



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

(incorporated in the Cayman Islands with limited liability) (Stock Code : 1813)

Interim Report

2009



# Contents

Corporate Information	2
Corporate Profile	3
Chairman's Statement	4
Project Summary	6
Business Summary	7
Management Discussion and Analysis	9
Disclosure of Interests	14
Corporate Governance and Other Information	16
Condensed Interim Financial Information	
Condensed Consolidated Income Statement	17
Condensed Consolidated Statement of Comprehensive Income	17
Condensed Consolidated Statement of Financial Position	18
Condensed Consolidated Statement of Changes in Equity	19
Condensed Consolidated Cash Flow Statement	19
Notes to Condensed Interim Financial Information	20

# 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

Mr. Dai Feng

Mr. Tam Chun Fai

## 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

Mr. Dai Feng

## Remuneration Committee

Mr. Kong Jian Min (*Chairman*)

Mr. Tam Chun Fai

Mr. Dai Feng

## Nomination Committee

Mr. Kong Jian Min (*Chairman*)

Mr. Tam Chun Fai

Mr. Dai Feng

## Registered Office

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## Principal Place of Business in Hong Kong

Room 6407, 64th Floor

Central Plaza, 18 Harbour Road

Wanchai, Hong Kong

## Principal Share Registrar

Butterfield Fulcrum Group (Cayman) Limited

Butterfield House, 68 Fort Street

P.O. Box 705, George Town

Grand Cayman KY1-1107

Cayman Islands

## Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

## Principal Bankers

Agricultural Bank of China Limited

Bank of China Limited

China Construction Bank Corporation

China Minsheng Banking Corp. Ltd

Industrial and Commercial Bank of

China (Asia) Limited

Industrial and Commercial Bank of

China Limited

Standard Chartered Bank (Hong Kong)

Limited

The Bank of East Asia, Limited

## Auditors

Ernst & Young

## Legal Advisors

as to Hong Kong law:

Sidley Austin

as to Cayman Islands law:

Conyers Dill & Pearman

## Website

[www.kwgproperty.com](http://www.kwgproperty.com)

## Stock Code

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

## Corporate Profile

KWG Property Holding Limited ("KWG Property" or the "Company", together with its subsidiaries, collectively the "Group") was founded in 1995 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1813) since July 2007. KWG Property is one of the leading large-scale property developers in Guangzhou. Since its establishment, KWG Property has been focusing on the development, sales and management of quality properties targeted at mid- to high-income groups.

Over the past 14 years, the Group has built up an efficient property development system as well as a balanced portfolio which offers mid- to high-end residential properties, villas, town houses, serviced apartments, Grade A+ office buildings, five-star hotels and high-end shopping malls. Its business scope has also been extended from traditional property development and sales to areas of asset management and property management. A strategic development framework has been formed, with Guangzhou as its hub for South China, Suzhou for East China, Chengdu for South-west China and Beijing for the Bohai Rim, of which projects in Suzhou and Chengdu have already been launched, while the project in Beijing is expected to be opened for sale before end of 2009.

In order to provide a solid foundation for future growth, KWG Property has acquired sufficient land reserves for development in the next 4 to 5 years and will continue to prudently acquire premium land with development potential under sufficient cash flow, healthy financial position and stable operation.

To ensure stable development through balanced revenue mix and risk diversion, the Group will seek in future to build a diversified property development portfolio with its focus on residential properties, and with commercial properties, such as offices, hotels and high-end shopping malls, held on a long-term basis accounting for an increased proportion to complement its mid- to high-end residential developments.

## Chairman's Statement

Dear Shareholders:

I am pleased to present the interim results of the Group for the six months ended 30 June 2009. During the period under review, the Group recorded total revenue of approximately RMB900.6 million, representing a year-on-year increase of 25.0%. Profit attributable to equity holders of the parent was approximately RMB169.1 million, representing a decrease of 23.7% from the same period last year. Earnings per share amounted to RMB6.5 cents.

### Market recovery assures stable growth

Following the year-long deep correction in 2008, the China property market showed signs of returning to stability during the first half of 2009. This further boosted overall market confidence and provided a solid drive to the growth in selling prices and transaction volume. According to data released by the National Bureau of Statistics, total gross floor area ("GFA") sold for commodity housing nationwide during the period from January to June 2009 amounted to 340 million sq.m., representing a period-to-period growth of 32%. Gross sales of commodity housing nationwide totalled approximately RMB1,580 billion, posting a period-to-period increase of 53%.

Reviving market confidence is a new momentum for market development in the aftermath of profound adjustment. In respond to market weakness in 2008, the Group proactively optimized internal systems, such as strengthening core management team and corporate structure, service quality and upgrading information management platform. All these initiatives have started to pay off, most notably reflected in our pre-sale performance during the first half of 2009. Against the backdrop of the abovementioned favourable internal and external factors, the Group reported encouraging first half results, underpinned by rising sales, achieved through a higher number of project launches, as well as stable internal operations. As at 30 June, the Group has achieved a pre-sale amount of approximately RMB3 billion, which accounted for 60% of its 2009 full-year target. As the prevailing positive market sentiments continued, the Group has achieved a pre-sale amount of approximately RMB4.4 billion by end of August, which accounted for 88% of its 2009 full-year target. The Group is highly confident of achieving the full-year target. The market analysis and judgment we made at the beginning of the year have proven to be consistent with the current market conditions. The Group will continue with its strategy of developing premium and innovative products, build on the KWG Brand, and further drive sales and shareholder values.

### Strengthen market presence outside Guangzhou with new project launches

Positive market sentiments in the first half of 2009 provided a quite reasonable market landscape for debut launch of pre-sale of the Group's new projects in Guangzhou and other cities. As a result, the Group launched a number of new residential projects in and outside Guangzhou during the first half of the year, which recorded strong sales performance and obtained positive market recognition.

During the first half of 2009, the Group also made significant progress in our project launches. We recorded sales from 12 projects, as compared to 9 projects in first half 2008. We also made substantial progress in our operations outside of our home base, Guangzhou. In first half 2009, we launched a total of 4 new projects in Suzhou and Chengdu where we achieved a pre-sale area of approximately 140,000 sq.m. of GFA, as compared to 1 project in first half 2008.

