合景泰富地產

KWG PROPERTY HOLDING LIMITED
合景泰富地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1813)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

- Revenue for the six months ended 30 June 2016 amounted to RMB5,448.2 million, a significant increase of 38.9% as compared with the corresponding period in 2015.
- Profit attributable to owners of the Company for the period amounted to RMB1,421.8 million, representing a slight increase of 3.6% as compared with the corresponding period in 2015.
- Gross profit margin and net profit margin for the period were 35.6% and 26.1%, respectively.
- Basic earnings per share attributable to owners of the Company for the period amounted to RMB47.4 cents, compared with RMB46.6 cents for the corresponding period in 2015.
- Total cash and bank balances as at 30 June 2016 was amounted to RMB20,565.1 million, a significant increase of 63.7% as compared with 31 December 2015.
- Net gearing ratio (total interest-bearing bank and other borrowings less cash and cash equivalents and restricted cash divided by total equity) as at 30 June 2016 was 65.4%, down from 69.0% of 31 December 2015.

INTERIM RESULTS

The board of directors (the "Board") of KWG Property Holding Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016 together with audited comparative figures as at 31 December 2015. The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	4	**5,448,233**	3,921,542
Cost of sales		**(3,506,401)**	(2,490,823)
Gross profit		**1,941,832**	1,430,719
Other income and gains, net	4	**145,767**	35,523
Selling and marketing expenses		**(171,180)**	(124,816)
Administrative expenses		**(384,782)**	(404,346)
Other operating expenses, net		**(306)**	(30,419)
Fair value gains on investment properties, net		**152,871**	109,351
Finance costs	5	**(159,875)**	(10,451)
Share of profits and losses of:			
Associates		**–**	(2,661)
Joint ventures		**662,879**	827,184
PROFIT BEFORE TAX	6	**2,187,206**	1,830,084
Income tax expenses	7	**(767,312)**	(459,951)
PROFIT FOR THE PERIOD		**1,419,894**	1,370,133
Attributable to:			
Owners of the Company		**1,421,822**	1,371,840
Non-controlling interests		**(1,928)**	(1,707)
		1,419,894	1,370,133
Earnings per share attributable to owners of the Company			
– Basic	9	**RMB47.4 cents**	RMB46.6 cents
– Diluted	9	**RMB47.4 cents**	RMB46.5 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,419,894**	1,370,133
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	**(219,091)**	1,847
Share of exchange differences on translation of associates	**–**	387
Share of exchange differences on translation of joint ventures	**(69,252)**	290
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	**(288,343)**	2,524
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,131,551**	1,372,657
Attributable to:		
Owners of the Company	**1,133,479**	1,374,364
Non-controlling interests	**(1,928)**	(1,707)
	1,131,551	1,372,657

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,819,601**	3,693,827
Investment properties		**9,823,100**	9,549,593
Land use rights		**1,037,665**	919,140
Interests in joint ventures		**21,974,880**	21,829,575
Deferred tax assets		**1,344,652**	1,197,373
Total non-current assets		**37,999,898**	37,189,508
CURRENT ASSETS			
Properties under development		**25,520,884**	20,895,264
Completed properties held for sale		**6,911,860**	6,533,673
Trade receivables	10	**182,853**	274,461
Prepayments, deposits and other receivables		**3,508,602**	1,990,457
Due from a joint venture		**29,386**	29,406
Taxes recoverable		**243,445**	202,571
Restricted cash		**1,969,939**	1,619,607
Cash and cash equivalents		**18,595,125**	10,946,470
Total current assets		**56,962,094**	42,491,909
CURRENT LIABILITIES			
Trade and bills payables	11	**5,206,030**	2,391,399
Other payables and accruals		**9,763,596**	7,170,761
Due to joint ventures		**15,527,413**	13,925,825
Interest-bearing bank and other borrowings		**5,460,139**	3,982,628
Taxes payable		**5,245,669**	4,719,093
Total current liabilities		**41,202,847**	32,189,706
NET CURRENT ASSETS		**15,759,247**	10,302,203
TOTAL ASSETS LESS CURRENT LIABILITIES		**53,759,145**	47,491,711

