



## KWG Property Holding Limited

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

Interim Report 2014



*Build Home With Heart*  
*Create Future With Aspiration*

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# Corporate Information

## Directors

### Executive Directors

Mr. Kong Jian Min (*Chairman*)  
Mr. Kong Jian Tao  
(*Chief Executive Officer*)  
Mr. Kong Jian Nan  
Mr. Li Jian Ming  
Mr. Tsui Kam Tim  
Mr. He Wei Zhi

### Independent Non-executive Directors

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

## Company Secretary

Mr. Tsui Kam Tim

## Authorised Representatives

Mr. Kong Jian Min  
Mr. Tsui Kam Tim

## Audit Committee

Mr. Tam Chun Fai (*Chairman*)  
Mr. Lee Ka Sze, Carmelo, JP  
Mr. Li Bin Hai

## Remuneration Committee

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

## Nomination Committee

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

## Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Principal Place of Business in Hong Kong

Suite 7506, Level 75  
International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

## Principal Share Registrar and Transfer Agent

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor  
Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## Hong Kong Branch Share Registrar

Computershare Hong Kong Investor  
Services Limited  
17M Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## Principal Bankers

Agricultural Bank of China Limited  
China Construction Bank Corporation  
Industrial and Commercial Bank of  
China Limited  
Bank of China Limited  
The Bank of East Asia (China) Limited  
Standard Chartered Bank (Hong Kong)  
Limited  
Industrial and Commercial Bank of  
China (Asia) Limited  
China Guangfa Bank Co., Ltd.  
China Minsheng Banking Corp. Ltd.  
The Hongkong and Shanghai Banking  
Corporation Limited  
Guangzhou Rural Commercial Bank  
Co., Ltd.

## Auditors

Ernst & Young

## Legal Advisors

as to Hong Kong law:  
Sidley Austin

as to Cayman Islands law:  
Conyers Dill & Pearman

## Website

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

## Stock Code

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

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

Over the past 19 years, the Group has built a comprehensive property development system supported by a balanced portfolio of different types of products, including medium and high-end residential properties, serviced apartments, villas, office buildings, hotels and shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou, Nanning and Hainan as its hub for South China, Suzhou, Shanghai and Hangzhou for East China, Chengdu for South-west China, and Beijing and Tianjin for the Bohai Rim region. At present, the Group has a number of diversified projects in the above regions. All of them have been well-received by consumers and achieved satisfactory sales since their initial launch.

The Group has always adhered to a prudent land bank replenishment strategy. Its current land bank is sufficient for development in the coming 5 to 6 years.

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

# Chairman's Statement

I am pleased to present the interim results of the Group for the six months ended 30 June 2014. During the period under review, the Group recorded total revenue of approximately RMB5,434.2 million. Profit attributable to owners of the Company was approximately RMB1,345.3 million, representing a slight decrease of 0.9% from the same period of the previous year. Earnings per share attributable to owners of the Company amounted to RMB46.5 cents.

## 1) Stellar pre-sales growth amid market downturn with a maturing fast asset turn business model

During the first half of 2014, homebuyers' enthusiasm for buying properties waned as the market notably cooled down, owing to higher inventory level in various cities and the slowing-down of the mortgage approvals by commercial banks. The Group accelerated the launch of brand new projects, and gradually established a fast asset turn model to ensure stable growth in pre-sales.

The Group has launched seven brand new projects for sale in Guangzhou, Beijing, Shanghai and Suzhou since March, such as Vision of the World in Shanghai, Top of World in Guangzhou, and Beijing Apex. The projects were well received by the market for their practical floor plans, premium designs than surrounding comparable projects, and hence achieving strong pre-sales upon initial launch. As at the end of June 2014, the Group secured an attributable pre-sales amount of approximately RMB10 billion, which represents 48% of our annual pre-sales target, far above industry average.

The accelerated launch of new projects will continue to fuel the future growth of the Group. As compared with 2013, as we further enhance product standardization, speed up construction progress, and shorten development cycle, the time it took from land acquisition to first launch was significantly shortened to approximately 8–10 months. Efforts concerted in improving operational capabilities have facilitated our transition to a faster turnover model. The number of projects currently on sale notably increased from 15 as at the end of 2012 to 31 in mid-2014, mainly from the increase in projects in first and second-tier cities.

## 2) Strategic geographic exposure with suitable product positioning

The Group believes having the appropriate strategic geographic exposure and suitable product positioning are keys to pre-sales. Therefore, we have been focused in cities with healthier demand and supply balance, such as Beijing, Shanghai and Guangzhou, where we develop projects with easy transportation accessibility and attractive municipal planning. During the period, Beijing Apex in Changyang district of Beijing and Guangzhou Top of World in Sino-Singapore Guangzhou Knowledge City became the top picks for homebuyers since their market debut, for their convenient locations near subway stations and well-planned ancillary infrastructure and facilities.

With regard to our product positioning, as the property market will benefit from urbanization in the long run, the Group will focus on meeting intrinsic and upgrading demand from homebuyers. While striving to develop small-to-medium size apartments with a gross floor areas ("GFA") between 80–110 sq.m., the Group also offered more low-density duplex units and villas to meet the demands from upgrading buyers and minimize the impact from small-size social security housing being launched in the market. During the period, as the villas with a GFA of less than 220 sq.m. in The Summit and Top of World in Guangzhou were well received by the market, the Group launched additional duplex units with a GFA of less than 150 sq.m., in Beijing Apex and La Villa, which also received positive response from the buyers because of their innovative design, reasonable total sum and good value for the price.

### 3) Anti-cyclical acquisition of premium land sites for effective cost control

During the period, property market was affected by over-supply in certain cities and tightening of banks' liquidity and lending quota, both the selling price and transaction volume recorded year-on-year decline. In addition, a large number of property developers participated actively and aggressively in the land market to replenish their land banks in 2013. The aforesaid factors led to a less active land market and weak market sentiment in the first half of 2014, as reflected by more transactions booked at reserve prices or low premiums, and a number of aborted land auctions.

Despite the changed sentiment in the land market, the Group believed that it was the appropriate time to capture opportunities brought by less competition and reasonable land premiums. At the beginning of the year, the Group prudently took part in land auctions held in various cities to look for land parcels with prime locations during this down cycle, and acquired a number of quality parcels located in first and second-tier cities at lower land premiums or reserve prices. Anti-cyclical acquisitions would help us effectively control our land costs and replenish our land bank to prepare for market recovery. For example, the Group acquired two land parcels located in the core area of Tongzhou Canal of Beijing in February and April at low land premiums, successfully locked in reasonable cost to protect future profit margin.

In addition, the Group also bought a number of projects from third party developers by way of project level merger and acquisition. During the year, the Group partook in developing Guangzhou Pazhou project with a local developer, and joined the developments of Guangzhou Finance City project and Rose and Ginkgo Mansion with other renowned property developers in the industry. With such joint ventures, the partners could share the land premium burden and leverage their respective strengths to consolidate resources and build the best products.

Post May, in light of an even weakened land market, the Group slowed down further acquisitions. We will prudently look to the progress of pre-sales and cash collection before we determine the land buying appetite and size.