The Group's new projects in Guangzhou, Suzhou and Chengdu were well-received by consumers and posted overwhelming sales since their launches. Up to 30 June 2009, pre-sales from these new projects accounted for approximately 48% of the Group's total pre-sale amount in the first half of the year. This remarkable pre-sale performance also represents the Group's success in diversifying our geographic reach through our product design, brand building and project development that cater to the needs of consumers in different regions.

### Strong cash flow secures financial stability

The Group continues to maintain a strong cash flow, thanks to its outstanding sales performance in the first half of 2009 and stringent cost control. As at 30 June 2009, the Group held approximately RMB1.4 billion in cash with a net gearing ratio of 65.2%. Both remained stable at a reasonable level.

In addition, the Group completed a share placement exercise in early July 2009, issuing a total of 300,000,000 new shares at a price of HK\$5.10 per share. Net proceeds raised from the share placement amounted to approximately HK\$1.5 billion (equivalent to approximately RMB 1.3 billion). This share placement not only enabled the Group to further expand its shareholder base and enhanced its liquidity, but also further strengthened its capital position. Upon completion of the share placement, the Group has cash on hand of approximately RMB3.0 billion, with net gearing ratio reduced to 43.1%.

## **Optimal land bank with a balanced portfolio**

The Group continues to adhere to a prudent land bank replenishment strategy. As at 30 June 2009, the Group had a land bank of approximately 610 sq.m., with Guangzhou, Chengdu, Suzhou, Beijing and Hainan accounting for 45%, 23%, 19%, 8% and 5%, respectively. The management believes that the balanced distribution of its current land bank will further consolidate the Group's organisational set-up comprising Guangzhou, Suzhou, Chengdu Beijing and Hainan. This will also establish a solid foundation for the optimal distribution of the Group's future land bank. The Group will continue to proactively monitor the development of the land market in China with a special focus on cities in which the Group has set a foothold in and their surrounding areas that generate attractive development potential.

In terms of product breakdown, the Group will principally focus on land sites for residential development supplemented by an appropriate exposure in commercial properties. We aim to maintain a balance between development and investment properties in our portfolio, to achieve our growth target while maintaining a solid balance sheet and cash flow. We believe that a balanced investment property portfolio will help alleviate risks associated with market changes and enhance the Group's flexibility in adapting to market changes.

## **Outlook**

Challenges over the past year have enhanced the Group's ability to cope with market changes, analyze risk and opportunities and prepare ourselves to react to market change in a proactive manner. Since the beginning of 2009, accelerated urbanisation and other social factors have stimulated the growth of actual market demand, contributing to a favourable market landscape and stable development. In addition, the unleashing of pent-up market demand, together with other factors, led to the revival of the property market in China in the first half of 2009.

The Group remains firmly confident in the development of China property market. As the principal factors affecting property market development in the second half-year will remain closely related to the global and People's Republic of China ("PRC") macro-economic landscape, market development will inevitably be affected by how the global and PRC recovery unfold. The Group will continue to carefully analyse such development and implement our strategy accordingly to ensure our stable growth.

## **Appreciation**

The Group owes its satisfactory half-yearly performance for 2009 to the concerted efforts by our management and staff members. On behalf of the Board of Directors (the "Board"), I would like to extend sincere thanks to our management and each employee, who have given their very best of expertise with strong team spirit. We would also like to express our gratitude to our shareholders and business partners for their ardent support and assistance. Looking to the future, let us join hands to introduce to more consumers, the culture of exquisite living of KWG Property and to deliver stronger results for shareholders.

**Kong Jian Min**  
*Chairman*

31 August 2009

# Project Summary



## Business Summary

Following a year-long thorough adjustment of China's property market, the transaction volume of the residential property market recovered significantly during the first half of 2009 as market demand went back up. Driven by new government measures related to finance and credits, and with market prices stabilizing, confidence of buyers returned, as well as thanks to the favourable market environment and our marketing efforts, the Group's projects delivered sound results during the first six months of 2009. As at 30 June 2009, a total of 12 projects had been put up for sale. In Guangzhou, The Apex, a high-end serviced apartment complex located in Pearl River New Town, was launched in April. In Chengdu, The Emerald, a high-end residential project, and The Vision of the World, a mid- to high-end residential project, were launched in April. In Suzhou, The Up Blue Town and The Sapphire, a mid- to high-end residential project and a high-end complex project were launched in April and June, respectively. As at 30 June, the Group recorded a total pre-sales of approximately RMB3.0 billion, representing 60% of its 2009 full-year target.

### Overview of the Group's Property Development

As at 30 June 2009, the Group had 18 projects under development or planned for development, which were located in Guangzhou, Suzhou, Chengdu, Beijing and Hainan respectively.

Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 m <sup>2</sup> )	Interest Attributable to the Group (%)	Expected Completion Period
The Apex	Guangzhou	High-end comprehensive project: luxury residential/serviced apartments/5-star hotel	161	100	2009–2010
Lie De Project	Guangzhou	High-end comprehensive project: hotel/serviced apartments/ office building/shopping mall	191	33	2011–2013
J2-2 Project	Guangzhou	High-end comprehensive project: hotel/serviced apartments/ office building/shopping mall	73	50	2012–2013
Yucui Garden	Guangzhou	Mid- to high-end residential	34	50	2009
International Creative Valley	Guangzhou	Office building	320	100	2010–2011
Linghui Chuangzhan Commercial Centre	Guangzhou	Four Points by Sheraton Hotel	31	100	2007–2009
Sky Ville	Guangzhou	Low density villas/townhouses/ high-rise apartments/5-star hotel	325	100	2008–2010
Jinghu Garden	Guangzhou	Mid- to high-end residential	31	100	2007–2009
Waterfront Mansion	Guangzhou	Townhouses/mid- to high-end residential	280	100	2008–2010
Zengcheng Project	Guangzhou	Large scale comprehensive project: mid- to high-end residential/villas/townhouses/ commercial properties	1,299	51	2010–2014
The City Island	Suzhou	Townhouses/mid- to high-end residential	206	100	2009–2010
The Up Blue Town	Suzhou	Mid- to high-end residential	147	100	2010–2011
The Sapphire	Suzhou	High-end residential/hotel/office building	788	100	2010–2013



