合景泰富地產

KWG PROPERTY HOLDING LIMITED

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

Interim Report **2016**

以心築家

Build home with heart

Create future 創建未來

with **Aspiration**

Contents

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

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Principal Share Registrar and Transfer Agent

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Hong Kong Branch Share Registrar

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Services Limited
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Wanchai, Hong Kong

Principal Bankers

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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
Shanghai Pudong Development Bank
Co., Ltd.
China Minsheng Banking Corp. Ltd.
The Hongkong and Shanghai Banking
Corporation Limited
China CITIC Bank Corporation Limited
China Bohai 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 high quality properties.

Over the past 21 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of properties, including medium to high-end residential properties, serviced apartments, villas, offices, 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, Foshan, Nanning and Hainan as its hubs for South China, Shanghai, Hangzhou, Nanjing and Suzhou for East China, Chengdu for South-west China, Beijing and Tianjin for the Bohai Rim region.

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

The Group will focus on the development of residential and commercial properties while seeking to deploy more resources for the establishment of a diversified property development in the future. In order to keep the profit portfolio steady, spread the investment risks and ensure stable development, the Group will strengthen the residential properties as our main force by implementing a prudent growth strategy, while increasing the proportion of commercial properties, such as offices, hotels and high-end shopping malls, to be held in long-term as investment properties.

Chairman's Statement

I am pleased to present the interim results of the Group for the six months ended 30 June 2016. During the period under review, the Group recorded total revenue of approximately RMB5,448.2 million, representing a significant increase of 38.9% from the same period in 2015. Profit attributable to owners of the Company was approximately RMB1,421.8 million. Basic earnings per share attributable to owners of the Company amounted to RMB47.4 cents.

1. Stable Growth in Sales Brought by Intensive Sales Efforts

During the first half of 2016, pent-up demands accumulated since the end of last year were continuously unleashed, as a result of relaxed and stabilized policies on the property market. Successive increases in the property sales of tier-one and higher tier-two cities drove the market towards gradual growth. The implementation of relevant policies varied from city to city. Tier-one cities such as Beijing and Shanghai reported stable growth in sales for the first half of the year despite tightened purchase restrictions, while development in Guangzhou were relatively more stable. Higher tier-two cities such as Nanjing and Suzhou led the growth rates, while sales in Hangzhou were also rising steadily. As a whole, market transaction volumes and prices both increased during the first six months of the year, as market sentiments remained high.

With the benefit of well-planned strategic positioning in tier-one and higher tier-two cities, the Group focused on the development of existing projects by launching new batches during the first half of the year. After years of strategic works, the Group currently owns 60 projects in 11 cities across China. The Group launched new suitable products in cities of Guangzhou, Shanghai, Beijing, Foshan, Hangzhou, Nanjing, Nanning and Chengdu, featuring mainly end-user products with GFA ranging from 89–120 sq.m. which could perfectly meet the needs of potential buyers, complemented by upgrader products with GFA of 150 sq.m. or above to cater different requirements in the market. The Group managed to achieve stable sales of its residential products during the first half of the year, recording a sell-through rate of over 70% in selected tier-two cities, such as Hangzhou, by offering high-quality residential products as determined with reference to sales. In terms of sales contribution, the Group's attributable pre-sales value from the three tier-one cities accounted for approximately 48% of its total pre-sales value for the first half of the year, with the remaining derived from the higher tier-two cities.

2. Finance Costs Further Lowered from the New Issue of Domestic Bonds

The Group has been closely monitoring developments in both domestic and international financing markets during the years, conducting low-cost financing in the market at appropriate time. We firmly believe that a combination of prudent financial strategy, healthy financial system and well-diversified financing channels will provide strong backup support for a company's healthy development and growth.