	As at 30 June 2016 *RMB'000* (Unaudited)	As at 31 December 2015 *RMB'000* (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**29,930,360**	24,015,000
Deferred tax liabilities	**1,174,712**	1,115,753
Deferred revenue	**2,042**	2,042
Total non-current liabilities	**31,107,114**	25,132,795
NET ASSETS	**22,652,031**	22,358,916
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**288,663**	288,663
Reserves	**22,317,245**	22,052,746
	22,605,908	22,341,409
Non-controlling interests	**46,123**	17,507
TOTAL EQUITY	**22,652,031**	22,358,916

Notes:

1. CORPORATE INFORMATION

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

During the period, the Group was involved in the following principal activities in the People's Republic of China (the "PRC"):

- Property development
- Property investment
- Hotel operation
- Property management

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

The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company and approved by the Board for issue on 25 August 2016.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015, 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 2016 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 2015, except for the adoption of the following revised HKFRSs issued by the HKICPA, which are adopted for the first time for the current period's financial information.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements to HKFRSs 2012–2014 Cycle	Amendments to a number of HKFRSs
HKFRS 9	*Financial Instruments (early adopted)*

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting, and will be effective for annual periods beginning on or after 1 January 2018. The Group has elected to early adopt HKFRS 9 since 1 January 2016.

The adoption of these new and revised HKFRSs, including the early adoption of HKFRS 9, has had no significant impact on the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2016.

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 and value added taxes, 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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Sale of properties	**5,020,938**	3,547,817
Gross rental income	**73,006**	79,708
Hotel operation income	**187,286**	177,131
Property management fee income	**167,003**	116,886
	5,448,233	3,921,542
Other income and gains, net:		
Interest income	**61,518**	15,388
Management fee income	**43,915**	–
Others	**40,334**	20,135
	145,767	35,523

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 2016 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	**5,020,938**	**73,006**	**187,286**	**167,003**	**5,448,233**
Segment results	**2,232,350**	**224,053**	**54,964**	**30,988**	**2,542,355**
Reconciliation:					
Interest income and unallocated income					**145,767**
Unallocated expenses					**(341,041)**
Finance costs					**(159,875)**
Profit before tax					**2,187,206**
Income tax expenses					**(767,312)**
Profit for the period					**1,419,894**

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

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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**1,176,244**	1,098,335
Less: Interest capitalised	**(1,016,369)**	(1,087,884)
	159,875	10,451

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**3,302,665**	2,390,710
Less: Government grant released	**(116)**	(139)
	3,302,549	2,390,571
Depreciation	**71,828**	72,857
Amortisation of land use rights	**13,281**	9,979
Less: Amount capitalised in assets under construction	**(10,542)**	(8,317)
	2,739	1,662
(Gain)/loss on disposal of items of property, plant and equipment*	**(67)**	244
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**280,434**	270,301
Pension scheme contributions	**26,825**	27,109
Equity-settled share option expenses	**–**	6
	307,259	297,416
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	**(64,891)**	(78,421)
	242,368	218,995

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

7. INCOME TAX EXPENSES

	Six months ended 30 June 2016 *RMB'000* (Unaudited)	2015 *RMB'000* (Unaudited)
Current – PRC		
Corporate income tax ("CIT")	**439,539**	296,338
Land appreciation tax ("LAT")	**440,733**	270,352
	880,272	566,690
Deferred	**(112,960)**	(106,739)
Total tax charge for the period	**767,312**	459,951

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 2016 and 2015.

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 2016 and 2015, 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 2016 (2015: 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 2016 is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 2,996,482,528 (2015: 2,946,671,468) in issue during the period.

For the six months ended 30 June 2016, 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 2,996,482,528 (2015: 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 370,208 (2015: 1,235,512).