## Business Summary

Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 m <sup>2</sup> )	Interest Attributable to the Group (%)	Expected Completion Period
The Emerald	Chengdu	High-end residential	49	100	2009–2010
The Vision of the World	Chengdu	Mid- to high-end residential	509	100	2010–2012
Chengdu Cosmos	Chengdu	High-end comprehensive project: residential/hotel/serviced apartments/office building/ shopping mall	873	100	2010–2012
The Sound of the Soul	Beijing	Mid- to high-end residential/ townhouses	490	100	2010–2012
Hainan Lingshui Project	Hainan	Hotel/villas/high-rise apartments	293	100	2011–2012

### Investment Hotels Under Construction

As at the end of June 2009, the Group had 3 high-end star-rated hotels in Guangzhou. In addition, there are a number of high-end star-rated hotels and high-end shopping malls under planning, located respectively in Guangzhou, Suzhou, Chengdu and Hainan. Currently, among the 3 hotels under construction, Four Points by Sheraton Hotel is in a final stage of start-up preparation, while the other two, Huadu Sheraton Resort Hotel and W Hotel, are in an interim stage of construction. The Group will continue to maintain in its business portfolio a balanced share of investment property, over which the Group will exercise full management control through reasonable application of risk and return analyses as well as a comprehensive operational management mechanism for investment property.

District	Name of the Hotel	Rooms	Star	Expected Commencement Schedule
Guangzhou	Four Points by Sheraton Hotel	300	4 star	September 2009
Guangzhou	Huadu Sheraton Resort Hotel	102	5 star	First quarter of 2010
Guangzhou	W Hotel	302	5 star	2010

### Investment Properties Completed and Available for Lease

As at the end of June 2009, the occupancy rate of International Finance Place ("IFP"), the Group's Grade A+ office building, was close to 90%. This was based on signed-up leases and letters of intent. The average monthly rent was RMB200/sq.m. The Group continued to lease spaces on a selective basis in order to maintain the high-end and premium nature of IFP tenants. At present, tenants who have signed up or agreed to sign up include more 20 domestic and foreign banks, Guangzhou offices of multinational corporations and diplomatic establishments such as the Italian Consulate.

# Management Discussion and Analysis

## Market Review

Transaction volume of China property market has begun to bottom out since the end of fourth quarter of 2008. By the first quarter of 2009, such trend became more evident as the transaction volume at major cities showed signs of stabilization. In the second quarter, transaction volume continued to increase, and the selling prices started to increase, with certain cities recovered to the level of the same period of 2007. The trend of improving volume and prices in individual cities, gradually spread out to the rest of China, and resulted in a growth in nationwide gross sales amount and average selling prices on a period-to-period basis.

The management believes that gradual market recovery during the reporting period was attributable to a number of factors, including: 1) the benefits of favourable market policies began to realise. The macro policies implemented by the central and local governments during the latter half of 2008 came into effect during the first six months of 2009. In March 2009, the Guangdong Government promulgated "Certain Opinions on Facilitating Stable and Healthy Development of the Real Estate Market" and announced a series of market-favourable policies, such as the extension of payment deadlines for land premiums, the encouragement of banking support for property developers, the reduction or exemption of home purchase taxes and the approval of instalment payment of land appreciation tax. In May 2009, the General Office of the State Council promulgated the "State Council Notice on Adjusting the Capital Ratio Requirement for Fixed Asset Investment Projects", in which the minimum level of owned capital for investments in ordinary commodity residential housing was lowered from 35% to 20%. These policies combined to give rise to a positive marketplace; 2) the release of pent-up market demand in better market conditions; 3) the strengthening of confidence in the market for home buyers as a whole resulting from an aggregated impact of policies that further lowered the costs of home purchases; 4) strong marketing and promotion speed up the digestion of inventory.

While market statistic during the first six months of 2009 will likely provide a good platform for market growth in the second half of the year, the macro-landscape will still be closely related to the pace of economic recovery globally and in China. As such, the Group will continue to adhere to strategy of proactively responding to market changes with a prudent approach to drive the sales of the Group's projects in the second half.

## Business Review

The first six months of 2009 marked the full launch of the Group's new projects outside of Guangzhou, through which the Group's philosophy of quality living was introduced to buyers in other regions outside Guangzhou. Benefited from positive market sentiment, the Group reported steady sales growth for its projects in various new regions. During the reporting period, 12 projects have commenced sale, registering total pre-sales of approximately RMB3.0 billion or total GFA sold of approximately 400,000 sq.m., representing substantial improvements over the same period of 2008.

Meanwhile, the Group has 18 projects under different stages of development, which reported smooth progress during the reporting period. In the first half of 2009, the Group launched 5 new projects in and outside Guangzhou, including the serviced apartments of The Apex, a high-end comprehensive project in Pearl River New Town, Guangzhou, The Vision of the World and The Emerald, a mid-to-high-end residential project and a high-end residential project in Chengdu, The Up Blue Town, a mid-to-high-end residential project and The Sapphire, a high-end comprehensive project in Suzhou.

Benefited from the Group's effort in strengthening business development in regions outside Guangzhou, these new projects received extensive recognition in their respective markets and posted satisfactory results. In recent years, the Group has continued to speed up project development in different regions, enhanced management standard and proactively carried out early stage marketing campaigns and brand promotion activities. All these measures contributed to a solid market foundation for the launch of new projects in regions outside Guangzhou. In the future, the Group will continue to strengthen the promotion of its brand name in regions outside Guangzhou, so as to further deepen appeal of our projects to our customers and enhance our ability to charge premium pricing.

## Management Discussion and Analysis

### Investment Properties

With an occupancy rate of close to 90% as at 30 June 2009, IFP, one of the Group's major investment properties, continued to be one of the most reputable grade A+ office buildings in Guangzhou, due to its exquisite quality, top-rate management services and a tenant base comprising prestigious names.

