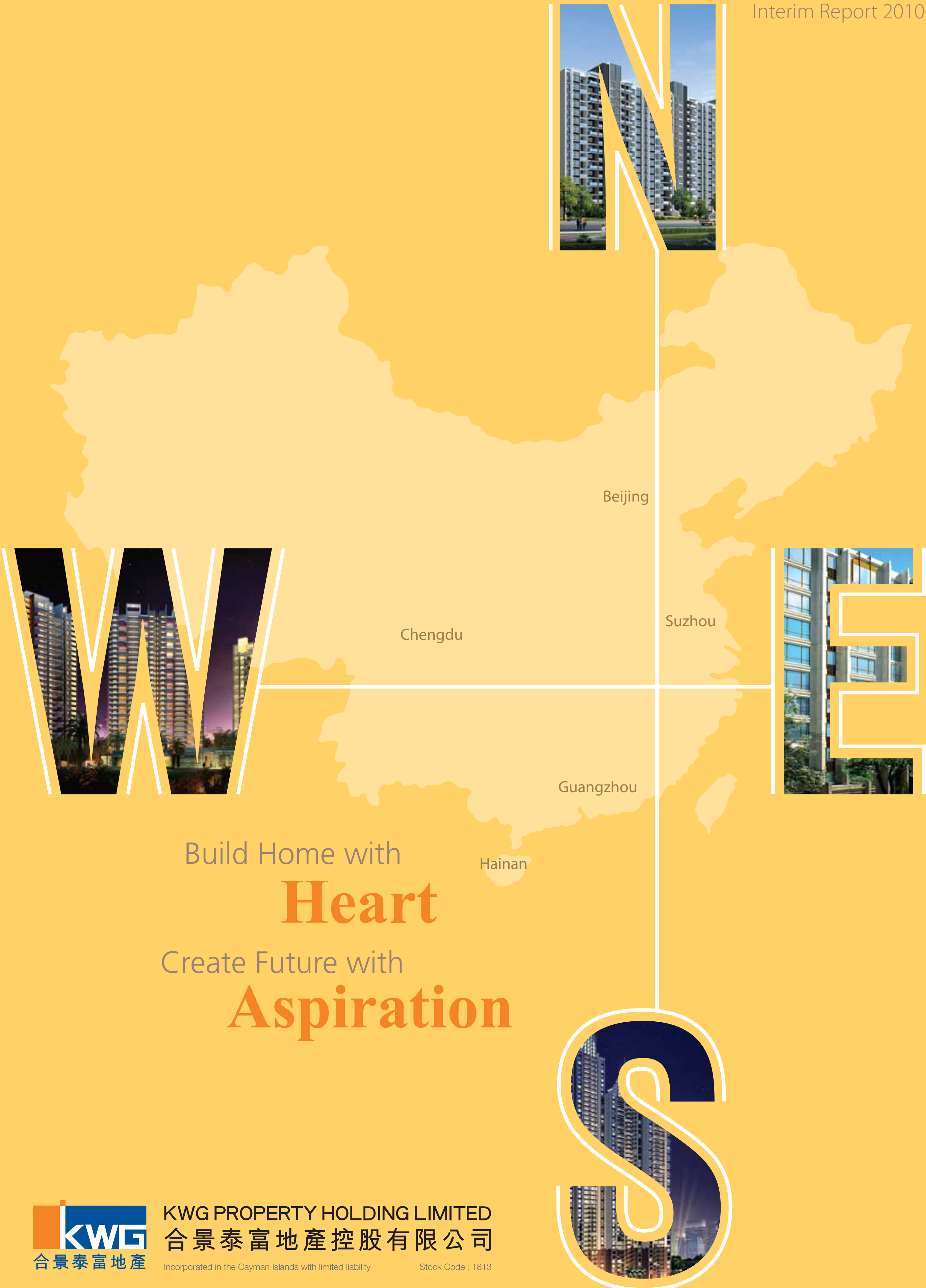
Interim Report 2010



Build Home with **Heart**

Create Future with **Aspiration**

KWG
合景泰富地產

KWG PROPERTY HOLDING LIMITED
合景泰富地產控股有限公司
Incorporated in the Cayman Islands with limited liability

Stock Code : 1813

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
Mr. Yu Yao Sheng

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

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

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 (the "Stock Exchange") (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 15 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, 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 and Hainan for South-west China and Beijing for the Bohai Rim, of which projects in Suzhou, Chengdu and Beijing have already been launched, while the project in Hainan is expected to launch in 2011.

In order to provide a solid foundation for future growth, KWG Property has acquired sufficient land bank for development in the next 5 to 6 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 2010. During the period under review, the Group recorded total revenue of approximately RMB2,342.1 million, representing a year-on-year increase of 160.1%. Profit attributable to owners of the parent was approximately RMB407.3 million, representing an increase of 140.9% from the same period last year. Earnings per share amounted to RMB14.1 cents.

Proactive response to market changes in the wake of tightened government policies

The People's Republic of China (the "PRC") property market entered a period of regulatory adjustment during the first half of 2010, as the government announced a series of policies (popularly known as the "New 10 Measures of the State Council") in April to curb speculative housing demand and regulate the property market. Sales of commodity housing across the nation plummeted in an immediate response to the new policy.

The Group has adopted proactive measures in response to government regulation of the property market. First of all, the management made pre-emptive moves to launch its housing projects at the beginning of 2010 ahead of uncertainties anticipated for 2011, resulting smooth cash inflow from encouraging sales performance. Secondly, after the announcement of the government's regulatory measures, we effectively mitigated the policy risk associated with the residential housing market by enhancing diversity and launching products other than residential housing, such as office, serviced apartments, parking lots and retail, etc. Moreover, the Group also strengthened cooperation with banks to resolve mortgage-related issues and speed up repayments. Meanwhile, we proactively managed the timing and pricing strategy of our project launch with a view to achieving a positive sell-through rate and sound pre-sales results by maintaining balance between selling price, volume and profit margin. We also reported a lower net gearing ratio and sustained a healthy statement of financial position as we continued to adopt a prudent approach in financial management. Last but not least, we also took this opportunity to improve internal corporate governance standards, exercise stringent cost control, deliver premium products, enhance staff quality and reinforce IT-based management.

As a result of the combined effect of the above measures, the Group remained in an advantageous position during the period of market regulation. As at 30 June 2010, the Group reported approximately RMB6.5 billion in pre-sales, representing 65.0% of the full-year target of pre-sales for 2010. By the end of August 2010, the Group's pre-sales amount grew to approximately RMB8.2 billion or 82.0% of the full-year target, which we are very confident of achieving. More importantly, the Group maintained positive cash flow which gave it an advantage in a volatile market.

