a more diversified portfolio of investment properties. The Group has learnt from other domestic and foreign projects in operation and management of commercial projects and devised operating principles compatible with its own development, which has resulted in great improvement in its execution capability. The Group retains its properties in core districts of tier-one or tier-two cities to preserve core assets with potential capital appreciation. In coming years, the Group will focus on the construction of "U Fun" (an urban shopping center in Xinjiangwan, Shanghai), "Top Plaza" (a high-end property in Pearl River New Town, Guangzhou), "M Cube" (a specialised shopping center in the Second Ring of Beijing) as well as shopping centers in Chengdu and Suzhou, which would be offered in successive launches as scheduled. With the benefit of well-developed commercial facilities and excellent locations, the future growth potential of these projects is well anticipated.

## 4) Strengthening capital structure through prudent financial management

The Group adheres to a prudent and pragmatic financial strategy that plans and arranges financing in a reasonable manner, according to changes in the capital market and cash on hand.

Given rising costs for offshore USD bond financing and the window of opportunity for domestic market financing during the first half of 2015, the Group focused on the domestic market to identify instruments in line with the Group's development. Our financing channel comprised mainly domestic development loans, which lowered our financing costs and ensured the stability and security of our capital structure. In the meantime, the Group expedited cash collection through the adoption of a comprehensive sales collection valuation system to ensure sufficient cash on hand.

## 5) Outlook

Looking to the second half of 2015, the central government's adjustment directions are expected to remain on sustaining consumption and stimulating market demand. Sales in the property market are expected to continue to improve with a moderate rebound in prices. The Group also anticipates further relaxation in the government's monetary policy and ongoing unleashing of end-user and upgrading demands, which will result in sales improvement and inventory clearance.

The Group will seize market opportunities and enhance operating efficiency by adjusting construction schedules, in order to increase new product launches and facilitate inventory clearance. The Group will continue to focus on tier-one and tier-two cities by classifying customers into different groups, as it launches projects in cities such as Guangzhou, Tianjin and Hangzhou. Essence of City in Guangzhou, Guangzhou Finance City Project, Tianjin Boulevard Terrace II and The More in Hangzhou, which are located either in city centers or new development areas, will offer different products such as first-time and upgrading product types. The Group will also make timely adjustments to the proportion among different product types according to market changes.

Meanwhile, the Group will continue to enhance commercial properties operation, including offices and hotels, and to be best prepared for the opening of various shopping malls.

## 6) Appreciation

On behalf of the Group and the Board, I would like to extend grateful appreciation to all shareholders, investors, partners and customers for their longstanding support and trust. I must also thank our directors, management and staff, who have worked and grown together with the Group, for their hard work and dedication. I have no doubt that the Group will continue to venture forward with solid efforts and deliver excellent results.

**Kong Jian Min**
*Chairman*

26 August 2015

## 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 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 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 |
| 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 |

| No. | Project | District | Type of Product | Total GFA Attributable to the Group's Interest ('000 sq.m.) | Interest Attributable to the Group (%) |
|---|---|---|---|---|---|
| 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 |
| 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 six months 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 page 20 of this report. In addition, training and development programmes are provided on an on-going basis throughout the Group.

# DISCLOSURE OF INTERESTS

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

As at 30 June 2015, 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 or as disclosed under the section headed "Share Option Scheme" on page 20:

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

| Name of Director | Long position/ Short position | Nature of interests | Number of shares held (Note 1) | Approximate percentage of shareholding (Note 2) | Amount of debentures held |
|---|---|---|---|---|---|
| Kong Jian Min (Notes 3, 4 and 5) | Long position | Interest of controlled corporations | 1,776,156,589 | 60.26% | |
| Kong Jian Tao (Notes 3, 4 and 6) | Long position | Interest of controlled corporations | 1,713,914,589 | 58.15% | |
| Kong Jian Nan (Notes 3 and 4) | Long position | Interest of controlled corporations | 1,712,914,589 | 58.11% | |
| He Wei Zhi (Note 7) | Long position | Interest of spouse | 10,000 | 0.00034% | |
| Tsui Kam Tim | Long position | Beneficial owner | – | – | USD400,000 (Note 8) |

Notes:

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

2. As at 30 June 2015, total issued shares capital of the Company is 2,947,500,658 share.

3. 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 1,637,914,589 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.

4. 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.