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company	**1,421,822**	1,371,840

	Number of shares Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**2,996,482,528**	2,946,671,468
Effect of dilution – share options	**370,208**	1,235,512
Weighted average number of ordinary shares used in diluted earnings per share calculation	**2,996,852,736**	2,947,906,980

10. TRADE RECEIVABLES

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and provision of property management services. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements. An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**141,660**	239,374
4 to 6 months	**15,282**	9,801
7 to 12 months	**10,968**	9,919
Over 1 year	**14,943**	15,367
	182,853	274,461

11. TRADE AND BILLS PAYABLES

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

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due within one year or on demand	**5,206,030**	2,391,399

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

12. SUBSEQUENT EVENT

(a) On 21 July 2016, the Company issued the first tranche of its domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,000,000,000 (the "First Tranche Domestic Corporate Bonds").

The First Tranche Domestic Corporate Bonds have a term of five years and bear a coupon rate at 4.85% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer.

For further details of the First Tranche Domestic Corporate Bonds, please refer to the related announcement of the Company dated 21 July 2016.

(b) On 28 July 2016, the Company issued the second tranche of its domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,300,000,000 (the "Second Tranche Domestic Corporate Bonds").

The Second Tranche Domestic Corporate Bonds have a term of five years and bear a coupon rate at 4.95% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer.

For further details of the Second Tranche Domestic Corporate Bonds, please refer to the related announcement of the Company dated 28 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds, net of business tax and value added 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 RMB5,448.2 million in the first half of 2016, representing a significant increase of 38.9% from approximately RMB3,921.5 million for the corresponding period in 2015.

The revenue generated from property development, property investment, hotel operation and property management were approximately RMB5,020.9 million, RMB73.0 million, RMB187.3 million and RMB167.0 million, respectively, during the six months ended 30 June 2016.

Property development

Revenue generated from property development significantly increased by 41.5% to approximately RMB5,020.9 million for the six months ended 30 June 2016 from approximately RMB3,547.8 million for the corresponding period in 2015, primarily due to an increase in the total gross floor area ("GFA") delivered to 386,390 sq.m. in the first half of 2016 from 301,248 sq.m. for the corresponding period in 2015. The increase in revenue was also attributable to an increase in the recognised average selling price ("ASP") to RMB12,994 per sq.m. from RMB11,777 per sq.m. in the corresponding period in 2015.

Property investment

Revenue generated from property investment decreased by 8.4% to approximately RMB73.0 million for the six months ended 30 June 2016 from approximately RMB79.7 million for the corresponding period in 2015 primarily attributable to a decrease in occupancy rate as a result of expiration of certain tenancy agreements during the six months ended 30 June 2016.

Hotel operation

Revenue generated from hotel operation increased by 5.8% to approximately RMB187.3 million for the six months ended 30 June 2016 from approximately RMB177.1 million for the corresponding period in 2015. Such increase was mainly contributed by the Mulian Hangzhou which commenced soft launch in September 2015.

Property management

Revenue generated from property management significantly increased by 42.9% to approximately RMB167.0 million for the six months ended 30 June 2016 from approximately RMB116.9 million for the corresponding period in 2015, primarily attributable to an increase in the number of properties under management. The increase in revenue was also attributable to an increased proportion of commercial properties under management with higher management fee per sq.m.

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 significantly increased by 40.8% to approximately RMB3,506.4 million for the six months ended 30 June 2016 from approximately RMB2,490.8 million for the corresponding period in 2015, primarily due to the increase of total GFA delivered in sales of properties.

Land cost per sq.m. increased from RMB2,451 for the corresponding period in 2015 to RMB3,120 for the six months ended 30 June 2016, due to the change in delivery portfolio with different city mix as compared with that for the corresponding period in 2015.

Construction cost per sq.m. slightly increased from RMB4,123 for the corresponding period in 2015 to RMB4,169 for the six months ended 30 June 2016.

Gross Profit

Gross profit of the Group significantly increased by 35.7% to approximately RMB1,941.8 million for the six months ended 30 June 2016 from approximately RMB1,430.7 million for the corresponding period in 2015. The increase of gross profit was principally due to the increase in the total GFA delivered from sales of properties in the first half of 2016. The Group reported gross profit margin of 35.6% for the six months ended 30 June 2016 (2015: 36.5%).