During the first half of the year, the Group successfully issued public bonds with an aggregate amount of RMB2,200 million in March through Guangzhou Tianjian Real Estate Development Limited, its wholly-owned subsidiary. For this batch, Type 1 Bonds, with an amount of RMB600 million, carried an annual interest of 3.90% for a term of 3+3 years, while Type 2 Bonds with an amount of RMB1,600 million, carried an annual interest of 4.80% for a term of 5+5 years. In April, the Group further issued non-public bonds with an amount of RMB6,500 million through the same subsidiary, comprising Type 1 Bonds of RMB1,000 million carrying interests at a rate of 5.60% per annum for a term of 4+3 years and Type 2 Bonds of RMB5,500 million carrying interests at a rate of 5.80% per annum for a term of 5+2 years. Besides the fact that the funds raised to support the Group's business development, these two bonds have also gradually reduced the proportion of overseas financing and significantly lowered our average borrowing costs in the Group, and opening the Group with new financing channels for the further optimisation of our financial structure.

3. Active Replenishment of Premium Sites to Enhance Land Reserves

Destocking of inventory continued to be a main concern of the central government as the inventory level remained high, reflecting excessive supply are mostly in tier-three and tier-four cities. According to the CREIS Index, in the first half of 2016, land sites of different uses with an aggregate planned GFA of 800 million sq.m. in 300 cities were launched, which was 7.1% less compared to the corresponding period of last year. In terms of land transaction, different types of land sites with an aggregate planned GFA of 600 million sq.m. in 300 cities were sold, which was 8.0% less compared to the corresponding period of last year. Hence, the extent of decrease in land transactions was greater than that of land launches.

Property developers' demands for land replenishment in tier-one and higher tier-two cities remained strong, as land was under-supplied in those cities following by rapid destocking. Even though there was substantial decrease in land supply in tier-one and tier-two cities, developers were still very keen in acquiring land to increase their land reserves in top tier cities. Residential land sites were fervently sought after in tier-two cities, where the biggest increases in average land costs were reported.

Over the years, the Group has persisted in gradual development in cities where it has already established its presence. We are constantly keeping track of activities in the land market in order to acquire suitable sites when opportunities arise. In May and June, the Group acquired 5 land sites in Hangzhou, Guangzhou, Nanning and Foshan in the open market to replenish valuable saleable resources for future development.

4. Enhancing Our Operating Abilities with Own In-house Sales Team

In recent years, the Group has been dedicated to upgrade its internal operational capabilities, aiming to strengthen its ability for proactive operation and sales management by rebuilding a strong in-house sales team and setting up the "KWG Club" to serve owners of properties developed by the Group.

The Group started to form in-house sales team for its own property developments in mid-2015. We divided our market into regions to facilitate more precise management in city companies and sales officers were reallocated accordingly. With the formulation of specific sales targets and a stringent appraisal system, our execution ability has been significantly enhanced. Moreover, as our sales personnels were in direct communication with the customers in the frontline first-handedly, they were able to inform customers accurately about the Company's brand philosophy, products types and quality, to track customers' information and pass on customers' comments to the Group in a timely and precise manner. As at mid-year, the Group's in-house sales teams had a total headcount of more than 300 people. Projects marketed through these in-house sales teams reported stellar results with increasing sales.

The "KWG Club" was set up in 2015 to serve the owners of properties developed by the Group. With the gradual formation of a database, membership of the Club continued to expand during the first half of 2016. This enhanced resource integration among residential, office, hotel and commercial properties generate synergies, as well as facilitating communication among customers and between customers and service providers.

5. Outlook

Against the backdrop of a general economic downside, inventory destocking will remain the main theme of property market regulation in the second half of 2016. The macro-economic policy of the central government will mainly focus on social stability with the aim of sustaining stable economic development, while local governments are expected to adopt more flexible and proactive policies, with stronger emphasis on differentiated implementation and reasonable guidance for spending on home purchases, with a view to procure stable development of the market. Some tier-two cities or regions will introduce policies with a higher level of differentiation, under which the authorities will be more discreet in granting approvals for pricing and housing loans.