5. 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 63,242,000 shares through his interests in Hero Fine. Kong Jian Min is the sole director of Hero Fine.

6. Excel Wave Investments Limited ("**Excel Wave**") is legally and beneficially owned as to 100% by Kong Jian Tao and Kong Jian Tao is therefore deemed to be interested in 1,000,000 shares through his interest in Excel Wave. Kong Jian Tao is the sole director of Excel Wave.

7. These Shares are held and beneficially owned by Wang Yan Lei, the spouse of He Wei Zhi.

8. Mr. Tsui Kam Tim personally bought US$200,000 of US$600,000,000 8.975% Senior Notes Due 2019 and US$200,000 of US$400,000,000 8.25% Senior Notes Due 2019.

### 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 or under the section headed "Share Option Scheme" on page 20, as at 30 June 2015, 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 Discloseable under the SFO

So far as is known to any directors or chief executive of the Company, as at 30 June 2015, 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 and Debentures of the Company" 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 (Note 2) |
|---|---|---|---|
| Plus Earn (Note 2) | Beneficial owner | 1,637,914,589 | 55.57% |

Notes:

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

2. As at 30 June 2015, total issued share capital of the Company is 2,947,500,658 share.

3. 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.

Save as disclosed above, as at 30 June 2015, 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 Corporate Governance Code

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor's 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 Corporate Governance Code (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

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.

## Remuneration Committee

The remuneration committee was formed on 11 June 2007 with terms of reference in compliance with the Code Provision. It has reviewed and formulated policies in respect of remuneration structure of all directors and senior management of the Company, reviewed the remuneration packages of individual executive directors, non-executive directors and senior management and made recommendations to the Board for its consideration and reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives. The remuneration committee consists of three members as at 30 June 2015, of which one is executive director being Mr. Kong Jian Min ("Mr. Kong") and two are independent non-executive directors being Mr. Tam Chun Fai (the chairman) and Mr. Li Bin Hai.

## 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 enquiries with all directors of the Company, 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.

During the six months ended 30 June 2015, no share options were granted, 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 2015 | Number of share options granted/ (exercised) during the period under review (Notes 1 and 2) | Number of share options outstanding as at 30 June 2015 | Date of grant | Period during which share options are exercisable (Note 1) | Exercise price per share (HK$) |
|---|---|---|---|---|---|---|
| Li Jian Ming | 619,000 | – | 619,000 | 26 August 2011 | 26 August 2012– 25 August 2016 | 4.49 |
| He Wei Zhi | 619,000 | – | 619,000 | 26 August 2011 | 26 August 2012– 25 August 2016 | 4.49 |
| Tsui Kam Tim | 1,238,000 | (500,000) | 738,000 | 26 August 2011 | 26 August 2012– 25 August 2016 | 4.49 |
| Tam Chun Fai | 30,000 | – | 30,000 | 26 August 2011 | 26 August 2011– 25 August 2016 | 4.49 |
| Lee Ka Sze, Carmelo | 30,000 | – | 30,000 | 26 August 2011 | 26 August 2011– 25 August 2016 | 4.49 |
| Other employees of the Group | 3,375,000 | (765,750) | 2,609,250 | 26 August 2011 | 26 August 2012– 25 August 2016 | 4.49 |

Notes:

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

2. Weighted average closing price of the listed shares of the Company immediately before the dates on which the options were exercised by the grantees was HK$7.412.

## Valuation of Share Options

The Company has been using the Black-Scholes Model and Binomial 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 2015 (2014: Nil).

## Disclosures Pursuant to Rule 13.21 of the Listing Rules

A joint venture in which the Group owns 28.57% equity interest, Total Champ Limited, entered into an agreement for a term loan of HK$1,075,000,000 (the "Loan Agreement I") on 4 November 2011. The Loan Agreement I includes a condition imposing specific performance obligations on Mr. Kong, the controlling shareholder of the Company. Mr. Kong is interested in approximately 60.26% of the issued share capital of the Company as at 30 June 2015. It will be an event of default in the event that Mr. Kong ceases to (i) be the single largest shareholder of the Company; (ii) hold directly or indirectly not less than 30% of the beneficial interest in the issued share capital of the Company; or (iii) have the right to determine the composition of the majority of the Board or equivalent body of the Company, and in such event (amongst other things), the Loan Agreement I may be terminated by the lenders and the facility may become immediately due and repayable. Further details of the transaction are disclosed in the announcement of the Company dated 4 November 2011.