### 4) Diversified funding channels to gradually lower finance cost

The Group firmly believes that a stable and prudent financial management system and the availability of ample funding are crucial for the healthy growth of business. Facing the ever-changing financial market, the Group closely monitored the availability of liquidity, fund flows, changes in interest rates and the movements of international financial markets, to best capture funding window to fuel development financing needs.

On one hand, by pinpointing the best possible time to tap the overseas capital market and leveraging on our established name in the property sector, the Group successfully issued a US\$600 million and another US\$400 million senior notes at much lower coupon rates to redeem the higher interest senior notes issued in the previous years to save finance cost. On the other hand, the Group further leveraged on the diverse range of financing channels to obtain development loans from domestic banks and low interest loans from banks in Hong Kong to support our business growth. As at the end of June, with sufficient cash on hand and further enhanced capital strength, the Group saw no need to obtain funding from high interest instruments such as trust loans and our finance costs have been meaningfully reduced as compared with those in the previous years.

### 5) Maintain sound profit margins while keep gearing level at bay

Looking back to the previous years, the Group stringently controlled our land costs and appropriately set the selling prices with a view to maintaining the gross profit margin and net profit margin above industry average. Even in 2014 in which the property market has slowed growth and land market is in a rather stagnant period, the Group still endeavors to make judicious decision and to best time the market in a prudent manner. The Group will set our paces for land acquisition and launching new projects for sales based on the cost and profit estimates and avoid developing our projects blindly or too aggressively, aiming to achieve our expected profit margin.

# Chairman's Statement

The Group has also been managing our gearing level prudently to keep leverage ratio at a reasonable level. We have expedited pre-sales to generate better cash collection and shorten the capital turnover period. In addition to further lowering gearing ratio, we also aim to reduce the total debt amount appropriately by the year end.

## 6) Outlook

Looking forward to the second half of the year, the real estate market will continue to endure slow growth brought by structural adjustments. The Group believes that a timely supply, sound inventory management and healthy cash flow are crucial components for our continuous success at this moment in time. We target to increase our cash at hands by ways of aggressive sale activities, stringent control on receivable collection, acceleration of inventory turnover and the improvement of our fast asset turn business model to ensure our financial soundness.

In the second half of the year, the Group expects to speed up the launch of new projects in prime locations, such as The Core of Center in Nanning, Jade Garden in Hangzhou, Guangzhou Ta Gang Project, Boulevard Terrace I&II in Tianjin (formerly known as Tianjin Shuanggang Project I&II) and Summer Terrace in Beijing (formerly known as Beijing Haidian Project). Most of the projects are well located along the subway lines or main roads with convenient public transportation and mature ancillary facilities. These projects are expected to become main selling anchors for the Group.

In addition, the Group will continue to launch latter phases of existing projects to provide resources for the Group's development and growth. New phases and batches will be launched to meet market demands, including Top of World in Guangzhou, Oriental Bund in Foshan, Vision of the World in Shanghai, Beijing Apex, La Villa in Beijing, The Eden in Guangzhou, The Summit in Guangzhou and Chengdu Sky Ville.

The Group will also focus on improving the operation capabilities of cost control and financial systems, and further enhance standardization on our products for effective utilization and consolidation of all resources.

## 7) Appreciation

On behalf of the Group, I would like to express my sincere gratitude to all shareholders and investors for their long term trust on and support to the Group. I would also like to thank all those who have rendered assistance to the Group. With their support and understanding, the Group has been able to venture on with a clear mind and uncompromised confidence to fulfill our goal amid challenges and opportunities. The growth and prosperity of the Group could not have been made possible without the dedication and hardwork of our people, and I really appreciate their contributions to the growth of the Group. I firmly believe that the Group will remain committed to building a better living environment, through offering new products with exquisite designs, premium quality and first-class services, to further strengthen our creditability and brand equity.

**Kong Jian Min**

*Chairman*

28 August 2014

## 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 RMB5,434.2 million in the first half of 2014, representing an increase of 17.0% from approximately RMB4,644.8 million for the corresponding period in 2013.

The revenue generated from property development, property investment, hotel operation and provision of property management services were approximately RMB5,105.0 million, RMB73.3 million, RMB149.8 million and RMB106.1 million, respectively, during the six months ended 30 June 2014.

### *Property development*

Revenue generated from property development increased by 15.1% to approximately RMB5,105.0 million for the six months ended 30 June 2014 from approximately RMB4,434.1 million for the corresponding period in 2013, primarily due to an increase in the recognised average selling price ("ASP") to RMB12,134 per sq.m. from RMB9,293 per sq.m. in the corresponding period in 2013. The increase in the recognised ASP was principally attributable to the increase in the delivery of high-end properties with higher ASP in the first half of 2014. In addition, during the six months ended 30 June 2013, due to the delivery of certain properties in exchange for the equity interest in Guangzhou Lihe Property Development Limited ("Guangzhou Lihe") to the ex-owner of The Summit in Guangzhou with relatively lower ASP, the overall ASP was at a relatively lower level. The effect of the increase in recognised ASP was partially offset by a decrease in the GFA delivered to 420,711 sq.m. in the first half of 2014 from 477,141 sq.m. in the corresponding period in 2013.

### *Property investment*

Revenue generated from property investment slightly decreased by 0.4% to approximately RMB73.3 million for the six months ended 30 June 2014 from approximately RMB73.6 million for the corresponding period in 2013.

### *Hotel operation*

Revenue generated from hotel operation increased by 127.7% to approximately RMB149.8 million for the six months ended 30 June 2014 from approximately RMB65.8 million for the corresponding period in 2013, primarily attributable to the revenue generated by W Hotel which officially commenced operation in May 2013 and the first half of 2014 was the first full period in which W Hotel was operated.

### *Provision of property management services*

Revenue generated from the provision of property management services increased by 48.8% to approximately RMB106.1 million for the six months ended 30 June 2014 from approximately RMB71.3 million for the corresponding period in 2013, primarily attributable to an increase in the number of properties under management.

### Cost of Sales

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

Cost of sales increased by 17.3% to approximately RMB3,493.8 million for the six months ended 30 June 2014 from approximately RMB2,977.4 million for the corresponding period in 2013, primarily due to an overall increase in cost of properties sold.



# Management Discussion and Analysis

Land cost per sq.m. increased from RMB1,844 for the corresponding period in 2013 to RMB2,970 for the six months ended 30 June 2014, reflecting the sales of high-end properties with higher ASP and land costs. During the six months ended 30 June 2013, mainly due to the delivery of certain properties in exchange for the equity interest in Guangzhou Lihe to the ex-owner of The Summit in Guangzhou with relatively lower land cost per sq.m., the overall land cost per sq.m. was at a relatively lower level.

Construction cost per sq.m. slightly decreased from RMB3,807 for the corresponding period in 2013 to RMB3,769 for the six months ended 30 June 2014.

## Gross Profit

Gross profit of the Group increased by 16.4% to approximately RMB1,940.4 million for the six months ended 30 June 2014 from approximately RMB1,667.4 million for the corresponding period in 2013. The increase of gross profit was principally due to the increase in the total revenue and recognised ASP in the first half of 2014. The Group reported a gross profit margin of 35.7% for the six months ended 30 June 2014 as compared with 35.9% for the corresponding period in 2013.