In the second half of the year, the Group plans to launch projects in Guangzhou, Shanghai, Nanning, Foshan and Hangzhou, which will include well-targeted products to meet market needs, such as end-user and upgrader residence, flexible service apartments and offices. At the same time, the Group will continue to enhance its internal management standards, strengthen the ability of its in-house sales team for proactive operation and sales, improve the communication and efficiency of internal departments and strive to launch new products and new batches of existing projects in a timely manner at the required quality, so as to assure the accomplishment of its sales target.

Based on market demands, the Group will also launch several office buildings in Guangzhou and Shanghai for leasing, such as the offices in The Star and Global Metropolitan Plaza in Guangzhou and Amazing Bay in Shanghai. These high-end office projects will soon become the core assets contributing to the rental income growth of the Group and provide a stable source for the Group's long-term and recurring income.

6. Appreciation

On behalf of the Group and the board of directors (the "Board"), I would like to express our sincere gratitude to all shareholders, investors, partners and customers who have offered strong support and assistance to the Group over the years. It has been an honour to have you by our side, through thick and thin, over the past 21 years. Sincere thanks are also due to my fellow directors, members of the management and all employees, for the Group would not have scaled the height it has today without your dedication and concerted effort. I assure you that the Group will remain firmly committed to the development of its core business, so as to herald a better future for all shareholders.

Kong Jianmin
Chairman

25 August 2016

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 People's Republic of China (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
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

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
27.	Chengdu Sky Ville	Chengdu	Residential / office / serviced apartment / retail / hotel	351	50
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
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 six months ended 30 June 2016, no share options were exercised, granted, cancelled or lapsed as at the date of approval of this report. Details of share option movement during the period will be stated in page 21 of this report. In addition, training and development programmes are provided on an on-going basis throughout the Group.

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

As at 30 June 2016, 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 21:

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)
Kong Jian Min (Notes 3, 4 and 5)	Long position	Interest of controlled corporations	1,827,632,005	60.99%
Kong Jian Tao (Notes 3, 4 and 6)	Long position	Interest of controlled corporations	1,758,638,505	58.69%
Kong Jian Nan (Notes 3 and 4)	Long position	Interest of controlled corporations	1,757,638,505	58.66%
He Wei Zhi (Note 7)	Long position	Interest of spouse	10,000	0.00033%
Tam Chun Fai (Note 8)	Long position	Beneficial owner	30,000	0.001%

Notes:

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

2. As at 30 June 2016, total issued shares capital of the Company is 2,996,482,528 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 1,682,638,505 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 69,993,500 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 Huang Yan Lei, the spouse of He Wei Zhi.

8. These shares are held and beneficially owned by Tam Chun Fai immediately after the share options were exercised on 9 October 2015.

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 21, as at 30 June 2016, 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 2016, 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	1,682,638,505	56.15%

Notes:

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

2. As at 30 June 2016, total issued share capital of the Company is 2,996,482,528 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 2016, 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 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.

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 2016, 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 2016, no share options were exercised, 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 2016	Number of share options granted/ (exercised) during the period under review (Notes 1 and 2)	Number of share options outstanding as at 30 June 2016	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	738,000	–	738,000	26 August 2011	26 August 2012– 25 August 2016	4.49
Tam Chun Fai	–	–	–	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	2,609,250	–	2,609,250	26 August 2011	26 August 2012– 25 August 2016	4.49
Total	4,615,250	–	4,615,250			

Notes:

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

2. The closing price of the Company's share immediately before the date on which the options granted on 26 August 2011 was HK$4.32.

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 2016 (2015: 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 2016. 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.

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. The loan has been fully repaid in August 2016.

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. The loan has been fully repaid in August 2016.

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.