On 28 September 2012, the Company entered into a facility agreement in respect of a term loan of HK$250,000,000 (the "Facility Agreement I"). The Facility Agreement I includes conditions imposing specific performance obligations on Mr. Kong. It will be an event of default if Mr. Kong ceases to (i) continue to hold, whether directly or indirectly through any person beneficially, at least 35% of the issued share capital of the Company; (ii) remain as the chairman of the Board of the Company; and (iii) remain as the single largest shareholder of the issued share capital of the Company, and in such event (amongst other things), the Facility Agreement I may be terminated by the lender and the facility may become immediately due and repayable. Further details of the transaction are disclosed in the announcement of the Company dated 28 September 2012.

On 28 September 2012, the Company entered into a facility agreement in respect of a term loan of HK$500,000,000 (the "Facility Agreement II"). The Facility Agreement II includes conditions imposing specific performance obligations on Mr. Kong, Mr. Kong Jian Tao and Mr. Kong Jian Nan (collectively called "Kong's family"). Kong's family is collectively interested in approximately 60.29% of the issued share capital of the Company as at 30 June 2015. It will be an event of default if (i) Kong's family shall not together continue to control the Company; and (ii) Mr. Kong shall not remain as the chairman of the Board of the Company. "Control" under the Facility Agreement II means (a) (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) the power to appoint and/or remove all or a majority of the members of the Board or other governing body of the Company or otherwise control or has the power of control over the affairs and policies of the Company; and (b) to hold, whether directly or indirectly through any person beneficially, at least 30% of the issued share capital of the Company. Upon the occurrence of an event of default, the Facility Agreement II may be terminated by the lender and the facility may become immediately due and repayable. Further details of the transactions are disclosed in the announcement of the Company dated 28 September 2012.

A joint venture in which the Group owns 25% equity interest, Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. （天津津南新城房地產開發有限公司） entered into a facility agreement for a term loan of RMB1,000,000,000 (the "Facility Agreement III") on 21 May 2013. The Facility Agreement III imposes specific performance obligations on Mr. Kong. The Company has undertaken that Mr. Kong will, at all times during the term of the facility, continue to hold, directly or indirectly, at least 35% of the issued share capital of the Company and will maintain control over the management of the Company and its subsidiaries and remain as the single largest shareholder of the issued share capital of the Company. Failure to comply with any of the above undertakings will constitute as an Event of Default (as defined in the Facility Agreement III) under the Facility Agreement III. Further details of the transaction are disclosed in the announcement of the Company dated 21 May 2013.

A joint venture in which the Group owns 25% equity interest, Charm Talent Limited entered into a facility agreement for a HK$2,700,000,000 transferable term loan facility (the "Facility Agreement IV") on 10 October 2013. The Facility Agreement IV imposes specific performance obligations on Mr. Kong. The Company has undertaken that Mr. Kong will, at all times during the term of the facility, beneficially own (in aggregate), directly or indirectly, at least 35% of the issued ordinary shares of the Company or exercise, be entitled to exercise management control over the Company, or remain as the single largest shareholder of the Company. Failure to comply with any of the above undertakings will constitute as an Event of Default (as defined in the Facility Agreement IV) under the Facility Agreement IV. Further details of the transaction are disclosed in the announcement of the Company dated 10 October 2013.

On 18 November 2014, the Company entered into a facility agreement in respect of transferrable term loan facility in the amount of HK$2,003,750,000 with a greenshoe option of HK$1,000,000,000 (the "Facility Agreement V"). The Facility Agreement V includes conditions imposing specific performance obligations on Mr. Kong. The Company has undertaken to procure that Mr. Kong will, at all times during the term of the facility, (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute as an Event of Default (as defined in the Facility Agreement V) under the Facility Agreement V. Further details of the transaction are disclosed in the announcement of the Company dated 18 November 2014.

## Changes in Information of Directors

Pursuant to Rule 13.51 (B) of the Listing Rules, there are changes in 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. The changes of information on directors are as follows:

(1) Mr. Lee Ka Sze, Carmelo, JP resigned as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd on 30 June 2015.

(2) The term of office of Mr. Lee Ka Sze. Carmelo, JP as the Chairman of Listing Committee of The Stock Exchange was ended on 10 July 2015.