Dedicated efforts in in-depth market development rewarded with the rollout of a nationwide strategic network

The Group launched its full-scale diversification to regional markets outside Guangzhou in 2009, extending its sales outreach to Suzhou, Chengdu and Beijing. After almost two years of dedicated efforts in in-depth market development, the KWG brand has established firm presence in these cities with strong customer recognition, thanks to its cutting-edge product designs and supreme quality. Chengdu Cosmos (成都譽峰), The Sapphire (峰匯國際) of Suzhou and Fragrant Seasons (also known as "Sound of the Soul") (香悦四季) of Beijing have each become a pole development in their respective region, consistently topping their regional competitors in terms of sales amounts and average prices. Currently, the Group owns 10 projects (accounting for about half of the Group's portfolio of development projects) outside Guangzhou in regions such as Suzhou in East China, Beijing and Tianjin in the Bohai Rim, and Chengdu and Hainan in South China, initially forming nationwide strategic network.

On the back its brand reputation and strong market recognition, the Group continued to increase efforts in launching its existing projects for sales during the period under review, showcasing more of its supreme products to potential buyers in different regions. Projects successfully launched during the period under review included high-rise apartments of Chengdu Cosmos (成都譽峰) featuring indoor swimming pools, which were the first of their kind in China, high-rise residential units in The Sapphire (峰匯國際) in Suzhou and low-rise apartments in Fragrant Seasons (香悦四季) in Beijing. Housing products launched during the first half of the year were well received by the local buyers of Suzhou, Chengdu and Beijing, as evidenced by steadily increasing sales. In Suzhou, the Group ranked No. 2 among property developers in the first six months of 2010 in terms of sales amount to seal the brand influence of KWG in the outer regions. As at 30 June 2010, the Group's pre-sales in the outer regions of Suzhou, Chengdu and Beijing accounted for 63.0% of the Group's overall pre-sales during the interim year, or 65.0% in terms of total pre-sales gross floor area, highlighting an increasingly balanced profile in results contributions from different parts of the nation.

A prudent approach to land acquisition with special focus on premium sites

The Group has persistently maintained a prudent strategy of land bank acquisition underpinned by stringent selection of land sites. We continued to focus on low-cost land acquisition through private negotiations, as we did in 2009. As well as giving us a competitive edge in pricing, this approach also helped to foster strengths as we sought to engage in the development of premium integrated property projects. Meanwhile, the Group also extended its partnerships with well-known large-scale developers in the current year, such as the Foshan joint venture project in another joint effort with Sun Hung Kai Properties Limited, and the Tianjin joint venture with fellow industry leaders including Guangzhou R&F Properties Co., Ltd., Agile Property Holdings Limited and Shimao Property Holdings Limited. Joint ventures allow us to gain exposure to large-scale, prime-site developments with better cash flow management and risk control. Joint ventures also represent an effective business model for accessing new regions by leveraging on the local expertise of our partners.

As at 30 June 2010, the Group had a land bank of approximately 7.4 million sq.m., which was increased to approximately 8.1 million sq.m. comprised in 21 projects by the end of August 2010 after the addition of the Tianjin site acquired in the same month. In adherence to the principle of effective development, 11 out of 19 projects (excluding the newly acquired projects during the first half of the year) were on sale, while 6 were under construction and the remaining 2 were investment properties. The Group will continue to focus on cities in which it has established presence and the surrounding areas of these cities which hold out strong potential for development. While medium- to high-end residential properties will remain our primary focus, we also intend to build a diversified product portfolio that would enhance our ability to counter risk.

A sound financial position

While making strong efforts to increase sales, the Group is equally committed to stringent cost control and the building of a sound financial regime by fostering positive partnerships with banks. As at 30 June 2010, the Group held strong cash flow of approximately RMB5,858.5 million in cash with a healthy net gearing ratio of 43.3%, down from 48.4% as at 31 December 2009, which put it in a more advantageous position in comparison to its industry peers.

The Group also completed the issue of U.S. dollar senior notes in mid-August and raised net proceeds of approximately RMB1,667.7 million, laying a solid financial groundwork for its future business development and land bank acquisition.

Outlook

Regulatory adjustments to the market implemented during the first half of the year are vital for the healthy development of the industry towards maturity. Such adjustments have also provided the Group with an opportunity for self-correction and perfection, improvements in corporate governance and enhancement of its ability to address and neutralise market risks.

Market corrections present opportunities as well as challenges. The Group remains fully confident in the PRC property market as its continues to monitor future market trends in a pro-active manner and adjust its strategies as appropriate, always adhering to the principles of healthy finance, prudent land acquisition, efficient operation and refined product designs in its relentless effort to foster a culture of exquisite housing and strive for steady business growth and maximise the benefits for our shareholders.