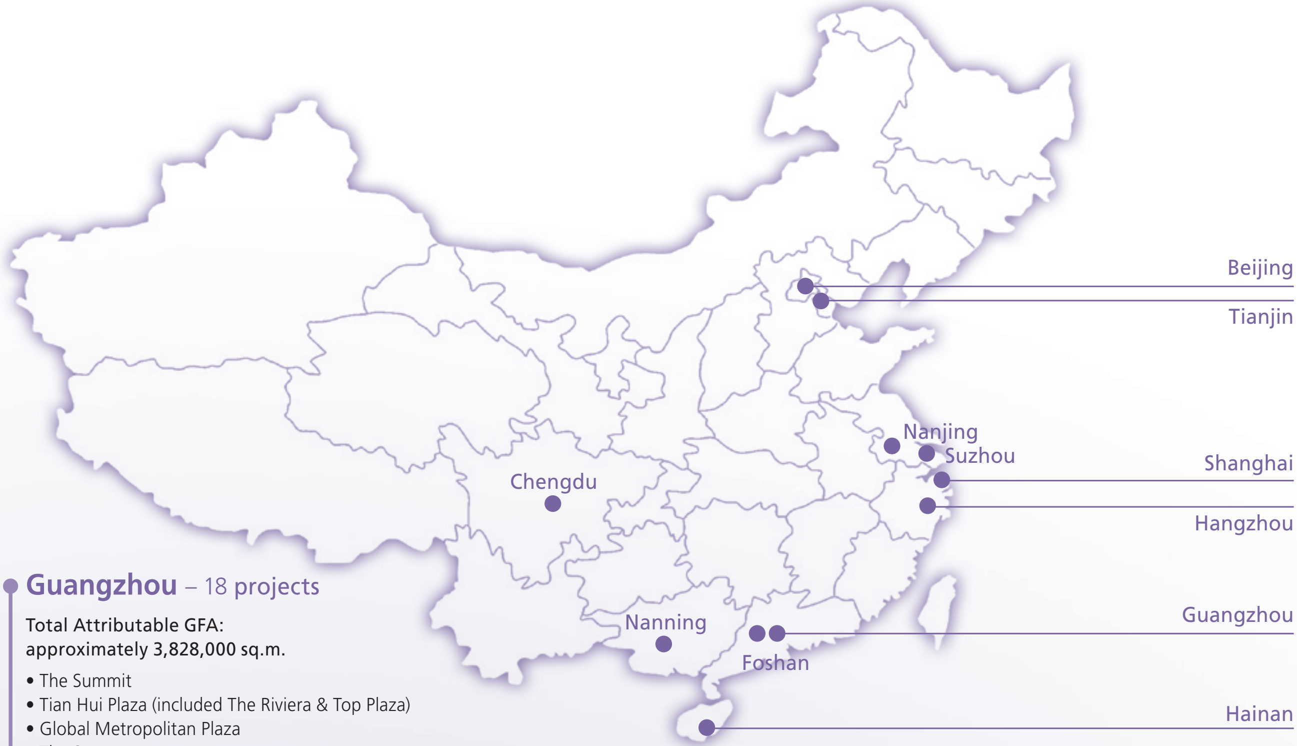
Changes in Information of Directors

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 a non-executive director of Y. T. Realty Group Limited on 29 February 2016.

(2) Mr. Lee Ka Sze, Carmelo, JP was appointed as a convenor cum member of the Financial Reporting Review Panel of The Financial Reporting Council for a term of three years from 16 July 2016 to 15 July 2019.

Project Summary



Guangzhou – 18 projects

Total Attributable GFA:
approximately 3,828,000 sq.m.

- The Summit
- Tian Hui Plaza (included The Riviera & Top Plaza)
- Global Metropolitan Plaza
- The Star
- Top of World
- The Eden
- Zengcheng Gua Lv Lake
- Essence of City
- International Commerce Place (formerly called Guangzhou Pazhou Project)
- CFC – Mayfair (formerly called Guangzhou Finance City Project)
- The Horizon
- Guangzhou Zhucun I
- Guangzhou Zhucun II
- IFP
- Four Points by Sheraton Guangzhou, Dongpu
- Sheraton Guangzhou Huadu Resort
- W Hotel/W Serviced Apartments
- The Mulian Guangzhou

Foshan – 2 projects

Total Attributable GFA:
approximately 1,541,000 sq.m.