# PROJECT SUMMARY


## Hainan – 2 projects

Total Attributable GFA:
approximately 683,000 sq.m.

- Pearl Coast
- Moon Bay Project

## Guangzhou – 17 projects

Total Attributable GFA:
approximately 4,400,000 sq.m.

- The Summit
- Tian Hui Plaza (included The Riviera & Top Plaza)
- Global Metropolitan Plaza
- Oriental Bund
- The Star
- Top of World
- The Eden
- Zengcheng Gua Lv Lake
- Essence of City
- Guangzhou Pazhou Project
- Guangzhou Finance City Project
- The Horizon
- IFP
- Four Points by Sheraton Guangzhou, Dongpu
- Sheraton Guangzhou Huadu Resort
- W Hotel/W Serviced Apartments
- The Mulian Guangzhou

## Tianjin – 3 projects

Total Attributable GFA:
approximately 737,000 sq.m.

- Jinnan New Town
- Boulevard Terrace I
- Boulevard Terrace II

## Zhengzhou – 1 project

Total Attributable GFA:
approximately 29,000 sq.m.

- Henan Zhengzhou Project

## Suzhou – 6 projects

Total Attributable GFA:
approximately 452,000 sq.m.

- The Sapphire
- Suzhou Apex
- Suzhou Emerald
- Leader Plaza
- Wan Hui Plaza
- Suzhou Jade Garden

## Chengdu – 3 projects

Total Attributable GFA:
approximately 909,000 sq.m.

- The Vision of the World
- Chengdu Cosmos
- Chengdu Sky Ville

## Beijing – 8 projects

Total Attributable GFA:
approximately 587,000 sq.m.

- Fragrant Seasons
- La Villa
- Beijing Apex
- Chong Wen Men
- Summer Terrace
- Beijing Tong Zhou I
- Beijing Tong Zhou II
- Rose and Ginkgo Mansion

## Shanghai – 7 projects

Total Attributable GFA:
approximately 572,000 sq.m.

- Pudong Project
- The Core of Center
- Shanghai Apex
- Amazing Bay
- Shanghai Sapphire
- Shanghai Emerald
- Vision of World

## Nanning – 3 projects

Total Attributable GFA:
approximately 1,115,000 sq.m.

- The Core of Center
- Guangxi International Finance Place
- Guangxi Top of World

## Hangzhou – 4 projects

Total Attributable GFA:
approximately 229,000 sq.m.

- Hangzhou Jade Garden
- Hangzhou La Bali
- The More
- The Mulian Hangzhou

## Nanjing – 1 project

Total Attributable GFA:
approximately 73,000 sq.m.

- Shine City

# INDEPENDENT REVIEW REPORT

EY 安永

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

## Introduction

We have reviewed the interim financial information of KWG Property Holding Limited (the "Company") and its subsidiaries set out on pages 25 to 46, which comprise the condensed consolidated statement of financial position as at 30 June 2015 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month then ended, and explanatory information. The Main Board Listing 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").

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 and consequently 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 such opinion.

## Conclusion

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

**Ernst & Young**
*Certified Public Accountants*
22/F CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
26 August 2015

# CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## Condensed Consolidated Statement of Profit or Loss

| | Notes | Six months ended 30 June<br>2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(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 |

The notes on pages 32 to 46 form an integral part of this condensed consolidated interim financial information.

## 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 |

The notes on pages 32 to 46 form an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Statement of Financial Position

| | Notes | As at 30 June 2015 RMB'000 (Unaudited) | 31 December 2014 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | 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 | 11 | 304,249 | 217,317 |
| Prepayments, deposits and other receivables | | 2,064,691 | 1,869,921 |
| Due from a joint venture | 17(ii) | 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 | 12 | 2,217,153 | 2,693,611 |
| Other payables and accruals | | 7,890,139 | 7,254,556 |
| Due to joint ventures | 17(ii) | 12,636,616 | 10,700,785 |
| Interest-bearing bank and other borrowings | 13 | 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 |

## Condensed Consolidated Statement of Financial Position

| | Notes | As at 30 June 2015 RMB'000 (Unaudited) | As at 31 December 2014 RMB'000 (Audited) |
|---|---|---|---|
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 44,278,911 | 43,499,401 |
| **NON-CURRENT LIABILITIES** | | | |
| Due to a joint venture | 17(ii) | – | 1,000,000 |
| Interest-bearing bank and other borrowings | 13 | 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 | 14 | 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 |