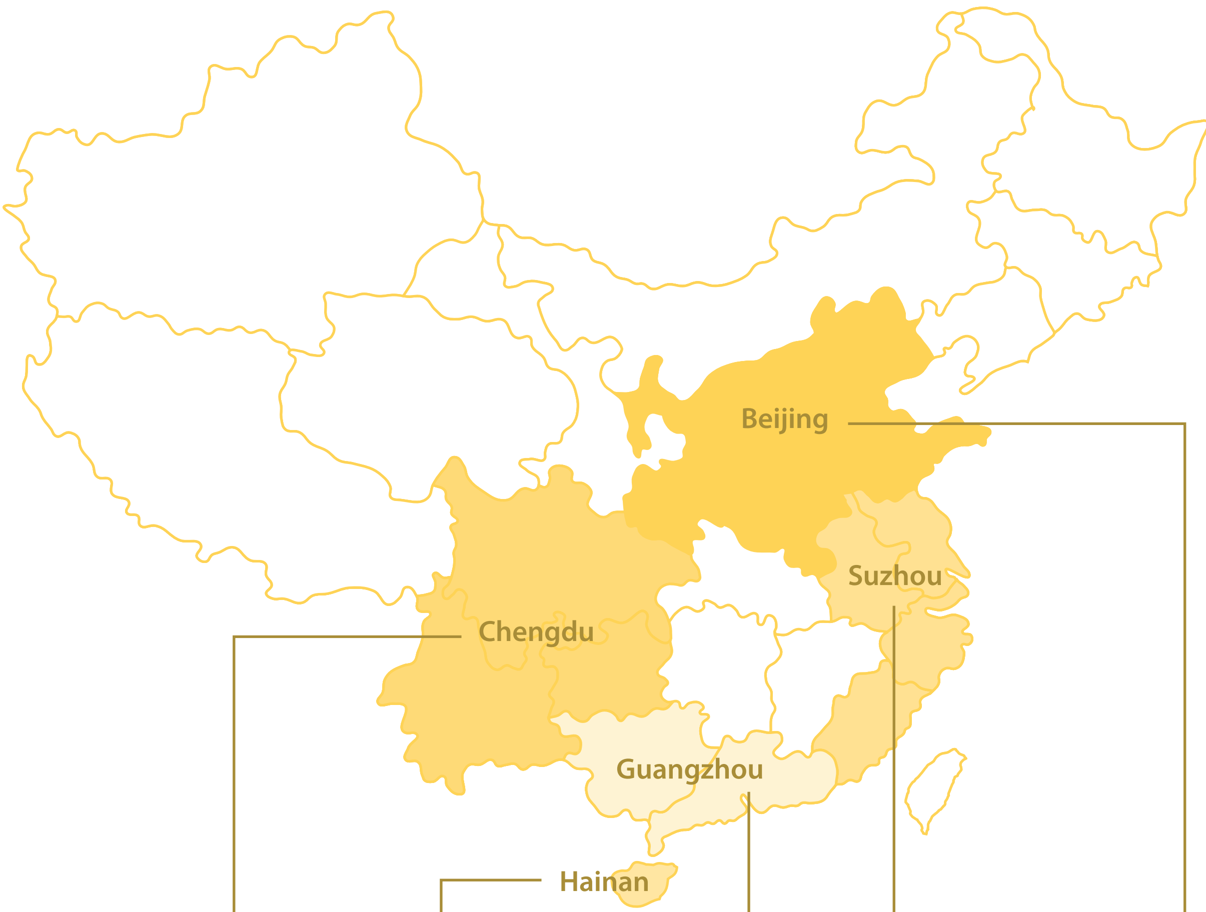
Appreciation

As the Group has reported excellent results for the period under review, I would like to extend sincere gratitude on behalf of the Board of Directors (the "Board") to our shareholders, investors and business partners for their trust and support, as well as all staff members of the Group, who are always committed to what is in the best interests of the Group and show great passion and dedication for their work. Hand-in-hand with concerted efforts, we will continue to map out an ever more prosperous future!

Kong Jian Min
Chairman

31 August 2010

Project Summary



Chengdu
3 projects

Total Attributable GFA:
approximately 1,385,000 sq.m.

The Emerald
The Vision of the World
Chengdu Cosmos

Hainan
1 project

Total Attributable GFA:
approximately 293,000 sq.m.

Lingshui Project

Guangzhou
11 projects

Total Attributable GFA:
approximately 4,098,000 sq.m.

The Apex
Sky Ville
Waterfront Mansion
International Creative Valley
The Summit
Lie De Project
J2-2 Project
D3-4 Project
Foshan Project
International Finance Place
Four Points by Sheraton Hotel

Suzhou
4 projects

Total Attributable GFA:
approximately 1,108,000 sq.m.

City Island
Up Blue Town
The Sapphire
Suzhou Apex

Beijing
1 project

Total Attributable GFA:
approximately 490,000 sq.m.

Fragrant Seasons

Business Summary

The PRC property market entered a period of regulatory adjustment during the first half of 2010, as the government announced a series of policies to curb speculative housing demand and regulate the property market. Sales of commodity housing across the nation plummeted in an immediate response to the new policy. The Group adopted proactive measures to address in the situation, such as the market launch strategy underpinned by a diversified product portfolio, proactive management of the timing and pricing of our project launch and enhancements of internal corporate governance standards, etc and reported encouraging results for the reporting period. As at 30 June 2010, 11 projects were on sale, including the villa units in Phase I of The Summit (also known as "Zengcheng Summit") (譽山國際) in Guangzhou launched in March. During the period under review, the Group also launched new phases of other existing projects, such as special units featuring indoor swimming pools of our high-end residential project Chengdu Cosmos (成都譽峰), the low-rise, standalone office towers with naming rights of International Creative Valley (科匯金谷) in Guangzhou, high-rise residential units of The Sapphire (峰匯國際) in Suzhou and the low-rise apartments of Fragrant Seasons (香悦四季) in Beijing. As at 30 June 2010, the Group reported approximately RMB6.5 billion in pre-sales, representing 65.0% of the full-year target of pre-sales for 2010.

Overview of the Group's Property Development

As at 30 June 2010, the Group had 17 projects under 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 m²)	Interest Attributable to the Group (%)
The Apex	Guangzhou	5-star hotel and serviced apartments	76	100
Sky Ville	Guangzhou	Low density villas/townhouses/ high-rise apartments/5-star hotel	202	100
Waterfront Mansion	Guangzhou	Townhouses/mid- to high-end residential	77	100
International Creative Valley	Guangzhou	Office building/serviced apartments	286	100
The Summit	Guangzhou	Large scale comprehensive project: mid- to high-end residential/villas/ townhouses/commercial properties	2,540	100
D3-4 Project	Guangzhou	High-end project: serviced apartments/office building	34	100
J2-2 Project	Guangzhou	High-end comprehensive project: hotel/serviced apartments/office building/shopping mall	72	50
Lie De Project	Guangzhou	High-end comprehensive project: hotel/residential/commercial properties	155	33
The City Island	Suzhou	Townhouses/mid- to high-end residential	38	100
The Up Blue Town	Suzhou	Mid- to high-end residential	147	100
The Sapphire	Suzhou	High-end residential/hotel/office building	788	100
Suzhou Apex	Suzhou	High-end residential/hotel/commercial properties	135	30
The Vision of the World	Chengdu	Mid- to high-end residential	509	100

Business Summary

Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 m²)	Interest Attributable to the Group (%)
Chengdu Cosmos	Chengdu	High-end comprehensive project: residential/hotel/serviced apartments/office building/ shopping mall	873	100
The Emerald	Chengdu	High-end residential	3	100
Fragrant Seasons	Beijing	Mid- to high-end residential/ townhouses	490	100
Lingshui Project	Hainan	Hotel/villas/high-rise apartments	293	100

Investment Hotels Under Construction

As at 30 June 2010, 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, except Four Points by Sheraton Hotel which had been completed construction, there were two hotels, Huadu Sheraton Resort Hotel and W Hotel, are under 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	Huadu Sheraton Resort Hotel	102	5 star	2011
Guangzhou	W Hotel	316	5 star	2011

Completed Investment Properties

As at 30 June 2010, the occupancy rate of International Finance Place ("IFP"), the Group's Grade A+ office building, stood at above 95.0%. The average monthly rent was approximately 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. Tenants who have signed up include more 20 domestic and foreign banks, Guangzhou offices of multinational corporations and diplomatic establishments such as the Italian Consulate.

Our Four Points by Sheraton Hotel, a 4-star business hotel located in Dongpu, Guangzhou, was in smooth operation since its launch in September 2009. The Group reported hotel operation income of approximately RMB22.1 million for the six month ended 30 June 2010.

Management Discussion and Analysis

Market Review

The PRC property market was under a period of regulatory adjustment during the first half of 2010. In January 2010, the PRC government issued the "Notice of the State Council Office on Facilitating the Stable and Health Development of the Real Estate Market," which provided that the amount of down payment for the purchase of a second housing property would be raised to 40.0%, in a bid to curb housing demand driven by speculative purposes. This was followed by new policies for the property market announced in March and April in 2010, which authorised banks to suspend loans for the purchase of a third housing property and for the purchase of any housing property by non-local residents who cannot provide evidence of payments of local taxes or social insurance premium for over 1 year, while a higher ratio of land premium payment was imposed coupled with other measures against stocking of land to forcefully curb excessive growth in housing prices in certain regions. The implementation of these policies dealt an immediate blow to the domestic property market, as property sales volume plummeted in various cities across the nation.