## Other Income and Gains, Net

Other income and gains, increased by 52.9% to approximately RMB44.2 million for the six months ended 30 June 2014 from approximately RMB28.9 million for the corresponding period in 2013, mainly comprised interest income of approximately RMB25.1 million.

## Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 12.9% to approximately RMB146.8 million for the six months ended 30 June 2014 from approximately RMB130.0 million for the corresponding period in 2013, mainly due to an increase in advertising for our projects, such as Vision of the World in Shanghai, Moon Bay Project in Hainan, and The Summit and Global Metropolitan Plaza in Guangzhou.

## Administrative Expenses

Administrative expenses of the Group increased by 8.9% to approximately RMB402.3 million for the six months ended 30 June 2014 from approximately RMB369.5 million for the corresponding period in 2013, primarily attributable to increased headcounts to catch up with the rapid development of the Group in various regional offices. During the first half of 2014, the increase of administrative expenses of the Group was also attributable to the launch of our Hangzhou office and Tianjin office in October 2013 and December 2013, respectively.

## Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB137.8 million for the six months ended 30 June 2014 (2013: approximately RMB0.2 million), mainly comprised premium paid on early redemption of senior notes amounting to approximately RMB137.3 million.

## Fair Value Gains on Investment Properties, Net

The Group reported net fair value gains on investment properties of approximately RMB111.4 million for the six months ended 30 June 2014 (2013: approximately RMB474.7 million), mainly related to various leasable commercial properties in various regions. For the six months ended 30 June 2014, the fair value gains were mainly attributable to leasable commercial properties of The Apex in Guangzhou of approximately RMB111.1 million.

## Finance Costs

Finance costs of the Group being approximately RMB6.1 million for the six months ended 30 June 2014 (2013: approximately RMB214.3 million), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised.

## Income Tax Expenses

Income tax expenses increased by 14.8% to approximately RMB566.8 million for the six months ended 30 June 2014 from approximately RMB493.8 million for the corresponding period in 2013, primarily due to an increase in the provision for land appreciation tax on the properties delivered in the first half of 2014.

## Profit for the Period

The Group reported profit for the period of approximately RMB1,343.7 million for the six months ended 30 June 2014 (2013: approximately RMB1,357.6 million). For the six months ended 30 June 2014, net profit margin was 24.7% (2013: 29.2%).

## Liquidity, Financial and Capital Resources

### Cash Position

As at 30 June 2014, the carrying amounts of the Group's cash and bank balances were approximately RMB10,108.4 million (31 December 2013: approximately RMB10,858.7 million), representing a decrease of 6.9% as compared to that as at 31 December 2013.

Pursuant to relevant regulations in the People's Republic of China (the "PRC"), certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 30 June 2014, the carrying amount of the restricted cash was approximately RMB1,214.0 million (31 December 2013: approximately RMB1,444.2 million).

### Borrowings and Charges on the Group's Assets

As at 30 June 2014, the Group's bank and other loans and senior notes were approximately RMB13,630.7 million and RMB9,325.9 million respectively. Amongst the bank and other loans, approximately RMB3,652.8 million will be repayable within 1 year, approximately RMB7,101.5 million will be repayable between 2 and 5 years and approximately RMB2,876.4 million will be repayable over 5 years. Amongst the senior notes, approximately RMB7,589.4 million will be repayable between 2 and 5 years and approximately RMB1,736.5 million will be repayable over 5 years.

As at 30 June 2014, the Group's bank and other loans of approximately RMB12,630.7 million were secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying value of approximately RMB17,335.2 million and properties under development of a joint venture with total carrying value of approximately RMB457.6 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately HK\$662.9 million and US\$14.8 million as at 30 June 2014 which were denominated in Hong Kong dollar and U.S. dollar respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB2,370.0 million which were charged at fixed interest rates as at 30 June 2014. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 30 June 2014.

### 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 2014, the gearing ratio was 70.4% (31 December 2013: 56.3%). The increase in gearing ratio in the first half of 2014 mainly reflected the increased cash utilisation in the ongoing property development projects.

### Risk of Exchange Rate Fluctuation

The Group mainly operates in the PRC, so most of its revenue and expenses are measured in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

# Management Discussion and Analysis

In the first half of 2014, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar maintained a relatively stable level and the board of directors (the “Board”) expects that any fluctuation of RMB’s exchange rate will not have material adverse effect on the operations of the Group.

## Contingent Liabilities

(i) As at 30 June 2014, the Group had the following contingent liabilities relating to guarantees given to banks in respect of mortgage facilities for certain purchasers amounting to approximately RMB4,947.6 million (31 December 2013: approximately RMB4,846.4 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group’s properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group’s guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial information as at 30 June 2014 and the financial statements as at 31 December 2013 for the guarantees.

- (ii) As at 30 June 2014 and 31 December 2013, the Group had provided guarantees in respect of certain bank loans for its joint ventures.
- (iii) As at 30 June 2014 and 31 December 2013, the Group had provided a guarantee in respect of a bank loan for an associate.

## Market Review

China property market witnessed strong growth in 2013 which resulted in a large number of housing units being launched to the market, causing structural imbalance in supply and demand in certain cities and increasing pressure on housing inventory. Property prices in larger cities soared in 2013 but has slightly declined recently and are gradually back to reasonable levels. According to the data published by National Bureau of Statistics in early July, for the six months ended 30 June 2014, sale of commodity housing presented a year-on-year decrease of approximately 6% in terms of both value and GFA, indicating a down cycle of the property market.

Buyers adopted a “wait-and-see” approach towards the property market under the backdrop of tighter approval of real estate mortgage lending and continued contraction of liquidity in banks. In addition, the launch of social housing diverted part of the market from intrinsic demand buyers. With the weakening of the pre-sales market, the momentum slowed down for land market as well. Since property developers conducted a considerable amount of land purchases last year, they remained rather prudent and cautious in face of newly released land parcels. During the period, a large number of land transactions were made at auction base prices, while some premium land parcels could not be sold.

To cope with the above situation, the central government has recently been relaxing home purchase restrictions in selective cities, while supporting first-home mortgage and purchases by end-users.

## Business Review

During the reporting period, the Group was confronted with market downturn and fierce competition among industry peers. However, with its adherence to the philosophy of “Build Home with Heart” and dedication to developing high-quality projects, the Group accelerated the launches of new projects and actively promoted pre-sales to achieve steady growth.

# Management Discussion and Analysis

The Group solidified its business and added saleable resources in cities where it had already established presence by launching seven brand new projects, namely Vision of the World in Shanghai, Top of World in Guangzhou, Beijing Apex, La Villa, Rose and Ginkgo Mansion in Beijing, Oriental Bund in Foshan and Wan Hui Plaza in Suzhou. As at 30 June 2014, the Group reported an attributable pre-sales amount of approximately RMB9,993 million, representing sales contribution from a total of 31 projects.