Other Income and Gains, Net

Other income and gains, significantly increased by 310.7% to approximately RMB145.8 million for the six months ended 30 June 2016 from approximately RMB35.5 million for the corresponding period in 2015, and mainly comprised interest income and management fee income related to our joint venture projects of approximately RMB61.5 million and RMB43.9 million respectively.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 37.2% to approximately RMB171.2 million for the six months ended 30 June 2016 from approximately RMB124.8 million for the corresponding period in 2015, mainly due to an increase in head count of our sales representative and an increase in sales commission, which was in line with the increase in revenue generated from sales of properties during the period.

Administrative Expenses

Administrative expenses of the Group slightly decreased by 4.8% to approximately RMB384.8 million for the six months ended 30 June 2016 from approximately RMB404.3 million for the corresponding period in 2015.

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB0.3 million for the six months ended 30 June 2016 (2015: approximately RMB30.4 million).

Fair Value Gains on Investment Properties, Net

The Group reported fair value gains on investment properties of approximately RMB152.9 million for the six months ended 30 June 2016 (2015: approximately RMB109.4 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 The Star in Guangzhou were approximately RMB143.6 million in the first half of 2016.

Finance Costs

Finance costs of the Group being approximately RMB159.9 million for the six months ended 30 June 2016 (2015: approximately RMB10.5 million), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, they have not been capitalised.

Income Tax Expenses

Income tax expenses increased by 66.8% to approximately RMB767.3 million for the six months ended 30 June 2016 from approximately RMB460.0 million for the corresponding period in 2015, primarily due to an increase in gross profit and profit before tax as a result of the increase in the total GFA delivered from sales of properties in the first six months of 2016.

Profit for the Period

The Group reported profit for the period of approximately RMB1,419.9 million for the six months ended 30 June 2016 (2015: approximately RMB1,370.1 million). For the six months ended 30 June 2016, net profit margin was 26.1% (2015: 34.9%).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2016, the carrying amounts of the Group's cash and bank balances were approximately RMB20,565.1 million (31 December 2015: approximately RMB12,566.1 million), representing a significant increase of 63.7% as compared to that as at 31 December 2015.

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 2016, the carrying amount of the restricted cash was approximately RMB1,969.9 million (31 December 2015: approximately RMB1,619.6 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2016, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB12,706.9 million, RMB10,764.5 million and RMB11,919.1 million respectively. Amongst the bank and other loans, approximately RMB2,864.4 million will be repayable within 1 year, approximately RMB6,858.1 million will be repayable between 2 and 5 years and approximately RMB2,984.4 million will be repayable over 5 years. Amongst the senior notes, approximately RMB2,595.7 million will be repayable within 1 year and approximately RMB8,168.8 million will be repayable between 2 and 5 years. All the domestic corporate bonds will be repayable between 2 and 5 years.

As at 30 June 2016, the Group's bank and other loans of approximately RMB22,471.8 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 RMB13,391.8 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 Group's domestic corporate bonds were guaranteed by the Company.

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$1,778.8 million as at 30 June 2016 which were denominated in Hong Kong dollar. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB2,079.7 million which were charged at fixed interest rates as at 30 June 2016. The Group's senior notes and domestic corporate bonds were denominated in U.S. dollar and RMB respectively and charged at fixed interest rates as at 30 June 2016.

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 2016, the gearing ratio was 65.4% (31 December 2015: 69.0%).

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.

In the first half of 2016, 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 2016, the Group had the contingent liabilities relating to guarantees given to banks in respect of mortgage facilities for certain purchasers amounting to approximately RMB4,242.9 million (31 December 2015: approximately RMB5,608.9 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued 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 provisions have been made in the financial information as at 30 June 2016 and the financial statements as at 31 December 2015 for the guarantees.

(ii) As at 30 June 2016 and 31 December 2015, the Group had provided guarantees in respect of certain bank loans for its joint ventures.