The management is of the view that the regulatory adjustment of the market is inevitable for healthier and more desirable development of the industry, while also providing market players an opportunity for self-correction. Throughout the process, the Group has been keeping close monitor of the situation and making swift response to address any changes in the market. Against unfavourable market conditions, the Group doubled its efforts in cost control and adjusted the focal points in business development, while observing prudent financial discipline, improving the efficiency of our IT-based management system and enhancing staff quality. Through these initiatives in building internal strengths, we aim to improve our ability to cope with challenges in the market by raising our internal operational standards and our ability to resolve market risks.

Business Review

Subsequent to its full-scale diversification to regional markets outside Guangzhou and successful market launches in 2009, the first six months of 2010 has been an important period of consolidation for the Group, during which it continued to explore these outside Guangzhou regional markets in further depths in a bid to reinforce its market share. Despite the rapid turnaround in market conditions since mid-April in 2010, the Group was able to achieve satisfactory pre-sale results for the reporting period, thanks to its initiative to speed up market launch since the start of the year which saw the completion of the sales of some of its new projects and products well before the regulatory measures loomed in. The total amount and gross floor area of pre-sale for the period under review were approximately RMB6.5 billion and 550,000 sq.m., respectively, representing growth 116.7% and 36.1%, respectively, as compared to the corresponding period in 2009.

As at 30 June 2010, the Group had 17 projects under development. The Summit (譽山國際) a large-scale integrated project located in Zengcheng, Guangzhou, launched Phase 1 villas in late March 2010, which gained active market responses with its well-planned complementary facilities and design. The Group also launched new phases of other existing projects during the period under review, such as special units with indoor swimming pools in high-end residential project Chengdu Cosmos (譽峰), the low-density, standalone office towers with naming rights in International Creative Valley (科匯金谷) in Guangzhou, high-rise residential units in The Sapphire (峰匯國際) in Suzhou and the low-density houses in Fragrant Seasons in Beijing, etc. Extensive market recognition of these new phases was well underpinned by consistent strong sales.

Leveraging our initial success in developing other regional markets in 2009 followed by persistent and dedicated efforts in market development and with the benefit of internal and external factors described above, we were capturing increasing market shares in Suzhou, Chengdu and Beijing on the solid reputation of our projects among the local communities in these cities, effectively boosting our brand influence and market shares outside Guangzhou regions. The Group will continue to enhance comprehensive business development outside Guangzhou regions and gradually extend its market coverage in the cities we have entered into and surrounding areas.

Management Discussion and Analysis

Investment Properties

As at 30 June 2010, the occupancy rate of IFP, one of the Group's major investment properties, stood at above 95.0%, as IFP remained the Grade A office building that commanded the highest rental rate in Guangzhou's office building market on the back of its building quality, excellent property management service and high-end tenancy.

Hotel properties and serviced apartments

Operations have been smooth at Four Points by Sheraton since its opening in September 2009, with business revenue steadily on the rise. Meanwhile, the Group's Guangzhou W Hotel — the first W Hotel and W Apartments in China — and Sheraton Huadu Resort are currently under construction and expected to commence operation in the near future.

Market Outlook

While the property market was subject to temporary regulatory adjustment during the interim period of 2010, there remained a realistic demand for primary as well as replacement housing from end-users, as the Chinese people continued to enjoy rising spending powers amid the nation's stable and robust economic growth. Nevertheless, it does take time for a rational market correction to run its course and for consumers' confidence to pick up thereafter.

As such, the Group will continue to monitor future market trends in a pro-active and rational manner, with plans to launch in the second half of 2010 Suzhou Apex (蘇州領峰), a brand new project in Wuzhong District, Suzhou, as well as new phases of existing projects such as high-rise apartments of The Summit (譽山國際) in Guangzhou, Phase II villas of Fragrant Seasons in Beijing and serviced apartments of International Creative Valley (科匯金谷), etc. The Group will continue to maximize the value of its land bank to construct quality residences, striving for stable growth in future results in pursuit of its corporate mission: "Build Home with Heart, Create Future with Aspiration".

Financial Review

Revenue

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

The revenue amounted to approximately RMB2,342.1 million in the first half of 2010, representing a significant increase of 160.1% from approximately RMB900.6 million for the corresponding period in 2009, primarily due to the increase of total gross floor area (the "GFA") delivered in sales of properties in the first half of 2010.

The revenue generated from property development, property investment, hotel operation and provision of property management services were approximately RMB2,229.7 million, RMB57.4 million, RMB22.1 million and RMB32.9 million, respectively, during the six months ended 30 June 2010.

Property development

Revenue generated from property development increased by 167.9% to approximately RMB2,229.7 million for the six months ended 30 June 2010 from approximately RMB832.4 million for the corresponding period in 2009, primarily attributable to an 123.5% increase in the total GFA delivered to 244,969 sq.m. in the first half of 2010 from 109,594 sq.m. for the corresponding period in 2009. The increase in the total GFA delivered was primarily due to more projects were delivered in the first half of 2010, as well as the recovery of market environment after the rapid turndown driven by the global economic crisis in the fourth quarter of 2008.

The increase in revenue was also attributable to the increase in the recognised average selling price of our properties increased. The recognised average selling price of property increased to RMB9,102 per sq.m. in the first half of 2010 from RMB7,595 per sq.m. for the corresponding period in 2009 reflecting the recovery of market environment as discussed.

Property investment

Revenue generated from property investment increased by 28.4% to approximately RMB57.4 million for the six months ended 30 June 2010 from approximately RMB44.7 million for the corresponding period in 2009, primarily attributable to an increase in total GFA of our rental area leased in IFP during the period under review.

Hotel operation

In September 2009, our Four Points by Sheraton Guangzhou, Dongpu commenced its soft-launch. The Group reported hotel operation income of approximately RMB22.1 million for the six month ended 30 June 2010 (six months ended 30 June 2009: Nil).

Provision of property management services

Revenue generated from the provision of property management services increased by 40.0% to approximately RMB32.9 million for the six months ended 30 June 2010 from approximately RMB23.5 million for the corresponding period in 2009, primarily attributable to an increase in the number of properties under management.

Cost of Sales

Cost of sales of the Group primarily represents the costs we incur directly for our property development activities. The principal component 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 166.5% to approximately RMB1,348.6 million for the six months ended 30 June 2010 from approximately RMB506.0 million for the corresponding period in 2009, primarily due to an overall increase in cost of properties sold following the increase in GFA delivered.

Land cost per sq.m. increased to RMB1,779 for the six months ended 30 June 2010 from RMB862 for the corresponding period in 2009, principally due to the higher proportion in the delivery of new projects with the land use right obtained in 2007, of which the land costs were relatively higher, in the first six months of 2010.