- Oriental Bund
- Foshan Shunde Project

Nanning – 4 projects

Total Attributable GFA:
approximately 1,263,000 sq.m.

- The Core of Center
- Guangxi International Finance Place
- Guangxi Top of World
- Wuxiang New City Project IV

Hainan – 2 projects

Total Attributable GFA:
approximately 648,000 sq.m.

- Pearl Coast
- Villa Como

Shanghai – 7 projects

Total Attributable GFA:
approximately 497,000 sq.m.

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

Hangzhou – 6 projects

Total Attributable GFA:
approximately 286,000 sq.m.

- Hangzhou Jade Garden
- Hangzhou La Bali
- The More
- The Mulian Hangzhou
- Hangzhou Future Science City IV
- Hangzhou Xiaoshan Project

Suzhou – 6 projects

Total Attributable GFA:
approximately 288,000 sq.m.

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

Nanjing – 1 project

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

- Shine City

Beijing – 8 projects

Total Attributable GFA:
approximately 422,000 sq.m.

- Fragrant Seasons
- La Villa
- Beijing Apex
- M • Cube
- Summer Terrace
- KWG Center I (formerly called Beijing Tongzhou I)
- KWG Center II (formerly called Beijing Tongzhou II)
- Rose and Ginkgo Mansion

Tianjin – 3 projects

Total Attributable GFA:
approximately 688,000 sq.m.

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

Chengdu – 3 projects

Total Attributable GFA:
approximately 844,000 sq.m.

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

Independent Review Report

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 26 to 50, which comprise the condensed consolidated statement of financial position as at 30 June 2016 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
25 August 2016

Condensed Consolidated Interim Financial Information

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (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

The notes on pages 33 to 50 form an integral part of this condensed consolidated interim financial information.

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

The notes on pages 33 to 50 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	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	11	182,853	274,461
Prepayments, deposits and other receivables		3,508,602	1,990,457
Due from a joint venture	19(ii)	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	12	5,206,030	2,391,399
Other payables and accruals		9,763,596	7,170,761
Due to joint ventures	19(ii)	15,527,413	13,925,825
Interest-bearing bank and other borrowings	13	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

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		53,759,145	47,491,711
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	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	14	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

The notes on pages 33 to 50 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	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
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2015	284,706	6,806,653	897,134	294,564	5,812	(57,546)	12,184,523	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
At 31 December 2015 and 1 January 2016	**288,663**	**7,055,349***	**1,007,536***	**(475,540)***	**4,836***	**(57,546)***	**14,518,111***	**22,341,409**	**17,507**	**22,358,916**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**1,421,822**	**1,421,822**	**(1,928)**	**1,419,894**
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(219,091)**	**–**	**–**	**–**	**(219,091)**	**–**	**(219,091)**
Share of exchange differences on translation of joint ventures	**–**	**–**	**–**	**(69,252)**	**–**	**–**	**–**	**(69,252)**	**–**	**(69,252)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**(288,343)**	**–**	**–**	**1,421,822**	**1,133,479**	**(1,928)**	**1,131,551**
Contribution from the non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,800**	**17,800**
Final 2015 dividend declared	**–**	**(868,980)**	**–**	**–**	**–**	**–**	**–**	**(868,980)**	**–**	**(868,980)**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,744**	**12,744**
Transfer to reserves	**–**	**–**	**95,498**	**–**	**–**	**–**	**(95,498)**	**–**	**–**	**–**
At 30 June 2016	**288,663**	**6,186,369***	**1,103,034***	**(763,883)***	**4,836***	**(57,546)***	**15,844,435***	**22,605,908**	**46,123**	**22,652,031**

* These reserve accounts comprise the consolidated reserves of approximately RMB22,317,245,000 (31 December 2015: approximately RMB22,052,746,000) in the condensed consolidated statement of financial position.