The Group made timely and reasonable adjustment to its product portfolio, focusing on the launch of various products adjacent to subway lines or main roads in first or second-tier cities. Beijing Apex, which made its debut sales during the reporting period, is situated between the 5th and the 6th Ring Road of Beijing. Strategically located along the subway line, the project embraces well-developed municipal infrastructure in the surroundings. Considering the impact of social housing on products of intrinsic demand, the project met the demand of various buyers by introducing residential units with GFA of 80–110 sq.m., duplex units with GFA of 130–140 sq.m., as well as townhouses with GFA of 170 sq.m. The project received keen responses from the market upon its first launch. Top of World in Guangzhou is located in the Sino-Singapore Guangzhou Knowledge City, an up-and-coming new town under the joint development of Guangzhou and Singapore. The town is equipped with comprehensive municipal infrastructure, such as institutions of higher education, intercity rail and subway line, and etc. The project first launched in April small-sized serviced apartments and a few villas with GFA of 175–220 sq.m. With its practical design and undemanding pricing, the project achieved a sell-through ratio of 90% on the first day of launch.

To ensure that the projects are built as scheduled and to enhance construction efficiency, the Group is committed to improving product standardization and further expediting work progress. It takes just 8 to 10 months from land acquisition to pre-sales. At present, the standardization model is widely applied in projects such as The Summit, The Eden, Top of World in Guangzhou, The Core of Center in Nanning, and etc. The Core of Center in Nanning was bought in September 2013, and the Group promptly proceeded to construction after quickly finalizing product design, material use and fit-out style with reference to the Group's past experience and diligent market research. In about 8 months, show flats and sales office were officially opened for The Core of Center in Nanning and its official launch took place in July 2014. The Group also optimized its operational capabilities by adding additional human resources for cost assessment and quality control to the current Operations Department, and appointing responsible personnel to conduct site inspection and survey quality of work in other projects.

The Group has been closely monitoring the pulse of financial markets and making timely arrangement for corporate financing activities through various channels to ensure sufficient funding. In January 2014, the Group successfully issued a US\$600 million senior notes with a 5-year term at lower coupon rate, which was designated to redeem the higher interest-rate notes issued in prior years to cut down finance cost. As banks tightened its quota for mortgage loans during the period, buyers had increasing difficulty in getting mortgage funding. With a view to improving cash collection, the Group offered small discounts to all cash buyers of selective projects such as The Summit in Guangzhou, Top of World in Guangzhou, Vision of the World in Shanghai and Chengdu Sky Ville, to relieve pressure on receivables collection and speed up cash recovery. As at 30 June 2014, the Group's cash on hand amounted to approximately RMB10,108.4 million.

As most developers had replenished land bank last year, the land market began to cool down, resulting in decreased transaction volume during the period. In a less competitive land market, the Group concentrated on areas such as Guangzhou and Beijing, where we have already built mature project teams, to explore premium land parcels and solidify our current footprint. The Group conducted its land acquisitions through a number of channels, for example, public land auctions and merger and acquisition with third party developers, to achieve reasonable pricing in a counter-cyclical timing to effectively control cost and avoid vicious competition. During the first half of the year, the Group acquired several sites. The Beijing Tongzhou I & II Project in Beijing and Top of World in Wuxiang New District of Nanning were bought in the open market both at low premium to base auction prices, successfully locking in profitability. As at 30 June 2014, the Group held a land bank with an attributable GFA of approximately 10.7 million sq.m.

# Management Discussion and Analysis

## Investment Properties and Hotels

### 1) Hotels

Benefiting from strategic location selection and proven hotel management expertise, the Group has built Four Points by Sheraton Guangzhou, Dongpu, Sheraton Guangzhou Huadu Resort and W Hotel Guangzhou since the commencement of its hotel operation in 2009. The Group's hotel operation is on the right track and returns from hotels are also growing.

The Group continues to enhance and improve its hotel service as well as dining and entertainment services based on customers' needs and market feedback. During the period, the three hotels strived to serve customers with premium tailor-made services by way of offering seasonable cuisine and dining promotions according to different seasons and festivities, complemented with relaxing leisure and entertainment facilities, to enhance our reputation and brand image.

### 2) Investment properties completed and available for lease

International Finance Place ("IFP"), one of the major investment properties of the Group, in the prestigious location at the heart of Pearl River New Town has been completed since 2007. After 7-year of development, the Group has incorporated its brand mission of "Manage Home with Heart" into its daily management. The overall improvement in office environment, maintenance of in-house facilities, attentive services and enhanced property management have gained wide recognition and appreciation from tenants and secured stable occupancy, especially from those financial enterprises or Guangzhou headquarters of multinational corporations. As at 30 June 2014, the occupancy rate of IFP stood at 99%. Leading tenants included Bank of Toyko-Mitsubishi UFJ (China), Ltd. (Guangzhou branch), LG Electronics (China) Co. Ltd., Guangzhou, Tesco Commercial (Guangzhou) Co. Ltd., and Consulate General of Italy – Guangzhou.

For the six months ended 30 June 2014, turnover of the Group from its leasing of office premises and retail properties amounted to approximately RMB73.3 million (2013: approximately RMB73.6 million).

## Business Outlook

During the second half of 2014, the Group will launch more brand new projects with premium locations and suitable product types including residential units, villas and serviced apartments. Potential brand new launches include The Core of Center in Wuxiang New District of Nanning, Jade Garden in Hangzhou Science City, Boulevard Terrace in Tianjin Jinnan Shuanggang and Summer Terrace in Beijing, etc. The Group will actively monitor pre-sales status, prudently manage cash collection, as well as increase cash on hand to ensure the sufficiency of working capital. In addition, the Group will launch new phases of existing projects such as The Summit in Guangzhou, The Eden in Guangzhou, Top of World in Guangzhou, Oriental Bund in Foshan, Chengdu Sky Ville, Beijing Apex and Vision of the World in Shanghai to replenish its saleable resources in a timely manner.

The Group is committed to optimizing its daily operational efficiency and heightening the operational capacity of hotels and the standard of property management through the combination of further improvement in product standardization scheme, development of cost control and financial systems, and consolidation of resources, to further enhance the Group's profitability.

With our progressive and persistent effort in property development, supplemented by a wide range of businesses such as hotels and investment properties, we are confident that the Group is able to achieve its pre-sales target for the year and deliver better results.

## Overview of the Group's Property Development

As at 30 June 2014, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning and Hangzhou.