Market Review

During the first half of 2016, the central government continued with its relative relaxed policy stance towards the real estate sector. In a credit adjustment at the beginning of the year, the down-payment ratio was lowered to 20% for cities not subject to Home Purchase Restriction, while deed tax and business tax on property transactions were also lowered in selective cities to stimulate demand. Meanwhile, a purchase/lease residential housing system was established while property registration was expedited to enhance a mechanism that would generate long-term efficiency.

Under stable policy environment promulgated by the central government, the disparity among cities became evident. Tier-one cities were the first to re-introduce austerity measures, as purchase restrictions were reiterated in Shanghai, Shenzhen and Beijing. As a result, buyers were diverted to neighboring cities, causing property prices of these areas to rise. Subsequently, these affected cities also tightened their respective policies to stabilize property prices. Moreover, most provinces in China, such as Shanxi, Guangxi, Fujian, Sichuan and Anhui, announced destocking measures based on their assessment to optimize supply and demand and further reduce their excessive inventory of residential properties. Sales in tier-one cities were gradually increasing with a notable pick-up in property prices. Tier-two cities, such as Tianjin, Hangzhou, Nanjing, Suzhou, Chengdu and Nanning, also reported solid year-on-year growth in GFA sold as well as property prices.

In connection with land supply, certain higher tier-two cities, such as Nanjing, Hefei, Suzhou and Hangzhou, were quick to deplete their inventory, leading to imbalance between demand and supply. Property developers sought to replenish land banks, resulting in a heightened level of land premiums, record-high gross and unit prices of individual sites, and average land cost outgrows property sales price at the national level.

Business Review

During the first half of 2016, the Group planned its project construction in tier-one and higher tier-two cities in close tandem with market developments to accelerate inventory clearance and expedite pre-sales. After years of strategic positioning, the Group had established its presence in three tier-one cities, namely, Guangzhou, Beijing, and Shanghai, and eight tier-two cities, namely, Suzhou, Hangzhou, Nanjing, Tianjin, Chengdu, Nanning, Foshan and Hainan, with 60 projects under operation. In terms of pre-sales contributions for the first half of the year, approximately 48% of the pre-sales were contributed from Guangzhou, Beijing and Shanghai among the 39 on-sale projects, while the remaining 52% was from higher tier-two cities, notably, Hangzhou and Nanning.

During the reporting period, the Group focused on the development of new phases in existing projects. A variety of products in line with market needs were launched, featuring mainly end-user products with GFA of 89–120 sq.m. and complemented by upgrader products with GFA of 150 sq.m. or above to fulfill different requirements from potential buyers.

The Oriental Bund project in Foshan is prestigiously located alongside Dongping River in Chancheng District, Foshan, next to the Guangzhou-Foshan Metro Line No. 2 Station. In June 2016, a new batch with fully upgraded products were launched, featuring fitted residential units with GFA of 96–135 sq.m., in comparison with the previously launch of bare-shell flats with GFA of 150 sq.m. or more. The new launch offered mostly units with GFA of 96 sq.m. and 110 sq.m., and the ASP was substantially increased by 30%. The products received enthusiastic market response, thanks to the well-designed layouts and reasonably pricing, as buyers in Foshan, Guangzhou and other neighboring areas flocked in to snatch up units. La Bali, meanwhile, is located in the Future Science City, Hangzhou, neighboring Alibaba Commercial City, featuring fitted units with GFA of 85–105 sq.m. Because of its superior location and the gentrification of the vicinity, the ASP for this project was increased by more than 15% as compared to the same period in last year.

To facilitate sales and further optimize the sales and marketing efforts, the Group started to build own sales teams for its subsidiary projects starting from mid-2015 and adopted a series of measures to reform the marketing system. First of all, land bank was divided into three regions: North China, Central China and South China. Cities within these regions were under the management of the relevant regional headquarters, while the organizational structure was realigned and training of the sales team was conducted on a regular basis. This was followed by major adjustments to the marketing personnels of the cities and redeployment of staff. To further motivate and promote unity of the sales teams, the Group also adopted a strict appraisal system. With the implementation of the aforesaid measures, the Group employed sales teams in majority of its subsidiary projects during the reporting period and reported steady increase in sales.