The notes on pages 32 to 46 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Changes in Equity

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | Share premium account | 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 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| At 1 January 2014 | 280,485 | 6,615,724 | 745,110 | 325,156 | 26,871 | (57,546) | 9,042,694 | 839,014 | 17,817,508 | 24,654 | 17,842,162 |
| Profit for the period | – | – | – | – | – | – | 1,345,313 | – | 1,345,313 | (1,604) | 1,343,709 |
| Other comprehensive loss for the period: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | (66,719) | – | – | – | – | (66,719) | – | (66,719) |
| Share of exchange differences on translation of associates | – | – | – | (7,016) | – | – | – | – | (7,016) | – | (7,016) |
| Share of exchange differences on translation of joint ventures | – | – | – | (20,305) | – | – | – | – | (20,305) | – | (20,305) |
| Total comprehensive (loss)/income for the period | – | – | – | (94,040) | – | – | 1,345,313 | – | 1,251,273 | (1,604) | 1,249,669 |
| Final 2013 dividend declared | – | – | – | – | – | – | – | (839,014) | (839,014) | – | (839,014) |
| Share option expenses | – | – | – | – | 286 | – | – | – | 286 | – | 286 |
| Transfer to reserves | – | – | 90,995 | – | – | – | (90,995) | – | – | – | – |
| At 30 June 2014 | 280,485 | 6,615,724 | 836,105 | 231,116 | 27,157 | (57,546) | 10,297,012 | – | 18,230,053 | 23,050 | 18,253,103 |
| At 31 December 2014 and 1 January 2015 | 284,706 | 6,806,653* | 897,134* | 294,564* | 5,812* | (57,546)* | 11,212,265* | 972,258 | 20,415,846 | 20,570 | 20,436,416 |
| Profit for the period | – | – | – | – | – | – | 1,371,840 | – | 1,371,840 | (1,707) | 1,370,133 |
| Other comprehensive income for the period: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | 1,847 | – | – | – | – | 1,847 | – | 1,847 |
| Share of exchange differences on translation of associates | – | – | – | 387 | – | – | – | – | 387 | – | 387 |
| Share of exchange differences on translation of joint ventures | – | – | – | 290 | – | – | – | – | 290 | – | 290 |
| Total comprehensive income for the period | – | – | – | 2,524 | – | – | 1,371,840 | – | 1,374,364 | (1,707) | 1,372,657 |
| Share option exercised | 100 | 5,492 | – | – | (1,103) | – | – | – | 4,489 | – | 4,489 |
| Final 2014 dividend declared | – | – | – | – | – | – | – | (972,258) | (972,258) | – | (972,258) |
| Share option expenses | – | – | – | – | 42 | – | – | – | 42 | – | 42 |
| Transfer to reserves | – | – | 48,411 | – | – | – | (48,411) | – | – | – | – |
| At 30 June 2015 | 284,806 | 6,812,145* | 945,545* | 297,088* | 4,751* | (57,546)* | 12,535,694* | – | 20,822,483 | 18,863 | 20,841,346 |

* These reserve accounts comprise the consolidated reserves of approximately RMB20,537,677,000 (31 December 2014: approximately RMB19,158,882,000) in the condensed consolidated statement of financial position.

The notes on pages 32 to 46 form an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Statement of Cash Flows

| | Notes | Six months ended 30 June 2015 RMB'000 (Unaudited) | 2014 RMB'000 (Unaudited) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | 1,830,084 | 1,910,532 |
| Adjustments for: | | | |
| Finance costs | 5 | 10,451 | 6,083 |
| Share of profits and losses of associates | | 2,661 | 3,908 |
| Share of profits and losses of joint ventures | | (827,184) | (511,333) |
| Interest income | 4 | (15,388) | (25,070) |
| Loss on disposal of investment properties, net | | 95 | 119 |
| Loss on disposal of items of property, plant and equipment | 6 | 244 | 2 |
| Depreciation | 6 | 72,857 | 66,484 |
| Amortisation of land use rights | 6 | 1,662 | 1,662 |
| Changes in fair values of investment properties, net | | (109,351) | (111,411) |
| Equity-settled share option expenses | | 42 | 286 |
| Cash flows from operations before changes in working capital | | 966,173 | 1,341,262 |
| Changes in working capital | | (11,426) | 1,076,283 |
| Cash generated from operations | | 954,747 | 2,417,545 |
| Interest paid, net | | (1,042,477) | (1,065,731) |
| Income tax paid | | (322,576) | (585,235) |
| Net cash flows (used in)/from operating activities | | (410,306) | 766,579 |