# Management Discussion and Analysis

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
1.	The Summit	Guangzhou	Residential / villas / serviced apartments / office / retail	2,085	100
2.	Global Metropolitan Plaza	Guangzhou	Office / retail	73	50
3.	Tian Hui Plaza (included The Riviera & Top Plaza)	Guangzhou	Serviced apartments / office / hotel / retail	111	33.3
4.	Oriental Bund	Guangzhou	Residential / retail / serviced apartments / office / hotel	560	20
5.	The Regent	Guangzhou	Serviced apartments / retail	115	100
6.	Biological Island II	Guangzhou	Office / retail	84	100
7.	Top of World	Guangzhou	Villas / serviced apartments / office / retail / hotel	645	100
8.	The Eden	Guangzhou	Residential / retail	138	50
9.	Zengcheng Gua Lv Lake	Guangzhou	Villas / hotel	43	100
10.	Guangzhou Ta Gang Project	Guangzhou	Residential / villas / retail	344	100
11.	Guangzhou Pazhou Project	Guangzhou	Office	50	50
12.	Guangzhou Finance City Project	Guangzhou	Serviced apartments / retail	102	33.3
13.	IFP	Guangzhou	Office / retail	61	100
14.	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
15.	Sheraton Guangzhou Huadu Resort	Guangzhou	Hotel	25	100
16.	W Hotel / W Serviced Apartments	Guangzhou	Hotel / serviced apartments	80	100
17.	The Sapphire	Suzhou	Residential / hotel / serviced apartments / retail	162	100
18.	Suzhou Apex	Suzhou	Residential / hotel / serviced apartments / retail	235	90
19.	Suzhou Emerald	Suzhou	Residential / retail	160	100
20.	Leader Plaza	Suzhou	Serviced apartments / office / retail	37	51
21.	Wan Hui Plaza (formerly called Suzhou CRH New City)	Suzhou	Office / retail	60	100
22.	Suzhou Jade Garden	Suzhou	Residential / retail	85	100
23.	The Vision of the World	Chengdu	Residential / serviced apartments / retail	24	100
24.	Chengdu Cosmos	Chengdu	Residential / office / serviced apartments / retail / hotel	559	100
25.	Chengdu Sky Ville	Chengdu	Residential / office / serviced apartments / retail / hotel	450	50
26.	Fragrant Seasons	Beijing	Residential / villas / serviced apartments / retail	85	100
27.	La Villa	Beijing	Residential / office / retail	100	50

# Management Discussion and Analysis

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
28.	Beijing Apex	Beijing	Residential / villas / serviced apartments / office / retail	105	50
29.	Chong Wen Men	Beijing	Retail	16	100
30.	Summer Terrace (formerly called Beijing Haidian Project)	Beijing	Residential / villas	27	100
31.	Beijing Tong Zhou I	Beijing	Serviced apartments / office / retail	128	100
32.	Beijing Tong Zhou II	Beijing	Serviced apartments / office / retail	125	100
33.	Rose and Ginkgo Mansion	Beijing	Residential / villas	91	33
34.	Pearl Coast	Hainan	Villas / residential / hotel	257	100
35.	Moon Bay Project	Hainan	Villas / residential / retail / hotel	479	100
36.	Pudong Project	Shanghai	Office / retail	78	100
37.	The Core of Center	Shanghai	Residential / serviced apartments / retail / office	47	50
38.	Shanghai Apex	Shanghai	Residential / serviced apartments / retail / hotel / office	82	100
39.	Shanghai Sapphire	Shanghai	Serviced apartments / hotel / retail	110	100
40.	Shanghai Emerald	Shanghai	Residential / retail	18	100
41.	Amazing Bay	Shanghai	Residential / office / retail / serviced apartments / hotel	107	50
42.	Vision of World	Shanghai	Residential / serviced apartments / retail	236	100
43.	Jinnan New Town	Tianjin	Residential / serviced apartments / villas / retail	694	25
44.	Boulevard Terrace I (formerly called Tianjin Shuanggang Project I)	Tianjin	Residential / retail	55	100
45.	Boulevard Terrace II (formerly called Tianjin Shuanggang Project II)	Tianjin	Residential / villas / retail	32	100
46.	The Core of Center	Nanning	Residential / villas / office / retail	589	87
47.	Guangxi International Finance Place	Nanning	Office / retail	62	87
48.	Guangxi Top of World	Nanning	Residential / villas / hotel / retail	486	87
49.	Hangzhou Jade Garden (formerly called Hangzhou Science City I)	Hangzhou	Residential	47	100
50.	Hangzhou Science City II	Hangzhou	Residential / villas	58	100
51.	Hangzhou Science City III	Hangzhou	Residential	106	100

## Employees and Emolument Policies

As at 30 June 2014, the Group employed a total of approximately 4,630 employees. The total staff costs incurred were approximately RMB261.0 million during the six months ended 30 June 2014. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

During the period ended 30 June 2014, a total of 477,000 share options were cancelled and no share options were granted, exercised or lapsed as at the date of approval of the interim results for the six months ended 30 June 2014. Details of share option movement during the period are stated in the page 20 of this interim report. In addition, training and development programmes are provided on an on-going basis throughout the Group.



# Disclosure of Interests

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

As at 30 June 2014, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows or as disclosed under the section headed "Share Option Scheme" on page 20:

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

Name of Director	Long position/ Short position	Nature of interests	Number of shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Kong Jian Min (Notes 3, 4 and 5)	Long position	Interest of controlled corporations	1,750,742,000	60.51%
Kong Jian Tao (Notes 3 and 4)	Long position	Interest of controlled corporations	1,687,500,000	58.33%
	Long position	Beneficial owner	1,000,000	0.035%
Kong Jian Nan (Notes 3 and 4)	Long position	Interest of controlled corporations	1,687,500,000	58.33%
He Wei Zhi (Note 6)	Long position	Interest of spouse	10,000	0.00035%

Notes:

- Share(s) of HK\$0.10 each in the capital of the Company.
- As at 30 June 2014, total issued shares capital of the Company is 1,293,150,000 share.
- 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. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of 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. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of 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 63,242,000 shares through his interests in Hero Fine. Kong Jian Min is the sole director of Hero Fine.
- These Shares are held and beneficially owned by Wang Yan Lei, the spouse of He Wei Zhi.

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

Name of Director	Associated Corporations	Number of shares held in associated corporations	Approximate percentage of shareholding in associated corporations
Kong Jian Min	Plus Earn	765	76.50%
	Right Rich	765	76.50%
Kong Jian Tao	Plus Earn	150	15.00%
	Right Rich	150	15.00%
Kong Jian Nan	Plus Earn	85	8.50%
	Right Rich	85	8.50%

Save as disclosed above or under the section headed "Share Option Scheme" on page 20, as at 30 June 2014, none of the directors nor chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and shorts position which the directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to any directors or chief executive of the Company, as at 30 June 2014, other than the interests and short positions of the directors or chief executive of the Company as disclosed in the section "Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares" above and the section "Share Option Scheme" below, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

### (I) Interests and Short Positions of Substantial Shareholder(s) in the Shares and Underlying Shares of the Company

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

Name	Capacity	Number of shares held (Note 1)	Percentage of issued share capital (Note 2)
Plus Earn (Note 2)	Beneficial owner	1,612,500,000	55.74%

Notes:

- Share(s) of HK\$0.10 each in the capital of the Company.
- As at 30 June 2014, total issued share capital of the Company is 1,293,150,000 share.
- 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.

## Disclosure of Interests

### (II) Interests and Short Positions of Other Persons in the Shares and Underlying Shares of the Company

*Long positions in the shares of the Company:*

<b>Name</b>	<b>Capacity</b>	<b>Number of shares in Long Position (Note 1)</b>	<b>Percentage of issued share capital (Note 2)</b>
Alliance Bernstein L.P.	Investment Manager	144,229,300	4.99%
	Interest of controlled corporations	10,261,100	0.35%

Notes:

1. Share(s) of HK\$0.10 each in the capital of the Company.
2. As at 30 June 2014, total issued share capital of the Company is 1,293,150,000 share.

Save as disclosed above, as at 30 June 2014, there was no other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

# Corporate Governance and Other Information

## Compliance with the Corporate Governance Code

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor confidence and the Company's accountability and transparency but also important to the Company's long-term success. The Group, therefore, strives to attain and maintain effective corporate governance practices and procedures. The Company has complied with the code provisions in the Corporate Governance Code (the "Code Provision") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the period under review.