### Hotel Properties and Serviced Apartments

As at 30 June 2009, the Group's wholly-owned projects, including W Hotel and W-Residence Serviced Apartments, Huadu Sheraton Resort Hotel, and Four Points by Sheraton Hotel, were under construction. The Group has entered into operating agreements with Starwood Hotels and Resorts Worldwide, Inc ("Starwood Group") to operate these hotels and associated serviced apartments for 10 to 15 years. W Hotel and W-Residence Serviced Apartments are designed to provide 302 hotel rooms and 150 serviced apartment suites, and Huadu Sheraton Resort Hotel is designed to provide 102 villa-style hotel rooms. Both projects are scheduled to commence operation next year. In addition, Four Points by Sheraton Hotel, which houses 300 hotel rooms, is currently engaging in full-scale preparation for operation, which is expected to commence in September of this year.

### Market Outlook

With the market becoming stable and the pent-up demand for residential housing unleashed following market revival in the first half of 2009, the property market is now expected to embark on healthy recovery and growth.

The Group continues to be optimistic with 4 new projects and 2 new phases of the existing projects to be launched in the remaining of the year. The Group remains fully confident in achieving the goals we set out for 2009, which will position us strongly for 2010 and beyond.

### Financial Review

#### Revenue

Revenue of the Group comprises primarily the (i) gross proceeds, net of business tax, from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties and (iii) property management fee income. The revenue is primarily generated from its three business segments: property development, property investment and provision of property management services.

The revenue increased by 25.0% to approximately RMB900.6 million in the first half of 2009 from approximately RMB720.7 million for the corresponding period in 2008, primarily attributable to the increase of total GFA delivered in the sales of properties in the first half of 2009, the recurring rental income generated from our property investment segment and revenue of our property management services segment.

The revenue generated from property development, property investment and provision of property management services were approximately RMB832.4 million, RMB44.7 million and RMB23.5 million, respectively, during the six months ended 30 June 2009.

#### *Property development*

Revenue generated from property development increased by 22.5% to approximately RMB832.4 million for the six months ended 30 June 2009 from approximately RMB679.6 million for the corresponding period in 2008, primarily attributable to an 80.3% increase in the total GFA delivered to 109,594 sq.m. in the first half of 2009 from 60,788 sq.m. for the corresponding period in 2008. The increase in the total GFA delivered was primarily due to some of property development projects were under construction during the first half of 2008 and three of these development projects were completed and delivered in the second half of 2008 and the first half of 2009.

The increase in revenue was partially offset by the decrease in the recognised average selling price of our properties sold. The recognised average selling price of property decreased to RMB7,595 per sq.m. in the first half of 2009 from RMB11,181 per sq.m. for the corresponding period in 2008. The decrease in recognised average selling price is due to the sales portfolio of the Group comprising more mid-end residential GFA with lower recognised average selling price during the period under review as well as not fully revived market environment after the rapid turndown driven by the global economic crisis in the fourth quarter of 2008.

### *Property investment*

Revenue generated from property investment increased by 51.0% to approximately RMB44.7 million for the six months ended 30 June 2009 from approximately RMB29.6 million for the corresponding period in 2008, primarily attributable to an increase in total GFA of our rental area leased in IFP during the period under review.

### *Provision of property management services*

Revenue generated from the provision of property management services increased by 104.3% to approximately RMB23.5 million for the six months ended 30 June 2009 from approximately RMB11.5 million for the corresponding period in 2008, primarily attributable to an increase in the number of properties under management as well as first half of 2009 being the first full period where we provided property management services to certain projects.

### **Cost of Sales**

Cost of sales of the Group primarily represents the costs we incur directly for our property development activities. The principal components of cost of sales is cost of properties sold, which includes the direct cost of construction, costs of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the construction period.

Cost of sales increased by 77.0% to approximately RMB506.0 million for the six months ended 30 June 2009 from approximately RMB285.8 million for the corresponding period in 2008, primarily due to an overall increase in cost of properties sold following the increase in GFA delivered.

Land costs per sq.m. decreased to RMB862 for the six months ended 2009 from RMB945 for the corresponding period in 2008, principally due to the larger proportion in the delivery of our mid-end residential projects with relatively lower land cost in the first six months of 2009.

Construction cost per sq.m. remained constant in both periods.

### **Gross Profit**

Gross profit decreased by 9.3% to approximately RMB394.5 million for the six months ended 30 June 2009 from approximately RMB434.9 million for the corresponding period in 2008. The decrease of gross profit was principally due to the decrease in recognised average selling price in the first half of 2009 as discussed and the delivery of mid-end residential GFA with lower gross margin. The Group reported a gross profit margin of 43.8% for the six months ended 30 June 2009 (six months ended 30 June 2008: 60.3%). Nevertheless, the Group recorded increment in rental income in the first half of 2009 as compared with the corresponding period in 2008, which partially offset the decrease in gross profit.

### **Other Income and Gains**

Other income and gains decreased by 71.6% to approximately RMB28.1 million for the six months ended 30 June 2009 from approximately RMB98.9 million for the corresponding period in 2008, mainly comprising the losses on the disposal of investment properties of approximately RMB1.3 million, interest income of approximately RMB2.0 million and net exchange gains of approximately RMB23.4 million.

### **Selling and Marketing Costs**

Selling and marketing costs of the Group increased by 80.9% to approximately RMB58.6 million for the six months ended 30 June 2009 from approximately RMB32.4 million for the corresponding period in 2008, which was primarily due to an increase of 87.9% in advertising expenses to approximately RMB42.1 million in the first half of 2009 from approximately RMB22.4 million for the corresponding period in 2008, which was largely attributable to increased advertising for our new projects, such as The Emerald and The Vision of the World in Chengdu, The Sapphire in Suzhou, Waterfront Mansion in Conghua and The Apex in Pearl River New Town, Guangzhou.

### **Administrative Expenses**

Administrative expenses of the Group increased by 24.6% to approximately RMB113.6 million for the six months ended 30 June 2009 from approximately RMB91.2 million for the corresponding period in 2008, primarily attributable to an increased headcount to catch up with the rapid development of the Group in order to achieve its long term goal. The Group believes that people are key elements for future growth and grasp the opportunities ahead. The Group also provided extensive training, built an incentive scheme as well as a teamwork-oriented corporate culture with high sense of belonging to pave the way for long term development.