A stable financial system and sound cash flow are fundamental to development of enterprises. During the reporting period, the Group seized the issuing windows in the domestic bond market and successfully issued two tranches of domestic corporate bonds at favorable interest rates in March and April, respectively, through Guangzhou Tianjian Real Estate Development Limited, its wholly-owned subsidiary, to raise proceeds of RMB8,700 million in aggregate. In addition to lowering financing costs, these issuances have also opened a new financing channel and gradually lower the proportion of offshore debt, while improving our financial structure and effectively mitigate foreign exchange risks.

In connection with land banking, many developers returned to tier-one and higher tier-two cities in recent years to seek replenishment, while the rapid destocking in these cities resulted in short-term under-supply, giving rise to a pressing need for developers to replenish their land resources for future developments. During the reporting period, land supply in tier-one and tier-two cities dropped significantly as compared to the same period in last year, while gross and average land costs continued to increase, especially in higher tier-two cities, with the largest growth in average land costs. Even so, the developers' unrelenting demand for land persisted. As a seasoned player in existing tier-one and higher tier-two cities for a long time, the Group has increased market shares and established sound brand reputation in these cities over time, but with a continued need to replenish land bank timely. In May and June, the Group acquired five sites located in Hangzhou, Guangzhou, Nanning and Foshan. Situated in prime area or new development districts within these cities where we currently have operation, these new sites have excellent development potential. Through land acquisitions in the first half of the year, the attributable GFA of the Group was increased by approximately 822,000 sq.m.

As at 30 June 2016, the Group owned 60 projects in 11 cities across China with an attributable land bank of approximately 10.4 million sq.m., which is sufficient to meet the Group's development in the coming 4–5 years.

In connection with commercial property, after years of execution and improvement, the Group is now managing a high-calibre team who operates commercial projects that have or will shortly unveil, such as the U Fun in Shanghai opened in the first half of 2016, Tian Hui Plaza in Guangzhou to be opened in the second half of the year, M·Cube in Beijing and the shopping mall in Suzhou to be opened in next year. The commercial property team visited many projects domestically and overseas to learn from peers, endeavoring to enhance customers' psychological feeling to the products by creating different live experiencing events in shopping mall, in an effort to integrate the elements of lifestyle, fashion and customer satisfaction into spending as a means to counter the impact of e-commerce.

Investment Properties and Hotels

1) Hotels

As at 30 June 2016, the Group had five hotels in operation in Guangzhou and Hangzhou, each with distinctive features: W Hotel Guangzhou, at the centre of the Pearl River New Town, is a high-end fashionable hotel; Four Points by Sheraton Guangzhou, Dongpu in downtown Guangzhou is specialized in business and leisure stays; Sheraton Guangzhou Huadu Resort attracts patrons with its tranquility and natural views; and The Mulian, a proprietary boutique hotel brand with operations in Pearl River New Town, Guangzhou and Future Science City, Hangzhou, offers convenient hotel accommodation to business travelers.

The service standards and business/accommodation environments of these hotels have been improving since opening. Promotions are offered periodically to maintain and expand customer bases and to build reputation, while sales have been steadily increasing.

2) Completed Investment Properties Available for Lease

The Group's investment properties mainly comprise International Finance Place ("IFP") in Pearl River New Town, Guangzhou completed in 2007, and the U Fun shopping center in Xinjiangwan, Shanghai completed in 2016.

IFP is located at a riverside site in Pearl River New Town, Guangzhou with unobstructed views and enjoys convenient transportation and facilities. On the back of its excellent property management standards and superb office environment, IFP has been well received by tenants, as evidenced by its stable occupancy rate. As at 30 June 2016, the occupancy rate of IFP was around 96%. Major tenants included the private bank departments of Bank of China, Industrial and Commercial Bank of China, Standard Chartered Bank and nine other foreign banks.