## Audit Committee

On 28 February 2014, Mr. Dai Feng ceased to be a member of the audit committee. As at 30 June 2014, the audit committee of the Company comprises three members who are Independent Non-executive Directors, namely Mr. Tam Chun Fai (the chairman), Mr. Lee Ka Sze, Carmelo, JP and Mr. Li Bin Hai. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statement for the year ended 31 December 2013 and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2014. It has also reviewed and recommended to the Board the current policies and practices on corporate governance of the Company, the Company's compliance with the Corporate Governance Code and the disclosure in the corporate governance report. Further, it has reviewed and monitored the training and continuous professional development of directors and senior management, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the current code of conduct applicable to employees and directors and recommended the same to the Board. The audit committee reported that there was no material uncertainty that cast doubt on the Company's going concern ability.

## Remuneration Committee

The remuneration committee was formed on 11 June 2007 with terms of reference in compliance with the Code Provision. It has reviewed and formulated policies in respect of remuneration structure of all directors and senior management of the Company, reviewed the remuneration packages of individual executive directors, non-executive directors and senior management and made recommendations to the Board for its consideration and reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives. On 28 February 2014, Mr. Dai Feng ceased to be the chairman of the remuneration committee. The position of the chairman of the remuneration committee had been taken up by Mr. Tam Chun Fai with effect from the same date. The remuneration committee consists of three members as at 30 June 2014, of which one is executive director being Mr. Kong Jian Min ("Mr. Kong") and two are Independent Non-executive Directors being Mr. Tam Chun Fai (the chairman) and Mr. Li Bin Hai.

## Compliance with Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific 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.

# Corporate Governance and Other Information

## Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2007.

During the six months ended 30 June 2014, no share options were granted, exercised or lapsed. Details of the share options granted pursuant to the Scheme were as follows:

Name of grantee	Number of share options granted as at 1 January 2014	Number of share options granted/ (cancelled) during the period under review (Note 1)	Number of share options outstanding as at 30 June 2014	Date of grant	Period during which share options are exercisable (Note 1)	Exercise price per share (HK\$)
Li Jian Ming	619,000	–	619,000	18 December 2009	18 December 2010– 17 December 2014	6.24
	619,000	–	619,000	26 August 2011	26 August 2012– 25 August 2016	4.49
He Wei Zhi	619,000	–	619,000	18 December 2009	18 December 2010– 17 December 2014	6.24
	619,000	–	619,000	26 August 2011	26 August 2012– 25 August 2016	4.49
Tsui Kam Tim	619,000	–	619,000	18 December 2009	18 December 2010– 17 December 2014	6.24
	1,238,000	–	1,238,000	26 August 2011	26 August 2012– 25 August 2016	4.49
Tam Chun Fai	30,000	–	30,000	18 December 2009	18 December 2009– 17 December 2014	6.24
	30,000	–	30,000	26 August 2011	26 August 2011– 25 August 2016	4.49
Lee Ka Sze, Carmelo	30,000	–	30,000	18 December 2009	18 December 2009– 17 December 2014	6.24
	30,000	–	30,000	26 August 2011	26 August 2011– 25 August 2016	4.49
Dai Feng (Note 2)	30,000	(30,000)	–	18 December 2009	18 December 2009– 17 December 2014	6.24
	30,000	(30,000)	–	26 August 2011	26 August 2011– 25 August 2016	4.49
Other employees of the Group	3,305,000	(447,000)	2,858,000	18 December 2009	18 December 2010– 17 December 2014	6.24
Other employees of the Group	3,822,000	(447,000)	3,375,000	26 August 2011	26 August 2012– 25 August 2016	4.49

Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercise periods.
- Mr. Dai Feng resigned as an independent non-executive director of the Company on 28 February 2014.

## Valuation of Share Options

The Company has been using the Black-Scholes Model and Binomial Model to value the share options granted.

## Purchase, Sale or Redemption of Listed Securities of the Company

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

## Interim Dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2014 (2013: Nil).

## Disclosures Pursuant to Rule 13.21 of the Listing Rules

A joint venture in which the Group owns 28.57% equity interest, Total Champ Limited, entered into an agreement for a term loan of HK\$1,075,000,000 (the "Loan Agreement I") on 4 November 2011. The Loan Agreement I includes a condition imposing specific performance obligations on Mr. Kong, the controlling shareholder of the Company. Mr. Kong is interested in approximately 60.51% of the issued share capital of the Company as at 30 June 2014. It will be an event of default in the event that Mr. Kong ceases to (i) be the single largest shareholder of the Company; (ii) hold directly or indirectly not less than 30% of the beneficial interest in the issued share capital of the Company; or (iii) have the right to determine the composition of the majority of the Board or equivalent body of the Company, and in such event (amongst other things), the Loan Agreement I may be terminated by the lenders and the facility may become immediately due and repayable. Further details of the transaction are disclosed in the announcement of the Company dated 4 November 2011.

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

On 28 September 2012, the Company entered into a facility agreement in respect of a term loan of HK\$500,000,000 (the "Facility Agreement II"). The Facility Agreement II includes conditions imposing specific performance obligations on Mr. Kong, Mr. Kong Jian Tao and Mr. Kong Jian Nan (collectively called "Kong's family"). Kong's family is collectively interested in approximately 60.55% of the issued share capital of the Company as at 30 June 2014. It will be an event of default if (i) Kong's family shall not together continue to control the Company; and (ii) Mr. Kong shall not remain as the chairman of the Board of the Company. "Control" under the Facility Agreement II means (a) (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) the power to appoint and/or remove all or a majority of the members of the Board or other governing body of the Company or otherwise control or has the power of control over the affairs and policies of the Company; and (b) to hold, whether directly or indirectly through any person beneficially, at least 30% of the issued share capital of the Company. Upon the occurrence of an event of default, the Facility Agreement II may be terminated by the lender and the facility may become immediately due and repayable. Further details of the transactions are disclosed in the announcement of the Company dated 28 September 2012.