## Management Discussion and Analysis

### Other Operating Expenses, Net

Other operating expenses of the Group remained constant in the first half of 2009 as compared with the corresponding period in 2008. The principal factor behind other operating expenses related to operating costs of facilities at our residential development such as clubhouses and dining facilities.

### Fair Value Gains on Investment Properties

As there was no new investment property project and the market value of the Group's existing investment property remained stable, therefore there was no significant fair value gains on investment properties for the Group during the first half of 2009. The Group reported net fair value gains on investment properties of approximately RMB32,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: approximately RMB22.4 million).

### Finance Costs

Finance costs of the Group were nil for the six months ended 30 June 2009 and 2008, reflecting the capitalisation of our finance cost into the corresponding projects in both periods.

### Tax

Tax decreased by 45.7% to approximately RMB111.8 million for the six months ended 30 June 2009 from approximately RMB205.9 million for the corresponding period in 2008, primarily due to a decrease in profit attributable to the equity holders of the parent and provisions for land appreciation tax ("LAT") as a result of a decrease in gross profit.

### Profit Attributable to the Equity Holders of the Parent

Profit attributable to the equity holders of the parent of the Group for the six months ended 30 June 2009 of the Group decreased by 23.7% to approximately RMB169.1 million from approximately RMB221.7 million for the corresponding period in 2008. Net profit margin decreased to 18.8% for the six months ended 30 June 2009 from 30.8% for the corresponding period in 2008, as a result of the cumulative effect of the foregoing factors.

## Liquidity, Financial and Capital Resources

### Cash Position

As at 30 June 2009, the carrying amount of the Group's cash and bank deposits was approximately RMB1,442.4 million (31 December 2008: approximately RMB1,373.0 million), representing an increase of 5.1% as compared to that as at 31 December 2008.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 30 June 2009, the carrying amount of the restricted cash was approximately RMB696.2 million (31 December 2008: approximately RMB205.9 million).

### Borrowings and Charges on Group's Assets

The Group had aggregate borrowings as at 30 June 2009 of approximately RMB7,016.4 million, of which approximately RMB1,329.3 million are repayable within 1 year, approximately RMB4,828.0 million are repayable between 2 and 5 years and approximately RMB859.1 million are repayable after 5 years.

As at 30 June 2009, certain bank loans of the Group were secured by property, plant and equipment, land use rights, investment properties, properties under development and completed properties held for sale and time deposits of the Group with total carrying values of approximately RMB5,095.2 million.

The carrying amounts of all the Group's bank loans are denominated in RMB except for a loan balance of approximately HK\$1,485.2 million as at 30 June 2009 which was denominated in Hong Kong dollars. All of the Group's borrowings were charged at floating interest rates as at 30 June 2009.

### 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 2009, the gearing ratio was 65.2% (31 December 2008: 50.3%). The increase in gearing ratio during the six months ended 30 June 2009 was primarily attributable to the continuous raising of new borrowings as a result of the ongoing new project development. Amortisation for our share placement in July this year, our net gearing ratio as at 30 June 2009 would be 43.1%.

### Risk of Exchange Rate Fluctuation

The Group mainly operates in the PRC, so most of its revenue and expenses are measured in Renminbi. The value of Renminbi against the U.S. dollar and currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi 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 2009, the exchange rates of Renminbi to the U.S. dollar and the Hong Kong dollar maintained a relatively stable level and the Board expects that any fluctuation of Renminbi's exchange rate will not have material adverse effect on the operations of the Group.

### Contingent Liabilities

i) As at 30 June 2009, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB2,159.3 million (31 December 2008: approximately RMB1,624.9 million). This represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain 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 principal together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made as at 30 June 2009 and 31 December 2008 in the financial statements for the guarantees.

ii) Pursuant to certain land use rights grant contracts entered into between the Group and the relevant PRC land bureau, the land use rights of certain land were contracted to be granted to the Group upon full payment of the land premium under the respective land use rights grant contracts. According to the terms of such land use rights grant contracts, if the delay in payment of the land premium is outstanding for more than a specified period, the relevant PRC land bureau may terminate the land use rights grant contracts, repossess the relevant land and may also claim for the compensation. The Group has applied to the relevant PRC land bureau for extension of the time limit for payment of the outstanding land premium. As at the date of this report, the Group has not received any notice from the relevant PRC land bureau which would indicate that it intends to terminate the land use rights grant contracts and seek the compensation.

### Employees and Emolument Policies

As at 30 June 2009, the Group employed a total of approximately 1,900 employees. The total staff costs incurred were approximately RMB65.0 million during the six months ended 30 June 2009. 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 commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

As at 30 June 2009, no options had been granted, exercised or cancelled under the share option scheme adopted on 11 June 2007.

## Disclosure of Interests

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

At 30 June 2009, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

Name of Director	Long position/ Short position	Nature of interests	Approximate number of shares held (Note 1)	Approximate percentage of shareholding
Kong Jian Min (Notes 2, 3 and 4)	Long position	Interest of a controlled corporation	1,714,441,500	66.10%
Kong Jian Tao (Notes 2 and 3)	Long position	Interest of a controlled corporation	1,687,500,000	65.06%
	Long position	Beneficial owner	1,000,000	0.039%
Kong Jian Nan (Notes 2 and 3)	Long position	Interest of a controlled corporation	1,687,500,000	65.06%
He Wei Zhi	Long position	Interest of spouse	10,000 (Note 5)	0.00039%

Notes:

- Share(s) of HK\$0.10 each in the capital of the Company.
- 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 1,612,500,000 Shares through their interests in Plus Earn.
- 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.
- 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 26,941,500 Shares through his interests in Hero Fine.
- These Shares are held and beneficially owned by Wang Yanlei, the spouse of He Wei Zhi.

**Long positions in shares and underlying shares of associated corporations:**

Name of Director	Associated Corporations	Number of shares	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, as at 30 June 2009, none of the directors or chief executive of the Company or their associates had registered an interest or short position whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**Substantial Shareholders**

At 30 June 2009, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

**Long positions:**

Name	Capacity	Number of shares (Note 1)	Percentage of issued share capital
Plus Earn (Note 2)	Beneficial owner	1,612,500,000	62.17%

Notes:

- Share(s) of HK\$0.10 each in the capital of the Company.
- 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 2009, no person, other than the directors or chief executive of the Company, whose interests are set out in the Section "Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.