U Fun in Shanghai is the Group's first shopping center. With this project, the Group is committed to creating the first green shopping park in Shanghai that emphasizes harmony with nature. The development features a diversified range of attractions such as international fast fashion, international dining, boutique supermarket and children's amusement centre for family time. With the successive launches of Tian Hui Plaza in Guangzhou, M·Cube in Beijing and the shopping mall in Suzhou, there will be steady growth in the Group's rental income.

Business Outlook

In the second half of the year, macro-economic backdrop will continue to be uncertain with unrelenting downside pressure, while the overall inventory level of properties will remain high. The central government will continue to adopt policies aiming to ensure stability, maintain economic growth and improve employment, while the details of implementation by local government will vary among different cities.

In the second half of the year, the Group expects to launch brand new projects in Guangzhou, Shanghai, Nanning and Hangzhou, including Shanghai Pudong project, Nanning IFP and Hangzhou Future Science City IV project. The new projects will comprise residential for end-users and upgraders, as well as serviced apartments and offices to satisfy different market demands. The Group will also look to launch new batches of existing projects, such as The Summit in Guangzhou, Oriental Bund in Foshan, Sky Ville in Chengdu, Top of the World and The Core of Centre in Nanning, ensure timely replenishment to its saleable resources and accelerate turnover of its inventory.

Moreover, the Group also expects to launch a number of properties for lease in Guangzhou and Shanghai, comprising mainly offices and shopping centers, with a view to further enhance diversification and increase its long-term assets and sustainable recurring income.

Overview of the Group's Property Development

As at 30 June 2016, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing and Foshan.

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 / villa / serviced apartment / office / retail	1,735	100
2.	Global Metropolitan Plaza	Guangzhou	Office / retail	40	50
3.	Tian Hui Plaza (included The Riviera & Top Plaza)	Guangzhou	Serviced apartment / office / hotel / retail	88	33.3
4.	The Star (included The Regent and Biological Island II)	Guangzhou	Serviced apartment / office / retail	199	100
5.	Top of World	Guangzhou	Villa / serviced apartment / office / retail / hotel	523	100
6.	The Eden	Guangzhou	Residential / retail	37	50
7.	Zengcheng Gua Lv Lake	Guangzhou	Villa / hotel	43	100
8.	Essence of City	Guangzhou	Residential / villa / retail	341	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
9.	International Commerce Place (formerly called Guangzhou Pazhou Project)	Guangzhou	Office / retail	50	50
10.	CFC — Mayfair (formerly called Guangzhou Finance City Project)	Guangzhou	Serviced apartment / office / retail	102	33.3
11.	The Horizon	Guangzhou	Residential / villa / retail	150	35
12.	Guangzhou Zhucun I	Guangzhou	Residential / retail / villa	138	50
13.	Guangzhou Zhucun II	Guangzhou	Residential / retail / villa	129	50
14.	IFP	Guangzhou	Office / retail	61	100
15.	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
16.	Sheraton Guangzhou Huadu Resort	Guangzhou	Hotel	25	100
17.	W Hotel / W Serviced Apartments	Guangzhou	Hotel / serviced apartment	80	100
18.	The Mulian Guangzhou	Guangzhou	Hotel / retail	8	100
19.	The Sapphire	Suzhou	Residential / hotel / serviced apartment / office / retail	82	100
20.	Suzhou Apex	Suzhou	Residential / hotel / serviced apartment / retail	105	90
21.	Suzhou Emerald	Suzhou	Residential / retail	7	100
22.	Leader Plaza	Suzhou	Serviced apartment / office / retail	16	51
23.	Wan Hui Plaza	Suzhou	Office / retail	60	100
24.	Suzhou Jade Garden	Suzhou	Residential / retail	9	100
25.	The Vision of the World	Chengdu	Residential / serviced apartment / retail	51	100
26.	Chengdu Cosmos	Chengdu	Residential / office / serviced apartment / retail / hotel	442	100
27.	Chengdu Sky Ville	Chengdu	Residential / office / serviced apartment / retail / hotel	351	50