## Condensed Consolidated Statement of Cash Flows

| | Six months ended 30 June 2015 RMB'000 (Unaudited) | Six months ended 30 June 2014 RMB'000 (Unaudited) |
|---|---|---|
| Net cash flows (used in)/from operating activities | **(410,306)** | 766,579 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of items of property, plant and equipment | **(55,387)** | (75,058) |
| Proceeds from disposal of investment properties | **1,797** | 2,019 |
| Proceeds from disposal of items of property, plant and equipment | **1,046** | – |
| Investments in and advance to joint ventures and associates | **(1,102,824)** | (2,878,471) |
| Net cash flows used in investing activities | **(1,155,368)** | (2,951,510) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of shares | **4,489** | – |
| Net proceeds from issue and redemption of senior notes | **–** | 1,214,989 |
| Net proceeds from new bank loans and repayment of bank loans | **260,325** | 441,567 |
| Net cash flows from financing activities | **264,814** | 1,656,556 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(1,300,860)** | (528,375) |
| Cash and cash equivalents at beginning of the period | **10,094,238** | 9,414,483 |
| Effect of foreign exchange rate changes, net | **(172)** | 8,337 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | **8,793,206** | 8,894,445 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | |
| Cash and bank balances | **5,321,760** | 4,815,570 |
| Non-pledged time deposits with original maturity of less than three months when acquired | **3,471,446** | 4,078,875 |
| Cash and cash equivalents | **8,793,206** | 8,894,445 |

The notes on pages 32 to 46 form an integral part of this condensed consolidated interim financial information.

# Notes to Condensed Consolidated Interim Financial Information

## 1. Corporate Information

KWG Property Holding Limited ("KWG Property" or 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 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 of directors (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 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 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 |

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

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 |

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

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 | 2014 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (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 |

For the six months ended 30 June 2015, the share of CIT expense and LAT expense attributable to the joint ventures amounting to approximately RMB280,329,000 (2014: approximately RMB168,285,000) and approximately RMB346,438,000 (2014: approximately RMB70,550,000), respectively, are included in "Share of profits and losses of joint ventures" in the condensed consolidated statement of profit or loss.

For the six months ended 30 June 2015, the share of CIT credit attributable to the associates amounting to approximately RMB1,155,000 (2014: approximately RMB1,468,000) is included in "Share of profits and losses of associates" in the condensed consolidated statement of profit or loss.

### 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<br>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. Property, Plant and Equipment

During the six months ended 30 June 2015, the Group had additions of property, plant and equipment at a total cost of approximately RMB63,704,000 (2014: approximately RMB82,409,000).

## 11. 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 2015 RMB'000 (Unaudited)** | 31 December 2014 RMB'000 (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 |

## 12. 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 2015 RMB'000 (Unaudited)** | 31 December 2014 RMB'000 (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.

## 13. Interest-bearing Bank and Other Borrowings

| | As at 30 June 2015 RMB'000 (Unaudited) | As at 31 December 2014 RMB'000 (Audited) |
|---|---|---|
| **Current** | | |
| Bank loans | | |
| – secured | 940,638 | 1,513,233 |
| – denominated in HK$, secured | 385,836 | 372,039 |
| – denominated in US$, secured | 68,347 | – |
| – unsecured | – | 999,938 |
| Current portion of long-term bank loans | | |
| – secured | 803,483 | 514,889 |
| – denominated in HK$, secured | 126,473 | 33,963 |
| – denominated in US$, secured | – | 31,274 |
| | 2,324,777 | 3,465,336 |
| **Non-current** | | |
| Bank loans | | |
| – secured | 11,027,859 | 10,903,632 |
| – denominated in HK$, secured | 1,417,838 | 50,764 |
| – denominated in US$, secured | – | 50,438 |
| Senior notes – denominated in US$, secured (a) | 9,980,631 | 10,042,883 |
| | 22,426,328 | 21,047,717 |
| | 24,751,105 | 24,513,053 |

(i) Certain of the Group's borrowings are secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying values of approximately RMB21,007,501,000 as at 30 June 2015 (31 December 2014: approximately RMB19,533,227,000).