## Corporate Governance and Other Information

### Compliance with the Code on Corporate Governance Practices

The Company has complied with the provisions of the Code on Corporate Governance Practices (the "Code Provision") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the period under review.

### Audit Committee

The audit committee of the Company comprises three members who are independent non-executive directors, namely Mr. Tam Chun Fai (the chairman), Mr. Lee Ka Sze, Carmelo and Mr. Dai Feng. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed interim financial information for the six months ended 30 June 2009.

### Remuneration Committee

The remuneration committee was formed on 11 June 2007 with terms of reference in compliance with the Code Provision and is being chaired by Mr. Kong Jian Min. The primary responsibility is to review and formulate policies in respect of remuneration structure of all directors and senior management of the Company and make recommendations to the Board for its consideration. The remuneration committee consists of three members, of which one executive director being Mr. Kong Jian Min and two are independent non-executive directors being Mr. Tam Chun Fai and Mr. Dai Feng.

### Model Code for Securities Transactions by Directors

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 enquiry of all directors, the directors have complied with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules.

### Share Option Scheme

A share option scheme was conditionally approved by resolutions of the shareholders of the Company on 11 June 2007 (the "Share Option Scheme"). Since the Share Option Scheme became effective upon the Company's Listing, no share options had been granted, exercised or cancelled by the Company under the Share Option Scheme during the period under review and there are no outstanding share options under the Share Option Scheme as at 30 June 2009.

### Purchase, Sale or Redemption of Listed Securities

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

### Interim Dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

# Condensed Interim Financial Information

## Condensed Consolidated Income Statement

	Notes	Six months ended 30 June	
		2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
<b>REVENUE</b>	4	900,568	720,696
Cost of sales		(506,043)	(285,834)
Gross profit		394,525	434,862
Other income and gains	4	28,061	98,935
Selling and marketing costs		(58,615)	(32,445)
Administrative expenses		(113,555)	(91,220)
Other operating expenses, net		(747)	(559)
Fair value gains on investment properties, net		32	22,410
Finance costs	5	—	—
Share of profit and loss of a jointly-controlled entity		30,609	(1,452)
<b>PROFIT BEFORE TAX</b>	6	280,310	430,531
Tax	7	(111,847)	(205,910)
<b>PROFIT FOR THE PERIOD</b>		168,463	224,621
Attributable to:			
Equity holders of the parent		169,108	221,744
Minority interests		(645)	2,877
		168,463	224,621
Earnings per share — Basic and diluted	8	RMB6.5 cents	RMB8.6 cents
Dividends	9	—	—

## Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	168,463	224,621
Exchange differences on translation of foreign operations	(22,777)	(33,554)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	145,686	191,067
Attributable to:		
Equity holders of the parent	146,351	201,533
Minority interests	(665)	(10,466)
	145,686	191,067

The notes on pages 20 to 28 form an integral part of this condensed interim financial information.

## Condensed Interim Financial Information

## Condensed Consolidated Statement of Financial Position

	Notes	As at	
		30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		577,869	443,268
Investment properties		3,535,119	3,546,400
Land use rights		558,068	549,952
Interest in a jointly-controlled entity		51,096	20,487
Deferred tax assets		203,538	168,453
Long term prepayment		1,098,500	1,098,483
Total non-current assets		6,024,190	5,827,043
<b>CURRENT ASSETS</b>			
Properties under development		12,519,942	11,878,560
Completed properties held for sale		1,555,109	1,534,404
Trade receivables	11	50,103	30,713
Prepayments, deposits and other receivables		1,127,495	1,069,487
Due from a jointly-controlled entity		46,314	50,314
Taxes recoverable		62,995	3,316
Restricted cash		696,171	205,942
Cash and cash equivalents		746,179	1,167,009
Total current assets		16,804,308	15,939,745
<b>CURRENT LIABILITIES</b>			
Trade payables	12	3,033,826	2,879,007
Other payables and accruals		2,700,487	2,063,396
Interest-bearing bank loans	13	1,329,263	1,058,928
Taxes payable		899,522	1,012,289
Total current liabilities		7,963,098	7,013,620
<b>NET CURRENT ASSETS</b>		<b>8,841,210</b>	<b>8,926,125</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>14,865,400</b>	<b>14,753,168</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans	13	5,687,167	4,935,253
Deferred tax liabilities		635,117	626,704
Total non-current liabilities		6,322,284	5,561,957
Net assets		8,543,116	9,191,211
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Issued capital	14	254,093	254,093
Reserves		8,285,364	8,136,797
Proposed final dividend		—	77,813
Minority interests		8,539,457	8,468,703
		3,659	722,508
Total equity		8,543,116	9,191,211

The notes on pages 20 to 28 form an integral part of this condensed interim financial information.

## Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent									
	Issued capital	Share premium account	Reserve funds	Exchange fluctuation reserve	Retained profits	Other reserve	Proposed final dividend	Total	Minority 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 2008	254,093	5,321,931	150,344	(39,519)	2,457,771	—	389,063	8,533,683	738,663	9,272,346
Total comprehensive income for the period	—	—	—	(20,211)	221,744	—	—	201,533	(10,466)	191,067
Declared final 2007 dividend	—	—	—	—	—	—	(389,063)	(389,063)	—	(389,063)
At 30 June 2008	254,093	5,321,931	150,344	(59,730)	2,679,515	—	—	8,346,153	728,197	9,074,350
At 1 January 2009	254,093	5,321,931	189,345	(83,968)	2,709,489	—	77,813	8,468,703	722,508	9,191,211
Total comprehensive income for the period	—	—	—	(22,757)	169,108	—	—	146,351	(665)	145,686
Declared final 2008 dividend	—	—	—	—	—	—	(77,813)	(77,813)	—	(77,813)
Acquisition of minority interests	—	—	—	—	—	2,216	—	2,216	(718,184)	(715,968)
Transfer to reserve	—	—	12,289	—	(12,289)	—	—	—	—	—
At 30 June 2009	254,093	5,321,931*	201,634*	(106,725)*	2,866,308*	2,216*	—	8,539,457	3,659	8,543,116

\* These reserve accounts comprise the consolidated reserves of approximately RMB8,285,364,000 (31 December 2008: approximately RMB8,136,797,000) in the condensed consolidated statement of financial position.

## Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(594,269)	(3,700,345)
Net cash outflow from investing activities	(844,911)	(210,086)
Net cash inflow from financing activities	1,041,415	1,978,243
Net decrease in cash and cash equivalents	(397,765)	(1,932,188)
Cash and cash equivalents at beginning of period	1,167,009	3,288,639
Effect of foreign exchange rate changes, net	(23,065)	(82,259)
Cash and cash equivalents at end of period	746,179	1,274,192

The notes on pages 20 to 28 form an integral part of this condensed interim financial information.

## Condensed Interim Financial Information

### Notes to Condensed Interim Financial Information

#### 1. General Information

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

During the period, the Company is engaged in investment holding and the subsidiaries of the Company were principally engaged in the property development, property investment and provision of property management services in the PRC.

The unaudited condensed interim financial information was reviewed by the audit committee of the Company and approved by the Board for issue on 31 August 2009.

#### 2. Basis of Preparation

The unaudited condensed 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"). The unaudited condensed interim financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

#### 3. Accounting Policies

The unaudited condensed interim financial information 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 2008, except for the adoption of the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the annual reporting period beginning on or after 1 January 2009.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 & HKAS 1 (Amendments)	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HKFRS 8	<i>Operating Segments</i>
HKFRS 2 (Amendment)	Amendments to HKFRS 2 <i>Share-based Payment — Vesting Conditions and Cancellations</i>
HKFRS 7 (Amendments)	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments</i>
HK(IFRIC) — Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) — Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement — Embedded Derivatives</i>
HK (IFRIC) — Int 13	<i>Customer Loyalty Programmes</i>
HK (IFRIC) — Int 15	<i>Agreements for the Construction of Real Estate</i>
HK (IFRIC) — Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs (2008)\** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009 and has not been adopted by the Group, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

\* *Improvements to HKFRSs (2008)* contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

### 3. Accounting Policies (Continued)

Except for HKFS 8 and HKAS 1 (Revised) giving rise to new accounting policies and additional disclosures as further described below, the adoption of the new interpretations and amendments has had no significant financial effect on these condensed consolidated financial information.

- HKAS 1 (revised) *Presentation of Financial Statements*

The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The unaudited condensed interim financial information have been prepared under the revised disclosure requirements.

- HKFRS 8 *Operating Segments*

HKFRS 8 replaces HKAS 14, 'Segment Reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, the Board, who makes strategic decisions. The Group applies HKFRS 8 retrospectively and the comparative figures have been restated accordingly.

### 4. Revenue, Other Income and Gains and Segment Information

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Revenue:</b>		
Sales of properties	832,403	679,645
Gross rental income	44,712	29,570
Property management fees	23,453	11,481
	900,568	720,696
<b>Other income and gains:</b>		
Gain/(loss) on disposal of investment properties	(1,264)	25,672
Bank interest income	1,963	22,615
Foreign exchange differences, net	23,389	48,787
Others	3,973	1,861
	28,061	98,935

## Condensed Interim Financial Information

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

For management purposes, the Group is organised into three operating segments, namely, as follow:

- (i) Property development: Sale of property
- (ii) Property investment: Leasing of property
- (iii) Property management: Provision of property management services

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

The segment results for the six months ended 30 June 2009 are as follows:

	Property development (Note) RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Property management RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue:</b>				
Sales to external customers	832,403	44,712	23,453	900,568
Segment profit	303,854	42,618	3,448	349,920
Interest income and unallocated income				29,325
Unallocated expenses				(98,935)
Profit before tax				280,310
Tax				(111,847)
Profit for the period				168,463

The segment results for the six months ended 30 June 2008 are as follows:

	Property development (Note) RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Property management RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue:</b>				
Sales to external customers	679,645	29,570	11,481	720,696
Segment profit	369,519	76,803	1,387	447,709
Interest income and unallocated income				73,263
Unallocated expenses				(90,441)
Profit before tax				430,531
Tax				(205,910)
Profit for the period				224,621

Note: The segment profit includes share of profit and loss of a jointly-controlled entity.

## 5. Finance Costs

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans	224,685	138,025
Less: Interest capitalised	(224,685)	(138,025)
	—	—

## 6. Profit Before Tax

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	500,658	282,410
Depreciation	5,734	4,036
Amortisation of land use rights	1,652	365
Less: Amount capitalised in assets under construction	(1,343)	—
	309	365
Loss on disposal of items of property, plant and equipment	—	331
Employee benefit expense (excluding directors' remuneration)		
Wages and salaries	62,376	45,923
Pension scheme contributions	2,590	2,315
	64,966	48,238
Less: Amount capitalised in assets under construction and properties under development	(24,694)	(19,713)
	40,272	28,525



## Condensed Interim Financial Information

**7. Tax**

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — PRC		
Corporate income tax ("CIT")	69,057	115,153
Land appreciation tax ("LAT")	69,462	132,644
Deferred	(26,672)	(41,887)
Total tax charge for the period	111,847	205,910

The share of CIT and LAT attributable to the jointly-controlled entity amounting to approximately RMB10,203,000 (six months ended 30 June 2008: Nil) and RMB9,617,000 (six months ended 30 June 2008: Nil), respectively, are included in "Share of profit and loss of a jointly-controlled entity" on the face of the condensed consolidated income statement.

**Hong Kong profits tax**

No Hong Kong profits tax was provided because the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2009 and 2008.

**PRC corporate income tax**

The PRC CIT in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2009 and 2008, based on the existing legislation, interpretations and practices in respect thereof.

**PRC land appreciation tax**

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

**8. Earnings Per Share**

The calculation of the basic earnings per share attributable to ordinary equity holders of the parent for the six months ended 30 June 2009 and 2008 are as follows:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent (RMB thousands)	169,108	221,744
Weight average number of ordinary shares in issue (thousands)	2,593,750	2,593,750
Earnings per share (RMB cents per share)	6.5	8.6

Diluted earnings per share amount for the period ended 30 June 2009 and 2008 is the same as the basic earnings per share as no diluting events existed during these periods.