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
28.	Fragrant Seasons	Beijing	Residential / villa / serviced apartment / retail	21	100
29.	La Villa	Beijing	Residential / office / retail	17	50
30.	Beijing Apex	Beijing	Residential / villa / serviced apartments / office / retail	67	50
31.	M. Cube	Beijing	Retail	16	100
32.	Summer Terrace	Beijing	Residential / villa / retail	21	100
33.	KWG Center I (formerly called Beijing Tongzhou I)	Beijing	Serviced apartment / office / retail	128	100
34.	KWG Center II (formerly called Beijing Tongzhou II)	Beijing	Serviced apartment / office / retail	125	100
35.	Rose and Ginkgo Mansion	Beijing	Residential / villa	27	33
36.	Pearl Coast	Hainan	Villa / residential / hotel	218	100
37.	Villa Como (formerly called Moon Bay Project)	Hainan	Villa / residential / retail / hotel	430	100
38.	Pudong Project	Shanghai	Office / retail	78	100
39.	The Core of Center	Shanghai	Residential / serviced apartment / retail / office	45	50
40.	Shanghai Apex	Shanghai	Residential / serviced apartment / retail / hotel	54	100
41.	Shanghai Sapphire	Shanghai	Serviced apartment / hotel / retail	51	100
42.	Shanghai Emerald	Shanghai	Residential / retail	53	100
43.	Amazing Bay	Shanghai	Residential / office / retail / serviced apartment / hotel	72	50
44.	Vision of World	Shanghai	Residential / serviced apartment / retail	144	100
45.	Jinnan New Town	Tianjin	Residential / serviced apartment / villa / retail	601	25
46.	Boulevard Terrace I	Tianjin	Residential / retail	55	100
47.	Boulevard Terrace II	Tianjin	Residential / villa / retail	32	100
48.	The Core of Center	Nanning	Residential / villa / office / retail	486	87
49.	Guangxi International Finance Place	Nanning	Office / retail	62	87
50.	Guangxi Top of World	Nanning	Residential / villa / hotel / retail	399	87

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
51.	Wuxiang New City Project IV	Nanning	Residential / villa / retail	316	100
52.	Hangzhou Jade Garden	Hangzhou	Residential	47	100
53.	Hangzhou La Bali	Hangzhou	Residential / villa	17	100
54.	The More	Hangzhou	Residential	39	100
55.	The Mulian Hangzhou	Hangzhou	Hotel / retail	18	100
56.	Hangzhou Future Science City IV	Hangzhou	Residential / villa	109	51
57.	Hangzhou Xiaoshan Project	Hangzhou	Residential / villa	56	100
58.	Shine City	Nanjing	Residential / office / retail	73	50
59.	Oriental Bund	Foshan	Residential / serviced apartment / office / retail	1,358	50
60.	Foshan Shunde Project	Foshan	Residential	183	60

Employees and Emolument Policies

As at 30 June 2016, the Group employed a total of approximately 5,450 employees. The total staff costs incurred were approximately RMB307.3 million during the six months ended 30 June 2016. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

During the period ended 30 June 2016, no share options were exercised, granted, cancelled or lapsed as at the date of approval of this results announcement. Details of share option movement during the period will be stated in the coming interim report. In addition, training and development programmes are provided on an on-going basis throughout the Group.

Interim Dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2016 (2015: Nil).

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

As at 30 June 2016, 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 assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2016.

SCOPE OF WORK OF ERNST & YOUNG

The unaudited interim condensed consolidated financial statements of the Company and its subsidiary companies for the six months ended 30 June 2016 have been reviewed by the Company's auditor, Ernst & Young, 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. The auditor's independent review report will be included in the Company's 2016 interim report to the shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.kwgproperty.com/en/ivr/index.aspx) and the Stock Exchange (www.hkex.com.hk). An interim report for the six months ended 30 June 2016 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 25 August 2016

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