(ii) As at 30 June 2015 and 31 December 2014, the equity interests of certain subsidiaries of the Group were pledged to certain banks for the loans granted to the Group.

(iii) As at 30 June 2015 and 31 December 2014, 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 2015 and 31 December 2014. All of the Group's bank loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB1,850,000,000, which were charged at fixed interest rate as at 30 June 2015 (31 December 2014: RMB3,149,938,000). The Group's senior notes were charged at fixed interest rates as at 30 June 2015 and 31 December 2014.

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

Note:

(a) On 22 March 2012, the Company issued 13.25% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,520,160,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 22 March 2017. The senior notes carry interest at a rate of 13.25% per annum, which is payable semi-annually in arrears on 22 March and 22 September of each year commencing on 22 September 2012. For further details on the senior notes, please refer to the related announcements of the Company dated 14 March 2012, 16 March 2012 and 23 March 2012.

On 29 January 2013, the Company issued 8.625% senior notes with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,885,530,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 February 2020. The senior notes carry interest at a rate of 8.625% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 August 2013. For further details on the senior notes, please refer to the related announcements of the Company dated 29 January 2013, 30 January 2013 and 5 February 2013.

On 7 January 2014, the Company issued 8.975% senior notes with an aggregate principal amount of US$600,000,000 (equivalent to approximately RMB3,662,520,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 14 January 2019. The senior notes carry interest at a rate of 8.975% per annum, which is payable semi-annually in arrears on 14 January and 14 July of each year commencing on 14 July 2014. For further details on the senior notes, please refer to the related announcements of the Company dated 7 January 2014, 8 January 2014 and 14 January 2014.

On 29 July 2014, the Company issued 8.25% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,464,600,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 August 2019. The senior notes carry interest at a rate of 8.25% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 February 2015. For further details on the senior notes, please refer to the related announcements of the Company dated 29 July 2014, 30 July 2014 and 5 August 2014.

## 14. Share Capital

| | As at | | | |
|---|---|---|---|---|
| | **30 June 2015** | | 31 December 2014 | |
| | **No. of shares (Unaudited)** | **RMB'000 (Unaudited)** | No. of shares (Audited) | RMB'000 (Audited) |
| Authorised: | | | | |
| Ordinary shares of HK$0.10 each | **8,000,000,000** | **786,113** | 8,000,000,000 | 786,113 |
| Issued and fully paid: | | | | |
| Ordinary shares of HK$0.10 each | **2,947,500,658** | **284,806** | 2,946,234,908 | 284,706 |

A summary of movements in the Company's issued share capital is as follows:

| | **Number of shares in issue (Unaudited)** | **Issued capital RMB'000 (Unaudited)** | **Share premium account RMB'000 (Unaudited)** | **Total RMB'000 (Unaudited)** |
|---|---|---|---|---|
| At 31 December 2014 and 1 January 2015 | **2,946,234,908** | **284,706** | **6,806,653** | **7,091,359** |
| Share options exercised during the period | **1,265,750** | **100** | **5,492** | **5,592** |
| At 30 June 2015 | **2,947,500,658** | **284,806** | **6,812,145** | **7,096,951** |

| | Number of shares in issue (Audited) | Issued capital RMB'000 (Audited) | Share premium account RMB'000 (Audited) | Total RMB'000 (Audited) |
|---|---|---|---|---|
| At 1 January 2014 | 2,893,150,000 | 280,485 | 6,615,724 | 6,896,209 |
| Share issued as scrip dividend during the year | 53,084,908 | 4,221 | 190,929 | 195,150 |
| At 31 December 2014 | 2,946,234,908 | 284,706 | 6,806,653 | 7,091,359 |

## 15. Contingent Liabilities

(i) As at 30 June 2015, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties amounting to approximately RMB5,207,424,000 (31 December 2014: approximately RMB5,103,170,000). Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principal together with the 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 titles 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 considered that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements as at 30 June 2015 and 31 December 2014 for the guarantees.

## 15. Contingent Liabilities (Continued)

(ii) As at 30 June 2015, the Group had provided guarantees in respect of certain bank loans of approximately RMB3,182,112,000 (31 December 2014: approximately RMB2,801,930,000) for its joint ventures.