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

Gross Profit

Gross profit increased by 151.8% to approximately RMB993.5 million for the six months ended 30 June 2010 from approximately RMB394.5 million for the corresponding period in 2009. The increase of gross profit was principally due to the increase in the revenue in the first half of 2010. As discussed above, during the first six months of 2010, although the Group reported increment in the recognised average selling price of property, such effect was offset by the increase in land cost per sq.m.. The Group maintained a relatively stable gross profit margin of 42.4% for the six months ended 30 June 2010 as compared with 43.8% for the corresponding period in 2009.

Other Income and Gains

Other income and gains increased by 2.8% to approximately RMB28.9 million for the six months ended 30 June 2010 from approximately RMB28.1 million for the corresponding period in 2009, mainly comprising interest income of approximately RMB14.1 million and net exchange gains of approximately RMB5.2 million.

Management Discussion and Analysis

Selling and Marketing Costs

Selling and marketing costs of the Group increased by 73.2% to approximately RMB101.5 million for the six months ended 30 June 2010 from approximately RMB58.6 million for the corresponding period in 2009, which was primarily due to an increase of 60.3% in advertising expenses to approximately RMB67.5 million in the first half of 2010 from approximately RMB42.1 million for the corresponding period in 2009, which was largely attributable to increased advertising for our new projects, such as The Emerald, Chengdu Cosmos and The Vision of the World in Chengdu, The Up Blue Town and The Sapphire in Suzhou, Fragrant Seasons in Beijing, The International Creative Valley and The Summit in Guangzhou.

Administrative Expenses

Administrative expenses of the Group increased by 50.2% to approximately RMB170.6 million for the six months ended 30 June 2010 from approximately RMB113.6 million for the corresponding period in 2009, 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. The opening of our Four Points by Sheraton Guangzhou, Dongpu in September 2009 and the increase of other tax and surcharges on sales of properties also contributed to the increment for the six months ended 30 June 2010.

Other Operating Expenses, Net

Other operating expenses of the Group remained constant in the first half of 2010 as compared with the corresponding period in 2009. 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, Net

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 2010. The Group reported net fair value gains on investment properties of approximately RMB2.3 million for the six months ended 30 June 2010 (six months ended 30 June 2009: approximately RMB32,000).

Finance Costs

Finance costs of the Group being approximately RMB5.0 million for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil), related to the borrowing costs on corporate loans. Since such loans were not earmarked for project development, such borrowing costs have not been capitalised.

Income Tax Expenses

Income tax expenses increased by 215.7% to approximately RMB352.9 million for the six months ended 30 June 2010 from approximately RMB111.8 million for the corresponding period in 2009, primarily due to an increase in profit attributable to the owners of the parent and provision for land appreciation tax ("LAT") as a result of an increase in properties sold in the first six months of 2010.

Profit Attributable to the Owners of the Parent

Profit attributable to the owners of the parent of the Group for the six months ended 30 June 2010 increased by 140.9% to approximately RMB407.3 million from approximately RMB169.1 million for the corresponding period in 2009. Net profit margin decreased to 17.4% for the six months ended 30 June 2010 from 18.7% for the corresponding period in 2009, as a result of the cumulative effect of the foregoing factors.

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2010, the carrying amount of the Group's cash and bank balances was approximately RMB5,858.5 million (31 December 2009: approximately RMB3,610.6 million), representing an increase of 62.3% as compared to that as at 31 December 2009.

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 2010, the carrying amount of the restricted cash was approximately RMB1,034.0 million (31 December 2009: approximately RMB1,069.9 million).

Borrowings and Charges on Group's Assets

The Group had aggregate bank loans as at 30 June 2010 of approximately RMB10,479.0 million, of which approximately RMB2,696.1 million are repayable within 1 year, approximately RMB7,020.0 million are repayable between 2 and 5 years and approximately RMB762.9 million are repayable after 5 years.

As at 30 June 2010, 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 RMB8,721.6 million.

The carrying amounts of all the Group's bank loans are denominated in Renminbi except for certain loan balances with an aggregate amount of approximately HK$1,101.6 million as at 30 June 2010 which were denominated in Hong Kong dollars. All of the Group's bank loans were charged at floating interest rates as at 30 June 2010.

Gearing Ratio

The gearing ratio is measured by the net borrowings (total bank loans net of cash and cash equivalents and restricted cash) over the total equity. As at 30 June 2010, the gearing ratio was 43.3% (31 December 2009: 48.4%). The improvement in gearing ratio during the six months ended 30 June 2010 was primarily attributable to the increase in pre-sale proceeds for the six months ended 30 June 2010.

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 2010, 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 2010, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB5,669.8 million (31 December 2009: approximately RMB4,067.1 million). This represented the guarantees in respect of mortgage facilities granted by 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 defaulting 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 2010 and 31 December 2009 in the financial statements for the guarantees.

(ii) As at 30 June 2010, the Group had provided a guarantee in respect of a bank loan of RMB700.0 million (31 December 2009: RMB700.0 million) for the ex-owner of our Zengcheng project in Guangzhou, PRC.

(iii) As at 30 June 2010, the Group had provided a guarantee in respect of a bank loan to the extent of approximately RMB200.0 million (31 December 2009: Nil) for a jointly-controlled entity.

Employees and Emolument Policies

As at 30 June 2010, the Group employed a total of approximately 2,600 employees. The total staff costs incurred were approximately RMB109.2 million during the six months ended 30 June 2010. 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.

During the six months ended 30 June 2010, the Company granted 8,000,000 share options to certain employees of the Group at an exercise price of HK$5.67 per share on 30 March 2010. As at 30 June 2010, 16,457,000 options had been granted. None of the share options were exercised by the grantees or cancelled by the Company as at the date of approved of this unaudited condensed consolidated interim financial information.

Disclosure of Interests

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

At 30 June 2010, 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:

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	59.26%
		Beneficial owner	2,253,500	0.078%
Kong Jian Tao (Notes 2 and 3)	Long position	Interest of a controlled corporation	1,687,500,000	58.33%
	Long position	Beneficial owner	1,000,000	0.035%
Kong Jian Nan (Notes 2 and 3)	Long position	Interest of a controlled corporation	1,687,500,000	58.33%
He Wei Zhi (Note 5)	Long position	Interest of spouse	10,000	0.00035%
Yu Yao Sheng	Long position	Beneficial owner	894,000	0.031%

Notes:

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

2. 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.

3. 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.

4. 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.

5. These Shares are held and beneficially owned by Wang Yanlei, the spouse of He Wei Zhi.

Disclosure of Interests

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 2010, none of the directors nor chief executive of the Company had any interests or short positions in the 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.

Substantial Shareholders

At 30 June 2010, 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	55.74%

Notes:

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

2. 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 2010, 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 and the Section “Share Option Scheme” below, 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 Group believes that sound and good corporate governance practices are not only key elements in enhancing investor 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 Code on Corporate Governance Practices (the "Code Provision") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 2010.