The notes on pages 33 to 50 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,187,206**	1,830,084
Adjustments for:			
Finance costs	5	**159,875**	10,451
Share of profits and losses of associates		**–**	2,661
Share of profits and losses of joint ventures		**(662,879)**	(827,184)
Interest income	4	**(61,518)**	(15,388)
Loss on disposal of investment properties, net		**17**	95
(Gain)/loss on disposal of items of property, plant and equipment	6	**(67)**	244
Gain on disposal of a subsidiary	16	**(9,738)**	–
Depreciation	6	**71,828**	72,857
Amortisation of land use rights	6	**2,739**	1,662
Changes in fair values of investment properties, net		**(152,871)**	(109,351)
Equity-settled share option expenses		**–**	42
Cash flows from operations before changes in working capital		**1,534,592**	966,173
Changes in working capital		**178,949**	(11,426)
Cash generated from operations		**1,713,541**	954,747
Interest paid, net		**(1,099,234)**	(1,042,477)
Income tax paid		**(394,570)**	(322,576)
Net cash flows from/(used in) operating activities		**219,737**	(410,306)

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June **2016** RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Net cash flows from/(used in) operating activities		**219,737**	(410,306)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(188,337)**	(55,387)
Proceeds from disposal of investment properties		**275**	1,797
Proceeds from disposal of items of property, plant and equipment		**786**	1,046
Repayment from/(investments in and advance to) joint ventures and associates		**448,322**	(1,102,824)
Acquisition of a subsidiary	15	**(12,167)**	–
Disposal of a subsidiary	16	**44,433**	–
Net cash flows from/(used in) investing activities		**293,312**	(1,155,368)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	4,489
Proceeds from issue of domestic corporate bonds		**8,647,800**	–
Contribution from the non-controlling shareholder of a subsidiary		**17,800**	–
Net (repayment of)/proceeds from bank loans		**(1,535,091)**	260,325
Net cash flows from financing activities		**7,130,509**	264,814
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**7,643,558**	(1,300,860)
Cash and cash equivalents at beginning of the period		**10,946,470**	10,094,238
Effect of foreign exchange rate changes, net		**5,097**	(172)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**18,595,125**	8,793,206
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**10,491,509**	5,321,760
Non-pledged time deposits with original maturity of less than three months when acquired		**8,103,616**	3,471,446
Cash and cash equivalents		**18,595,125**	8,793,206

The notes on pages 33 to 50 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 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 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 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 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)*

3. Accounting Policies (Continued)

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 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	
	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

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 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

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

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
Loss on disposal of investment properties, net*	**17**	95
(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	2015
	RMB'000	RMB'000
	(Unaudited)	(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

For the six months ended 30 June 2016, the share of CIT expense and LAT expense attributable to the joint ventures amounting to approximately RMB220,807,000 (2015: approximately RMB280,329,000) and approximately RMB179,415,000 (2015: approximately RMB346,438,000), 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 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 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. Property, Plant and Equipment

During the six months ended 30 June 2016, the Group had additions of property, plant and equipment at a total cost of approximately RMB198,879,000 (2015: approximately RMB63,704,000).

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (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

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (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.

13. Interest-bearing Bank and Other Borrowings

	As at 30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Current		
Bank loans		
– secured	**368,560**	2,488,281
– denominated in HK$, secured	**–**	56,558
– denominated in US$, secured	**–**	53,566
– unsecured	**999,620**	104,768
Current portion of long-term bank loans		
– secured	**746,603**	888,021
– denominated in HK$, secured	**749,647**	391,434
Senior notes – denominated in US$, secured (a)	**2,595,709**	–
	5,460,139	3,982,628
Non-current		
Bank loans		
– secured	**9,071,840**	8,870,846
– denominated in HK$, secured	**770,645**	1,259,026
Senior notes – denominated in US$, secured (a)	**8,168,785**	10,617,744
Domestic corporate bonds – unsecured (b)	**11,919,090**	3,267,384
	29,930,360	24,015,000
	35,390,499	27,997,628

(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 RMB13,391,764,000 as at 30 June 2016 (31 December 2015: approximately RMB21,128,801,000).