(iii) As at 30 June 2015, the Group had provided a guarantee in respect of a bank loan of approximately RMB50,400,000 (31 December 2014: approximately RMB50,400,000) for an associate.

## 16. Commitments

The Group had the following capital commitments at the end of the reporting period:

| | **As at 30 June 2015 RMB'000 (Unaudited)** | 31 December 2014 RMB'000 (Audited) |
|---|---|---|
| Contracted, but not provided for: | | |
| Property, plant and equipment | **205,206** | 237,833 |
| Properties being developed by the Group for sale | **3,479,715** | 3,682,172 |
| Investment properties | **234,104** | 293,569 |
| | **3,919,025** | 4,213,574 |

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

| | **As at 30 June 2015 RMB'000 (Unaudited)** | 31 December 2014 RMB'000 (Audited) |
|---|---|---|
| Contracted, but not provided for | **2,762,925** | 2,329,502 |

## 17. Related Party Transactions

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

| | **Six months ended 30 June 2015 RMB'000 (Unaudited)** | 2014 RMB'000 (Unaudited) |
|---|---|---|
| Short term employee benefits | **20,599** | 15,373 |
| Equity-settled share option expenses | **36** | 115 |
| Post-employment benefits | **279** | 263 |
| Total compensation paid to key management personnel | **20,914** | 15,751 |

## 17. Related Party Transactions (Continued)

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

| | As at | |
|---|---|---|
| | **30 June 2015 RMB'000 (Unaudited)** | 31 December 2014 RMB'000 (Audited) |
| Included in interests in associates/joint ventures: | | |
| Advances to associates | **710,264** | 710,466 |
| Advances to joint ventures | **7,003,412** | 5,900,386 |
| Included in current assets: | | |
| Due from a joint venture | **40** | 54 |
| Included in current liabilities: | | |
| Due to joint ventures | **12,636,616** | 10,700,785 |
| Included in non-current liabilities: | | |
| Due to a joint venture | **–** | 1,000,000 |

As at 30 June 2015, except for the aggregate amounts of RMB40,600,000 (31 December 2014: RMB28,100,000), which are interest-bearing at a rate of 6.15% per annum (31 December 2014: 6.15% per annum), the advances to associates as shown above are unsecured, interest-free and not repayable within 12 months.

The advances to joint ventures as shown above are unsecured, interest-free and not repayable within 12 months.

The amount due from a joint venture and amounts due to joint ventures as shown above are unsecured, interest-free and have no fixed terms of repayment, except that the amount due to a joint venture included in the Group's current liabilities of RMB1,000,000,000 (31 December 2014: included in non-current liabilities of RMB1,000,000,000) is unsecured, bears interest at a rate of 6.15% per annum (31 December 2014: 6.15% per annum) and is repayable within one year.

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

Details of guarantees given by the Group to banks in connection with bank loans granted to its joint ventures and an associate are included in notes 15(ii) and 15(iii) to the condensed consolidated interim financial information.

## 18. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | **Carrying amounts As at 30 June 2015 RMB'000 (Unaudited)** | **Fair values As at 30 June 2015 RMB'000 (Unaudited)** | Carrying amounts As at 31 December 2014 RMB'000 (Audited) | Fair values As at 31 December 2014 RMB'000 (Audited) |
|---|---|---|---|---|
| Financial liabilities | | | | |
| Interest-bearing bank and other borrowings | **24,751,105** | **25,152,551** | 24,513,053 | 24,389,382 |

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amount due from a joint venture and amounts due to joint ventures approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2015 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 30 June 2015 and 31 December 2014.

During the six months ended 30 June 2015 and the year ended 31 December 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

## 18. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

**Liabilities for which fair values are disclosed:**

*As at 30 June 2015*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1) RMB'000 (Unaudited)** | **Significant observable inputs (Level 2) RMB'000 (Unaudited)** | **Significant unobservable inputs (Level 3) RMB'000 (Unaudited)** | **Total RMB'000 (Unaudited)** |
| Interest-bearing bank and other borrowings | **–** | **25,152,551** | **–** | **25,152,551** |

*As at 31 December 2014*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 (Audited) | Significant observable inputs (Level 2) RMB'000 (Audited) | Significant unobservable inputs (Level 3) RMB'000 (Audited) | Total RMB'000 (Audited) |
| Interest-bearing bank and other borrowings | – | 24,389,382 | – | 24,389,382 |

## 19. Subsequent Events

(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.