## 9. Dividends

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

## 10. Capital Expenditure

During the six months ended 30 June 2009, the Group acquired property, plant and equipment of approximately RMB138,992,000 (six months ended 30 June 2008: approximately RMB118,712,000).

## 11. Trade Receivables

Trade receivables consist of receivables from sale of properties and rental under operating leases. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements. The ageing analysis of trade receivables is as follows:

	As at	
	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within 3 months	42,253	20,643
4 to 6 months	410	2,010
7 to 12 months	1,410	7,280
Over 1 year	6,030	780
	50,103	30,713

## 12. Trade Payables

All trade payables were fallen due within one year or repayable on demand as of 30 June 2009 and 31 December 2008.

## 13. Interest-bearing Bank Loans

	As at	
	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
<b>Current</b>		
Bank loans — secured	179,620	179,241
Bank loans — unsecured	422,372	139,589
Current portion of long term bank loans		
— secured	461,349	403,388
— denominated in HK\$, secured	207,687	306,870
— unsecured	58,235	29,840
	1,329,263	1,058,928

## Condensed Interim Financial Information

**13. Interest-bearing Bank Loans (Continued)**

	As at	
	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
<b>Non-current</b>		
Bank loans — secured	2,945,884	2,171,020
Bank loans — denominated in HK\$, secured	930,280	608,539
Bank loans — unsecured	1,639,692	2,155,694
Bank loans — denominated in HK\$, unsecured	171,311	—
	5,687,167	4,935,253
	7,016,430	5,994,181

Certain bank loans of the Group were secured by property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale and time deposits of the Group with total carrying values of approximately RMB5,095,237,000 as at 30 June 2009 (31 December 2008: approximately RMB4,791,098,000) and land use right of Guangzhou Lihe Property Development Limited<sup>#</sup>, which is incorporated in the PRC.

At 30 June 2009, the equity interests of the following wholly-owned subsidiaries of the Group are pledged to certain bank for the loans granted to the Group:

Name	Place of Incorporation
Guangzhou Conghua Hejing Real Estate Development Limited <sup>#</sup>	PRC
Champ Joyment Limited	HK

<sup>#</sup> The English names of these companies referred to in this unaudited condensed interim financial information represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

The carrying amounts of all the Group's borrowings are denominated in RMB except for loan balance of approximately HK\$1,485,234,000 as at 30 June 2009 (31 December 2008: approximately HK\$1,038,008,000) which was denominated in Hong Kong dollars. All of the Group's borrowings were charged at floating interest rates as at 30 June 2009 and 31 December 2008.

**14. Share Capital**

	Number of ordinary shares (Unaudited)	Nominal value of ordinary shares HK\$'000 (Unaudited)	Equivalent nominal value of ordinary shares RMB'000 (Unaudited)
<b>Authorised</b>			
At 30 June 2008, 31 December 2008 and 30 June 2009	8,000,000,000	800,000	786,113
<b>Issued and fully paid</b>			
At 30 June 2008, 31 December 2008 and 30 June 2009	2,593,750,000	259,375	254,093

## 15. Contingent Liabilities

- i) As at 30 June 2009, The Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB2,159.3 million (31 December 2008: approximately RMB1,624.9 million). This represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain 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 principal together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made as at 30 June 2009 and 31 December 2008 in the financial statements for the guarantees.

- ii) Pursuant to certain land use rights grant contracts entered into between the Group and the relevant PRC land bureau, the land use rights of certain land were contracted to be granted to the Group upon full payment of the land premium under the respective land use rights grant contracts. According to the terms of such land use rights grant contracts, if the delay in payment of the land premium is outstanding for more than a specified period, the relevant PRC land bureau may terminate the land use rights grant contracts, repossess the relevant land and may also claim for the compensation. The Group has applied to the relevant PRC land bureau for extension of the time limit for payment of the outstanding land premium. As at the date of this interim report, the Group has not received any notice from the relevant PRC land bureau which would indicate that it intends to terminate the land use rights grant contracts and seek the compensation.

## 16. Commitments

	As at	
	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment — Assets under construction	363,584	301,444
Properties being developed by the Group for sale	2,271,600	2,146,067
Investment in a jointly-controlled entity	898,930	898,930
	<b>3,534,114</b>	<b>3,346,441</b>

## Condensed Interim Financial Information

**17. Related Party Transactions****(a) Compensation of key management personnel of the Group:**

	Six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Short term employee benefits	7,374	6,969
Post-employment benefits	159	285
Total compensation paid to key management personnel	7,533	7,254

**(b) Outstanding balances with related parties:**

	As at	
	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Due from a jointly-controlled entity	46,314	50,314

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the amount due from the jointly-controlled entity approximates its fair value.

**18. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

On 30 June 2009, Plus Earn Consultants Limited, a company incorporated in the British Virgin Islands and is owned as to 76.5% by Mr. Kong Jian Min, as to 15.0% by Mr. Kong Jian Tao and as to 8.5% by Mr. Kong Jian Nan, the controlling shareholders of the Company ("the Vendor"), the Company, Morgan Stanley & Co. International plc. and Credit Suisse (Hong Kong) Limited ("the Placing Agents") entered into the placing agreement pursuant to which the Placing Agents have agreed to, as agent of the Vendor and on a fully underwritten basis, procure purchasers to acquire, and the Vendor has agreed to sell 300,000,000 existing ordinary shares of the Company at the placing price of HK\$5.10 per share. Pursuant to the placing of 300,000,000 existing ordinary share, the Vendor and the Company also entered into the subscription agreement on 30 June 2009 pursuant to which the Vendor has conditionally agreed to subscribe for the 300,000,000 new ordinary shares at HK\$5.10 per share, which is the same as the aforesaid placing price. Details of the information were contained in the Company's announcement dated 1 July 2009.

On 13 July 2009, 300,000,000 new ordinary shares of the Company were subscribed by the Vendor at HK\$5.10 per share.