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 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.

Corporate Governance and Other Information

During the period ended 30 June 2010, the Company announced that it offered to grant 8,000,000 share options to certain employees of the Group on 30 March 2010. Details of the share options granted pursuant to the Scheme were as follows:

Name of grantee	Notes	Number of share options granted as at 1 January 2010	Number of share options granted during the period	Number of share options outstanding at the end of the period	Date of grant	Period during which share options are exercisable	Exercise price per share (HK$)
Li Jian Ming	1	619,000	—	619,000	18 December 2009	18 December 2010 — 17 December 2014	6.24
He Wei Zhi	1	619,000	—	619,000	18 December 2009	18 December 2010 — 17 December 2014	6.24
Tsui Kam Tim	1	619,000	—	619,000	18 December 2009	18 December 2010 — 17 December 2014	6.24
Tam Chung Fai	2	30,000	—	30,000	18 December 2009	18 December 2009 — 17 December 2014	6.24
Lee Ka Sze, Carmelo	2	30,000	—	30,000	18 December 2009	18 December 2009 — 17 December 2014	6.24
Dai Feng	2	30,000	—	30,000	18 December 2009	18 December 2009 — 17 December 2014	6.24
Other employees of the Group	1	6,510,000	—	6,510,000	18 December 2009	18 December 2010 — 17 December 2014	6.24
Other employees of the Group	3	—	8,000,000	8,000,000	30 March 2010	30 March 2010 — 29 March 2015	5.67
		8,457,000	8,000,000	16,457,000			

Notes:

1. The vesting period of the share options is as follow:

    (i) 25% of the share options will be vested on 18 December 2010;

    (ii) 25% of the share options will be vested on 18 December 2011;

    (iii) 25% of the share options will be vested on 18 December 2012; and

    (iv) 25% of the share options will be vested on 18 December 2013.

2. The share options were vested on the date of grant.

3. The vesting period of the share options is as follow:

    (i) 25% of the share options were vested on the date of grant;

    (ii) 18.75% of the share options will be vested on 30 March 2011;

    (iii) 18.75% of the share options will be vested on 30 March 2012;

    (iv) 18.75% of the share options will be vested on 30 March 2013; and

    (v) 18.75% of the share options will be vested on 30 March 2014

The closing price of the Company's shares immediately before the date on which the share options were granted during the period ended 30 June 2010 was HK$5.60.

During the period ended 30 June 2010, no share options were exercised, cancelled or lapsed.

Valuation of Share Options

The Company has been using the Black-Scholes Model (the "Model") to value the share options granted. The fair value of the share options granted during the period ended 30 June 2010 determined at the date of grant using the Model was approximately RMB20,094,000.

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 2010 (six months ended 30 June 2009: Nil).

Condensed Interim Financial Information

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June 2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
REVENUE	4	**2,342,132**	900,568
Cost of sales		**(1,348,587)**	(506,043)
Gross profit		**993,545**	394,525
Other income and gains	4	**28,907**	28,061
Selling and marketing costs		**(101,494)**	(58,615)
Administrative expenses		**(170,550)**	(113,555)
Other operating expenses, net		**(760)**	(747)
Fair value gains on investment properties, net		**2,292**	32
Finance costs	5	**(4,961)**	—
Share of profits and losses of:			
Associates		**(433)**	—
Jointly-controlled entities		**13,705**	30,609
PROFIT BEFORE TAX	6	**760,251**	280,310
Income tax expenses	7	**(352,903)**	(111,847)
PROFIT FOR THE PERIOD		**407,348**	168,463
Attributable to:			
Owners of the parent		**407,346**	169,108
Non-controlling interests		**2**	(645)
		407,348	168,463
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic and diluted	8	**RMB14.1 cents**	RMB6.5 cents
Dividends	9	**—**	—

The notes on pages 26 to 36 form an integral part of this condensed interim financial information.

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**407,348**	168,463
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(127)**	(22,777)
Share of other exchange differences on translation of jointly-controlled entities	**3,766**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**3,639**	(22,777)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**410,987**	145,686
Attributable to:		
Owners of the parent	**410,985**	146,351
Non-controlling interests	**2**	(665)
	410,987	145,686

The notes on pages 26 to 36 form an integral part of this condensed interim financial information.

Condensed Interim Financial Information

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
		As at	
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,141,196**	981,508
Investment properties		**3,485,835**	3,501,460
Land use rights		**571,010**	572,833
Interests in associates		**1,558,642**	1,348,990
Interests in jointly-controlled entities		**1,999,386**	1,228,036
Deferred tax assets		**427,684**	398,325
Long term prepayment		**516,000**	—
Total non-current assets		**9,699,753**	8,031,152
CURRENT ASSETS			
Properties under development		**14,334,408**	13,951,102
Completed properties held for sale		**2,208,220**	2,300,415
Trade receivables	11	**73,239**	147,413
Prepayments, deposits and other receivables		**1,353,550**	453,039
Due from a jointly-controlled entity		**47,016**	46,999
Taxes recoverable		**85,662**	24,492
Restricted cash		**1,034,029**	1,069,876
Cash and cash equivalents		**4,824,473**	2,540,698
Total current assets		**23,960,597**	20,534,034
CURRENT LIABILITIES			
Trade payables	12	**1,287,294**	1,415,470
Other payables and accruals		**8,013,140**	5,222,361
Due to an associate		**—**	129,956
Interest-bearing bank loans	13	**2,696,062**	2,566,628
Taxes payable		**1,607,453**	1,418,808
Total current liabilities		**13,603,949**	10,753,223
NET CURRENT ASSETS		**10,356,648**	9,780,811
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,056,401**	17,811,963

Condensed Interim Financial Information

	Notes	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
		As at	
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	13	**7,782,943**	6,078,852
Deferred tax liabilities		**608,016**	624,788
Deferred revenue		**700,000**	700,000
Other non-current liabilities		**300,000**	—
Total non-current liabilities		**9,390,959**	7,403,640
Net assets		**10,665,442**	10,408,323
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	**280,485**	280,538
Treasury shares		**—**	(3,041)
Reserves		**10,374,951**	9,982,514
Proposed final dividends		**—**	144,658
		10,655,436	10,404,669
Non-controlling interests		**10,006**	3,654
Total equity		**10,665,442**	10,408,323

The notes on pages 26 to 36 form an integral part of this condensed interim financial information.