(ii) As at 30 June 2016 and 31 December 2015, 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 2016 and 31 December 2015, 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 2016 and 31 December 2015. All of the Group's bank loans were charged at floating interest rates except for loan balances with an aggregate amount of approximately RMB2,079,650,000, which were charged at fixed interest rate as at 30 June 2016 (31 December 2015: RMB1,550,000,000). The Group's senior notes and domestic corporate bonds were charged at fixed interest rates as at 30 June 2016 and 31 December 2015.

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

Notes:

(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.

(b) (i) On 17 December 2015, Guangzhou Hejing Real Estate Development Limited, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,300,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 4.94% 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 (the "Type 1 Bonds"), and the second type has a term of seven years and bears a coupon rate at 6.15% per annum with the issuer's option to raise the coupon rate after the end of the fifth 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 (the "Type 2 Bonds").

The aggregate principal amount for the Type 1 Bonds issued was RMB2,500,000,000 and the aggregate principal amount for the Type 2 Bonds issued was RMB800,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 15 December 2015 and 16 December 2015.

(b) (ii) On 28 March 2016, Guangzhou Tianjian Real Estate Development Limited ("Guangzhou Tianjian"), a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,200,000,000.

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

Notes: (Continued)

(b) (ii) (Continued)

The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 3.90% 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 (the "Type 3 Bonds"), and the second type has a term of ten years and bears a coupon rate at 4.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth 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 (the "Type 4 Bonds").

The aggregate principal amount for the Type 3 Bonds issued was RMB600,000,000 and the aggregate principal amount for the Type 4 Bonds issued was RMB1,600,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 24 March 2016 and 28 March 2016.

(b) (iii) On 26 April 2016, Guangzhou Tianjian issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB6,500,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of seven years and bears a coupon rate at 5.60% per annum with the issuer's option to raise the coupon rate after the end of the forth 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 (the "Type 5 Bonds"), and the second type has a term of seven years and bears a coupon rate at 5.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth 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 (the "Type 6 Bonds").

The aggregate principal amount for the Type 5 Bonds issued was RMB1,000,000,000 and the aggregate principal amount for the Type 6 Bonds issued was RMB5,500,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 7 April 2016 and 26 April 2016.

14. Share Capital

	As at			
	30 June 2016		31 December 2015	
	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	2,996,482,528	288,663	2,996,482,528	288,663

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 2015 and 1 January 2016	2,996,482,528	288,663	7,055,349	7,344,012
Final dividend declared during the period	–	–	(868,980)	(868,980)
At 30 June 2016	2,996,482,528	288,663	6,186,369	6,475,032

	Number of shares in issue (Unaudited)	Issued capital RMB'000 (Unaudited)	Share premium account RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2015	2,946,234,908	284,706	6,806,653	7,091,359
Share options excercised 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

15. Business Combination

On 30 April 2016, the Group acquired a 55% equity interest in Chengdu Fangyuan Hengyue Real Estate Co., Limited ("Chengdu Fangyuan") from a third party. Chengdu Fangyuan is principally engaged in property development. The purchase consideration for the acquisition was approximately RMB12,222,000, which was fully paid on the acquisition date.

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

	Fair value recognised on acquisition RMB'000
Properties under development	909,847
Cash and cash equivalents	55
Prepayments, deposits and other receivables	465,497
Trade payables	(2,193)
Other payables and accruals	(1,324,097)
Tax payables	(8)
Deferred tax liabilities	(24,135)
Total identifiable net assets at fair value	24,966
Non-controlling interests	(12,744)
Satisfied by cash	12,222

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(12,222)
Cash and bank balances acquired	55
Net outflow of cash and cash equivalents included in cash flows from investing activities	(12,167)

Since the acquisition, Chengdu Fangyuan did not contribute revenue and contributed loss of RMB676,000 to the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2016.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the six months ended 30 June 2016 would have been approximately RMB5,448,233,000 and RMB1,419,218,000, respectively.