## Corporate Governance and Other Information

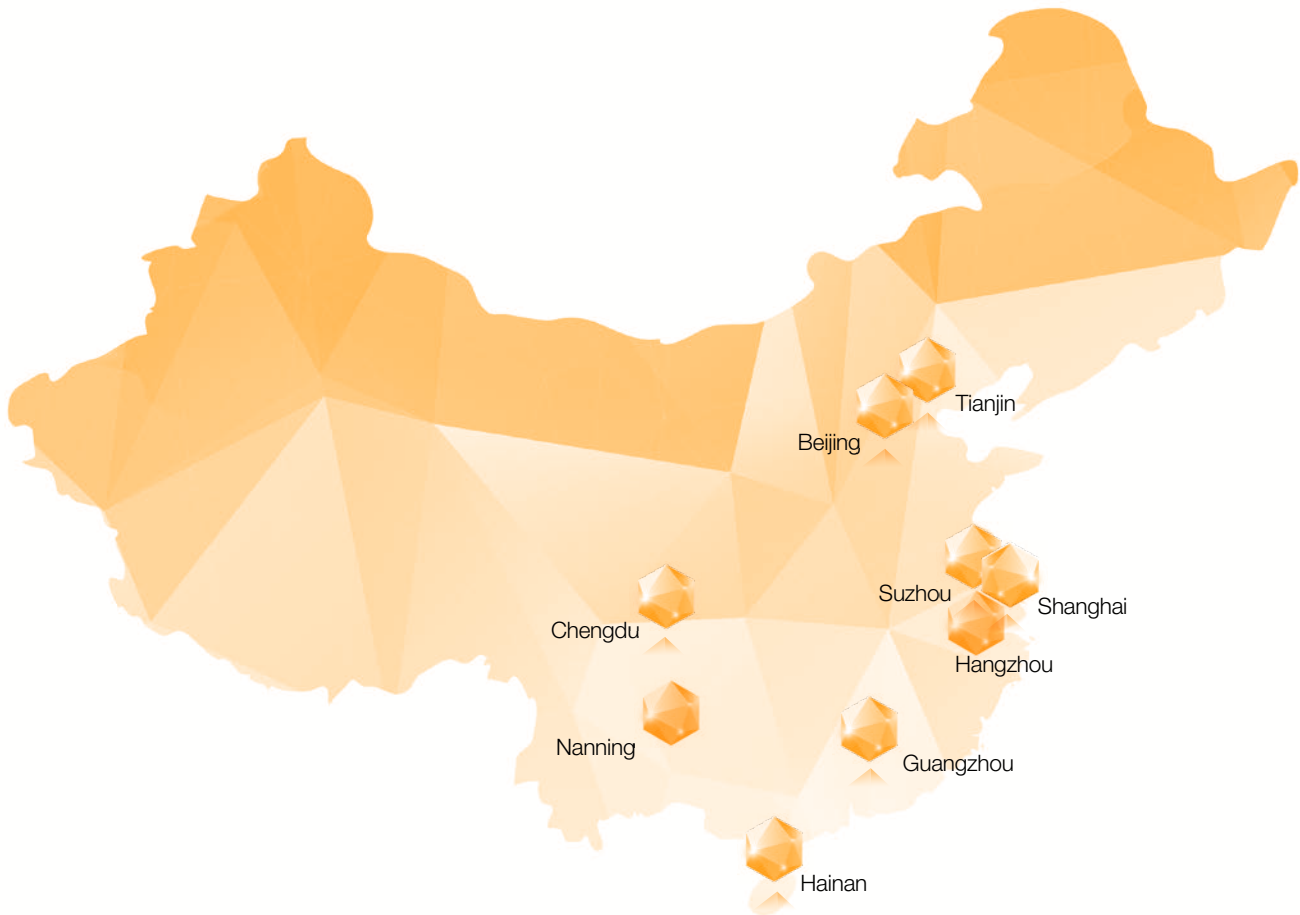
A joint venture in which the Group owns 25% equity interest, Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. (天津津南新城房地產開發有限公司) entered into a facility agreement for a term loan of RMB1,000,000,000 (the “Facility Agreement III”) on 21 May 2013. The Facility Agreement III imposes specific performance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

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

### Changes in Information of Directors

Pursuant to Rule 13.51 (B) of the Listing Rules, there are changes in the information required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 13.51 (2) of the Listing Rules during the course of the directors’ term of office. The changes of information on directors are as follows:

- (1) Mr. Dai Feng resigned as an independent non-executive director of the Company, the chairman of the Remuneration committee and a member of each of the audit committee and the nomination committee. The position of the chairman of the remuneration committee had been taken up by Mr. Tam Chun Fai with effect from the same date on 28 February 2014.
- (2) Mr. Dai Feng resigned as an independent non-executive director of Guangzhou R&F Properties Co., Ltd. on 28 February 2014.



## Hainan – 2 projects

Total Attributable GFA:  
approximately 736,000 sq.m.

- Pearl Coast
- Moon Bay Project

## Tianjin – 3 project

Total Attributable GFA:  
approximately 781,000 sq.m.

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

## Beijing – 8 projects

Total Attributable GFA:  
approximately 677,000 sq.m.

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

## Guangzhou – 16 projects

Total Attributable GFA:  
approximately 4,628,000 sq.m.

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

## Suzhou – 6 projects

Total Attributable GFA:  
approximately 775,000 sq.m.

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

## Shanghai – 7 projects

Total Attributable GFA:  
approximately 678,000 sq.m.

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

## Chengdu – 3 projects

Total Attributable GFA:  
approximately 1,033,000 sq.m.

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

## Nanning – 3 projects

Total Attributable GFA:  
approximately 1,137,000 sq.m.

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

## Hangzhou – 3 projects

Total Attributable GFA:  
approximately 211,000 sq.m.

- Hangzhou Jade Garden
- Hangzhou Science City II
- Hangzhou Science City III



# Independent Review Report



## To the board of directors of KWG Property Holding Limited

*(Incorporated in the Cayman Islands with limited liability)*

### Introduction

We have reviewed the interim financial information of KWG Property Holding Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 25 to 46, which comprise the condensed consolidated statement of financial position as at 30 June 2014 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month then ended, and explanatory information. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”).

The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such opinion.

### Conclusion

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

#### Ernst & Young

*Certified Public Accountants*

22/F CITIC Tower

1 Tim Mei Avenue, Central

Hong Kong

28 August 2014

# Condensed Consolidated Interim Financial Information

## Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>5,434,192</b>	4,644,765
Cost of sales		<b>(3,493,759)</b>	(2,977,388)
Gross profit		<b>1,940,433</b>	1,667,377
Other income and gains, net	4	<b>44,240</b>	28,949
Selling and marketing expenses		<b>(146,789)</b>	(129,964)
Administrative expenses		<b>(402,346)</b>	(369,537)
Other operating expenses, net		<b>(137,759)</b>	(183)
Fair value gains on investment properties, net		<b>111,411</b>	474,706
Finance costs	5	<b>(6,083)</b>	(214,291)
Share of profits and losses of:			
Associates		<b>(3,908)</b>	(1,226)
Joint ventures		<b>511,333</b>	395,546
<b>PROFIT BEFORE TAX</b>	6	<b>1,910,532</b>	1,851,377
Income tax expenses	7	<b>(566,823)</b>	(493,793)
<b>PROFIT FOR THE PERIOD</b>		<b>1,343,709</b>	1,357,584
Attributable to:			
Owners of the Company		<b>1,345,313</b>	1,357,330
Non-controlling interests		<b>(1,604)</b>	254
		<b>1,343,709</b>	1,357,584
Earnings per share attributable to owners of the Company			
– Basic and diluted	9	<b>RMB46.5 cents</b>	RMB46.9 cents

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

# Condensed Consolidated Interim Financial Information

## Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>1,343,709</b>	1,357,584
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(66,719)	85,752
Share of exchange differences on translation of associates	(7,016)	13,397
Share of exchange differences on translation of joint ventures	(20,305)	20,466
<b>NET OTHER COMPREHENSIVE (LOSS)/INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(94,040)</b>	119,615
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,249,669</b>	1,477,199
Attributable to:		
Owners of the Company	1,251,273	1,476,945
Non-controlling interests	(1,604)	254
	<b>1,249,669</b>	1,477,199