Condensed Interim Financial Information

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent											
	Issued capital	Share premium account	Treasury shares reserve	Reserve funds	Exchange fluctuation reserve	Equity-settled share option reserve	Capital reserve	Retained profits	Proposed final dividends	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
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
Final 2008 dividend declared	—	—	—	—	—	—	—	—	(77,813)	(77,813)	—	(77,813)
Acquisition of non-controlling interests	—	—	—	—	—	—	2,216	—	—	2,216	(718,184)	(715,968)
Transfer to reserves	—	—	—	12,289	—	—	—	(12,289)	—	—	—	—
At 30 June 2009	254,093	5,321,931	—	201,634	(106,725)	—	2,216	2,866,308	—	8,539,457	3,659	8,543,116
At 1 January 2010	**280,538**	**6,618,712***	**(3,041)**	**263,904***	**(113,862)***	**1,194***	**2,216***	**3,210,350***	**144,658**	**10,404,669**	**3,654**	**10,408,323**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**3,639**	**—**	**—**	**407,346**	**—**	**410,985**	**2**	**410,987**
Final 2009 dividend declared	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(144,658)**	**(144,658)**	**—**	**(144,658)**
Cancellation of shares	**(53)**	**(2,988)**	**3,041**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Acquisition of non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(26,350)**	**—**	**—**	**(26,350)**	**(3,650)**	**(30,000)**
Contribution from non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**10,000**	**10,000**
Share option expenses	**—**	**—**	**—**	**—**	**—**	**10,790**	**—**	**—**	**—**	**10,790**	**—**	**10,790**
Transfer to reserves	**—**	**—**	**—**	**42,389**	**—**	**—**	**—**	**(42,389)**	**—**	**—**	**—**	**—**
At 30 June 2010	**280,485**	**6,615,724***	**—**	**306,293***	**(110,223)***	**11,984***	**(24,134)***	**3,575,307***	**—**	**10,655,436**	**10,006**	**10,665,442**

* These reserve accounts comprise the consolidated reserves of approximately RMB10,374,951,000 (31 December 2009: approximately RMB9,982,514,000) in the condensed consolidated statement of financial position.

The notes on pages 26 to 36 form an integral part of this condensed interim financial information.

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash inflow/(outflow) from operating activities	**2,045,056**	(594,269)
Net cash outflow from investing activities	**(1,601,909)**	(844,911)
Net cash inflow from financing activities	**1,842,907**	1,041,415
Net increase/(decrease) in cash and cash equivalents	**2,286,054**	(397,765)
Cash and cash equivalents at beginning of the period	**2,540,698**	1,167,009
Effect of foreign exchange rate changes, net	**(2,279)**	(23,065)
Cash and cash equivalents at end of the period	**4,824,473**	746,179

The notes on pages 26 to 36 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 and its subsidiaries were principally engaged in the property development, property investment, hotel operation and provision of property management services in the PRC.

The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company and approved by the Board for issue on 31 August 2010.

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"). The unaudited condensed consolidated interim financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations).

3. Accounting Policies

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, 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 2010.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC) — Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

3. Accounting Policies (Continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC) — Int 9 and HK(IFRIC) — Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

The adoption of the new interpretations and amendments has had no significant financial effect on these unaudited condensed consolidated interim financial information.

4. Revenue, Other Income and Gains and Segment Information

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue:		
Sales of properties	**2,229,682**	832,403
Gross rental income	**57,418**	44,712
Hotel operation income	**22,147**	—
Property management fees	**32,885**	23,453
	2,342,132	900,568
Other income and gains:		
Gain/(loss) on disposal of investment properties, net	**334**	(1,264)
Bank interest income	**14,069**	1,963
Foreign exchange differences, net	**5,243**	23,389
Others	**9,261**	3,973
	28,907	28,061

For management purpose, the Group is organised into four operating segments as follow:

(i) Property development: Sale of properties
(ii) Property investment: Leasing of properties
(iii) Hotel operation: Operation of a hotel
(iv) Property management: Provision of property management services

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

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

The segment results for the six months ended 30 June 2010 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	**2,229,682**	**57,418**	**22,147**	**32,885**	**2,342,132**
Segment results	**815,446**	**59,047**	**(984)**	**7,510**	**881,019**
Reconciliations:					
Interest income and unallocated income					**28,573**
Unallocated expenses					**(144,380)**
Finance costs					**(4,961)**
Profit before tax					**760,251**
Income tax expenses					**(352,903)**
Profit for the period					**407,348**

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)	Hotel operation RMB'000 (Unaudited)	Property management RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:					
Sales to external customers	832,403	44,712	—	23,453	900,568
Segment results	303,854	42,618	—	3,448	349,920
Reconciliations:					
Interest income and unallocated income					29,325
Unallocated expenses					(98,935)
Finance costs					—
Profit before tax					280,310
Income tax expenses					(111,847)
Profit for the period					168,463

Note: The segment results include share of profits and losses of jointly-controlled entities and associates.

5. Finance Costs

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans	**291,488**	224,685
Less: Interest capitalised	**(286,527)**	(224,685)
	4,961	—

6. Profit Before Tax

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	**1,327,178**	500,658
Depreciation	**15,922**	5,734
Amortisation of land use rights	**4,938**	1,652
Less: Amount capitalised in assets under construction	**(4,230)**	(1,343)
	708	309
Gain on disposal of items of property, plant and equipment	**(195)**	—
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**93,847**	62,376
Pension scheme contributions	**5,284**	2,590
Equity-settled share option expenses	**10,088**	—
	109,219	64,966
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	**(31,085)**	(24,694)
	78,134	40,272

7. Income Tax Expenses

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — PRC		
Corporate income tax ("CIT")	**185,750**	69,057
Land appreciation tax ("LAT")	**213,284**	69,462
	399,034	138,519
Deferred	**(46,131)**	(26,672)
Total tax charge for the period	**352,903**	111,847

The share of CIT and LAT attributable to the jointly-controlled entities amounting to approximately RMB4,565,000 (six months ended 30 June 2009: approximately RMB10,203,000) and approximately RMB2,831,000 (six months ended 30 June 2009: approximately RMB9,617,000), respectively, are included in "Share of profits and losses of jointly-controlled entities" on the face of the condensed consolidated income statement.

The share of CIT attributable to the associates amounting to approximately RMB144,000 (six months ended 30 June 2009: Nil) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

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 2010 and 2009.

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 2010 and 2009, 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 Attributable to Owners of the Parent

The calculation of the basic earnings per share attributable to owners of the parent for the six months ended 30 June 2010 and 2009 are as follows:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Profit attributable to owners of the parent (RMB thousands)	**407,346**	169,108
Weighted average number of ordinary shares in issue (thousands)	**2,893,150**	2,593,750
Earnings per share (RMB cents per share)	**14.1**	6.5

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2010 in respect of the share options outstanding during the period as there was no dilutive effect on the basic earnings per share amount presented with the exercise prices of the share options greater than the average market price of the Company's shares. Diluted earnings per share amount for the period ended 30 June 2009 is the same as the basic earnings per share amount as no diluting events existed during the six months ended 30 June 2009.

9. Dividends

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

10. Property, Plant and Equipment

During the six months ended 30 June 2010, additions to property, plant and equipment of the Group amounted to approximately RMB176,400,000 (six months ended 30 June 2009: approximately RMB140,335,000).