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

16. Disposal of a Subsidiary

During the six months ended 30 June 2016, the Group entered into the share transfer agreement for the disposal of its entire equity interests in a wholly-owned subsidiary for total cash consideration of RMB44,744,000.

Details of the net assets disposed of as at the date of disposal under the share transfer agreement and the financial impacts are summarised below:

	Six months ended 30 June 2016 RMB'000
Net assets disposed of:	
Property, plant and equipment	558
Deferred tax assets	505
Cash and cash equivalents	311
Properties under development	270,414
Prepayments, deposits and other receivables	2
Other payables and accruals	(236,784)
	35,006
Gain on disposal of a subsidiary	9,738
	44,744
Satisfied by:	
Cash	44,744

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Six months ended 30 June 2016 RMB'000
Cash consideration	44,744
Cash and bank balances disposed of	(311)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	44,433

17. Contingent Liabilities

(i) As at 30 June 2016, 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 RMB4,242,905,000 (31 December 2015: approximately RMB5,608,892,000). 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 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 2016 and 31 December 2015 for the guarantees.

(ii) As at 30 June 2016, the Group had provided guarantees in respect of certain bank loans of approximately RMB3,358,138,000 (31 December 2015: approximately RMB3,891,230,000) for its joint ventures.

18. Commitments

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

	As at 30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**295,285**	274,513
Properties being developed by the Group for sale	**2,600,040**	3,575,021
Investment properties	**450,146**	586,530
	3,345,471	4,436,064

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Contracted, but not provided for	**2,810,512**	2,781,210

19. Related Party Transactions

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**20,695**	20,599
Equity-settled share option expenses	**–**	36
Post-employment benefits	**346**	279
Total compensation paid to key management personnel	**21,041**	20,914

(ii) Outstanding balances with related parties:

	As at	
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Included in interests in joint ventures:		
Advances to joint ventures	**7,382,757**	7,856,579
Included in current assets:		
Due from a joint venture	**29,386**	29,406
Included in current liabilities:		
Due to joint ventures	**15,527,413**	13,925,825

Except for certain advances to joint ventures with an aggregate amount of RMB1,149,895,000 (31 December 2015: RMB351,698,000), which are interest-bearing at 5.25%–10.00% (31 December 2015: 5.25%–6.15%) per annum, the advances to joint ventures as shown above are unsecured, interest-free and not repayable within 12 months. In the opinion of the directors, these advances to joint ventures are considered as part of the Group's net investments in the joint ventures.

As at 30 June 2016, the balances with the joint ventures included in the Group's current assets and current liabilities are unsecured, interest-free and have no fixed term of repayment. As at 31 December 2015, except for an amount due to a joint venture included in the Group's current liabilities of RMB800,000,000, which was unsecured, bore interest at 8.77% per annum and was repaid during the period, the balances with the joint ventures included in the Group's current assets and current liabilities are unsecured, interest-free and have no fixed term of repayment.

(iii) Other transactions with related parties:

Details of guarantees given by the Group to banks in connection with bank loans granted to its joint ventures are included in notes 17(ii) to the condensed consolidated interim financial information.

20. 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 2016 RMB'000 (Unaudited)	**Fair values As at 30 June 2016 RMB'000 (Unaudited)**	Carrying amounts As at 31 December 2015 RMB'000 (Audited)	Fair values As at 31 December 2015 RMB'000 (Audited)
Financial liabilities				
Interest-bearing bank and other borrowings	**35,390,499**	**36,697,489**	27,997,628	28,761,296

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 2016 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 30 June 2016 and 31 December 2015.

During the six months ended 30 June 2016 and the year ended 31 December 2015, 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.

20. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Liabilities for which fair values are disclosed:

As at 30 June 2016

	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	**–**	**36,697,489**	**–**	**36,697,489**

As at 31 December 2015

	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	–	28,761,296	–	28,761,296

21. Subsequent Events

(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.