Property, plant and equipment with a net book value amounted to approximately RMB790,000 was disposed of by the Group during the six months ended 30 June 2010 (six months ended 30 June 2009: Nil), resulting in a net gain on disposal amounted to approximately RMB195,000 (six months ended 30 June 2009: Nil).

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. An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	As at	
	30 June	31 December
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	**50,640**	114,644
4 to 6 months	**14,761**	12,830
7 to 12 months	**2,820**	12,162
Over 1 year	**5,018**	7,777
	73,239	147,413

Condensed Interim Financial Information

12. Trade Payables

All trade payables were fallen due within one year or repayable on demand as of 30 June 2010 and 31 December 2009.

13. Interest-bearing Bank Loans

	As at 30 June 2010 RMB'000 (Unaudited)	As at 31 December 2009 RMB'000 (Audited)
Current		
Bank loans — secured	**55,800**	408,210
Bank loans — unsecured	**1,325,897**	1,438,693
Current portion of long term bank loans		
— secured	**672,936**	480,246
— denominated in HK$, secured	**242,426**	211,244
— unsecured	**399,003**	28,235
	2,696,062	2,566,628
Non-current		
Bank loans — secured	**6,654,376**	4,745,085
Bank loans — denominated in HK$, secured	**460,049**	594,107
Bank loans — unsecured	**410,000**	479,625
Bank loans — denominated in HK$, unsecured	**258,518**	260,035
	7,782,943	6,078,852
	10,479,005	8,645,480

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 RMB8,721,623,000 as at 30 June 2010 (31 December 2009: approximately RMB8,506,052,000).

At 30 June 2010, the equity interests of the following wholly-owned subsidiaries of the Group are pledged to certain banks for the loans granted to the Group:

Name	**Place of Incorporation**
Guangzhou Conghua Hejing Real Estate Development Limited#	PRC
Champ Joyment Limited	HK

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

13. Interest-bearing Bank Loans (Continued)

The carrying amounts of all the Group's bank loans are denominated in Renminbi except for certain loan balances with an aggregate amount of approximately HK$1,101,564,000 as at 30 June 2010 (31 December 2009: approximately HK$1,210,006,000) which was denominated in Hong Kong dollars. All of the Group's bank loans were charged at floating interest rates as at 30 June 2010 and 31 December 2009.

14. Share Capital

	Number of ordinary shares '000 (Unaudited)	Nominal value of ordinary shares HK$'000 (Unaudited)	Equivalent nominal value of ordinary shares RMB'000 (Unaudited)
Authorised			
At 31 December 2009 and 30 June 2010	8,000,000	800,000	786,113
Issued and fully paid			
At 30 June 2010	2,893,150	289,315	280,485
At 31 December 2009	2,893,750	289,375	280,538

On 30 December 2009, the Company repurchased an aggregate of 600,000 ordinary shares at approximately HK$3,454,000 (equivalent to approximately RMB3,041,000) on the Stock Exchange and the aggregate consideration paid (including transaction costs) was approximately HK$3,458,000 (equivalent to approximately RMB3,045,000). On 8 January 2010, the shares were cancelled.

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

	Number of ordinary shares '000 (Unaudited)	Nominal value of ordinary shares HK$'000 (Unaudited)	Equivalent nominal value of ordinary shares RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2010 and 31 December 2009	2,893,750	289,375	280,538	6,618,712	6,899,250
Cancellation of shares	(600)	(60)	(53)	(2,988)	(3,041)
At 30 June 2010	2,893,150	289,315	280,485	6,615,724	6,896,209

15. Acquisition of a Subsidiary

On 7 January 2010, the Group acquired a 100% equity interest in Guangzhou Hengjian Construction Co. Ltd.# ("Guangzhou Hengjian"). Guangzhou Hengjian is engaged in the construction of properties. The purchase consideration for the acquisition was RMB45,556,000, which was fully paid on the acquisition date.

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

	Fair value recognised on acquisition RMB'000 (Unaudited)
Cash and bank balances	45,301
Prepayments, deposits and other receivables	9,433
Other payables and accruals	(9,178)
	45,556

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

16. Contingent Liabilities

(i) As at 30 June 2010, The Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB5,669,815,000 (31 December 2009: approximately RMB4,067,148,000). This represented the guarantees in respect of mortgage facilities granted by 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 defaulting 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 2010 and 31 December 2009 in the financial statements for the guarantees.

(ii) As at 30 June 2010, the Group had provided a guarantee in respect of a bank loan of RMB700,000,000 (31 December 2009: RMB700,000,000) for the ex-owner of the Group's Zengcheng project in Guangzhou, PRC.

(iii) As at 30 June 2010, the Group had provided a guarantee in respect of a bank loan to the extent of RMB199,980,000 (31 December 2009: Nil) for a jointly-controlled entity.

17. Commitments

	As at 30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment — Assets under construction	**362,119**	451,210
Properties being developed by the Group for sale	**1,992,848**	2,276,794
	2,354,967	2,728,004

18. Related Party Transactions

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

	Six months ended 30 June 2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Short term employee benefits	**14,170**	7,374
Post-employment benefits	**151**	159
Equity-settled share option expenses	**10,790**	—
Total compensation paid to key management personnel	**25,111**	7,533

(ii) Outstanding balances with related parties:

	As at 30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Included in interests in jointly-controlled entities/associates:		
Advance to jointly-controlled entities	**1,362,965**	1,139,454
Advance to associates	**158,335**	—
Included in current assets/liabilities:		
Due from a jointly-controlled entity	**47,016**	46,999
Due to an associate	**—**	(129,956)

The above balances are unsecured, interest-free and have no fixed term of repayment.

(iii) Guarantee granted to a related party:

As at 30 June 2010, the Group had provided a guarantee in respect of a bank loan to the extent of RMB199,980,000 (31 December 2009: Nil) for a jointly-controlled entity.

19. Events after the Reporting Period

(i) Issuance of senior notes

On 11 August 2010, the Company and its certain subsidiaries providing guarantees to the Company entered into a purchase agreement with Morgan Stanley & Co. International plc and Standard Chartered Bank in connection with the issuance of USD250,000,000 of 12.50% senior notes of the Company due 2017 (the "Notes"). The Notes have been listed and quoted on the Singapore Exchange Securities Trading Limited on 19 August 2010 and net proceeds of approximately USD245,243,000 were received by the Company. Details of the information were contained in the Company's announcements dated 3 August 2010, 12 August 2010 and 19 August 2010.

(ii) Investment in a joint venture in Tianjin, PRC

On 25 August 2010, the Company, through one of its indirect wholly-owned subsidiary, entered into an agreement with respective indirect wholly-owned subsidiaries of Agile Property Holdings Limited, Guangzhou R&F Properties Co., Ltd. and Shimao Property Holdings Limited in regards of future cooperation in the development of a property situated in Tianjin, PRC by the means of a joint venture. Details of the information were contained in the Company's announcement dated 25 August 2010.