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

# Condensed Consolidated Interim Financial Information

## Condensed Consolidated Statement of Financial Position

		As at	
	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	3,189,944	3,176,236
Investment properties		6,393,304	6,134,630
Land use rights		849,134	858,546
Interests in associates		768,074	744,506
Interests in joint ventures		16,564,972	13,229,965
Deferred tax assets		1,047,075	995,798
Total non-current assets		<b>28,812,503</b>	25,139,681
<b>CURRENT ASSETS</b>			
Properties under development		22,987,777	18,923,966
Completed properties held for sale		4,088,455	4,036,430
Trade receivables	11	152,866	166,695
Prepayments, deposits and other receivables		1,889,654	2,309,263
Due from a joint venture	17(ii)	27	23
Taxes recoverable		178,916	155,600
Restricted cash		1,213,988	1,444,243
Cash and cash equivalents		8,894,445	9,414,483
Total current assets		<b>39,406,128</b>	36,450,703
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	2,707,498	3,333,315
Other payables and accruals		8,985,764	8,452,278
Due to joint ventures	17(ii)	10,603,723	6,401,540
Interest-bearing bank and other borrowings	13	3,652,835	3,065,010
Taxes payable		3,775,895	3,735,200
Total current liabilities		<b>29,725,715</b>	24,987,343
<b>NET CURRENT ASSETS</b>		<b>9,680,413</b>	11,463,360
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>38,492,916</b>	36,603,041

# Condensed Consolidated Interim Financial Information

## Condensed Consolidated Statement of Financial Position

		As at	
	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	13	19,303,789	17,840,356
Deferred tax liabilities		925,024	909,523
Deferred revenue		11,000	11,000
Total non-current liabilities		20,239,813	18,760,879
<b>NET ASSETS</b>			
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	14	280,485	280,485
Reserves		17,949,568	16,698,009
Proposed final dividends		–	839,014
<b>Non-controlling interests</b>		18,230,053	17,817,508
		23,050	24,654
<b>TOTAL EQUITY</b>		18,253,103	17,842,162

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

# Condensed Consolidated Interim Financial Information

## Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										
	Issued capital	Share premium account	Reserve funds	Exchange fluctuation reserve	Equity-settled share option reserve	Capital reserve	Retained profits	Proposed final dividends	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2013	280,485	6,615,724	607,802	106,368	25,478	(57,546)	7,269,247	433,973	15,281,531	71,848	15,353,379
Profit for the period	-	-	-	-	-	-	1,357,330	-	1,357,330	254	1,357,584
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	85,752	-	-	-	-	85,752	-	85,752
Share of exchange differences on translation of associates	-	-	-	13,397	-	-	-	-	13,397	-	13,397
Share of exchange differences on translation of joint ventures	-	-	-	20,466	-	-	-	-	20,466	-	20,466
Total comprehensive income for the period	-	-	-	119,615	-	-	1,357,330	-	1,476,945	254	1,477,199
Final 2012 dividend declared	-	-	-	-	-	-	-	(433,973)	(433,973)	-	(433,973)
Derecognition of a subsidiary	-	-	-	-	-	-	-	-	-	(48,878)	(48,878)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	2,200	2,200
Share option expenses	-	-	-	-	1,028	-	-	-	1,028	-	1,028
Transfer to reserves	-	-	58,669	-	-	-	(58,669)	-	-	-	-
At 30 June 2013	280,485	6,615,724	666,471	225,983	26,506	(57,546)	8,567,908	-	16,325,531	25,424	16,350,955
At 31 December 2013 and 1 January 2014	<b>280,485</b>	<b>6,615,724*</b>	<b>745,110*</b>	<b>325,156*</b>	<b>26,871*</b>	<b>(57,546)*</b>	<b>9,042,694*</b>	<b>839,014</b>	<b>17,817,508</b>	<b>24,654</b>	<b>17,842,162</b>
Profit for the period	-	-	-	-	-	-	1,345,313	-	1,345,313	(1,604)	1,343,709
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	(66,719)	-	-	-	-	(66,719)	-	(66,719)
Share of exchange differences on translation of associates	-	-	-	(7,016)	-	-	-	-	(7,016)	-	(7,016)
Share of exchange differences on translation of joint ventures	-	-	-	(20,305)	-	-	-	-	(20,305)	-	(20,305)
Total comprehensive (loss)/income for the period	-	-	-	(94,040)	-	-	1,345,313	-	1,251,273	(1,604)	1,249,669
Final 2013 dividend declared	-	-	-	-	-	-	-	(839,014)	(839,014)	-	(839,014)
Share option expenses	-	-	-	-	286	-	-	-	286	-	286
Transfer to reserves	-	-	90,995	-	-	-	(90,995)	-	-	-	-
At 30 June 2014	<b>280,485</b>	<b>6,615,724*</b>	<b>836,105*</b>	<b>231,116*</b>	<b>27,157*</b>	<b>(57,546)*</b>	<b>10,297,012*</b>	<b>-</b>	<b>18,230,053</b>	<b>23,050</b>	<b>18,253,103</b>

\* These reserve accounts comprise the consolidated reserves of approximately RMB17,949,568,000 (31 December 2013: approximately RMB16,698,009,000) in the condensed consolidated statement of financial position.

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

# Condensed Consolidated Interim Financial Information

## Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		1,910,532	1,851,377
Adjustments for:			
Finance costs	5	6,083	214,291
Share of profits and losses of associates		3,908	1,226
Share of profits and losses of joint ventures		(511,333)	(395,546)
Interest income	4	(25,070)	(17,290)
Recognition of deferred revenue		–	(700,000)
Loss on disposal of investment properties, net		119	97
Loss on disposal of items of property, plant and equipment	6	2	–
Depreciation	6	66,484	58,594
Amortisation of land use rights	6	1,662	830
Changes in fair values of investment properties, net		(111,411)	(474,706)
Equity-settled share option expenses		286	1,028
Cash flows from operations before changes in working capital		1,341,262	539,901
Changes in working capital		1,076,283	1,559,474
Cash generated from operations		2,417,545	2,099,375
Interest paid, net		(1,065,731)	(914,112)
Income tax paid		(585,235)	(357,181)
Net cash flows from operating activities		766,579	828,082

# Condensed Consolidated Interim Financial Information

## Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Net cash flows from operating activities	766,579	828,082
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(75,058)	(221,591)
Proceeds from disposal of investment properties	2,019	1,678
Derecognition of subsidiaries	–	(30,256)
Investments in and advance to joint ventures	(2,843,979)	(2,558,427)
Advance to associates	(34,492)	(17,241)
Net cash flows used in investing activities	(2,951,510)	(2,825,837)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issue and redemption of senior notes	1,214,989	1,836,648
Net proceeds from drawdown and repayment of bank loans	441,567	2,225,203
Contributions from non-controlling interests	–	2,200
Net cash flows from financing activities	1,656,556	4,064,051
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(528,375)</b>	<b>2,066,296</b>
Cash and cash equivalents at beginning of the period	9,414,483	4,927,197
Effect of foreign exchange rate changes, net	8,337	(11,645)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>8,894,445</b>	<b>6,981,848</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	4,815,570	3,865,199
Non-pledged time deposits with original maturity of less than three months when acquired	4,078,875	3,116,649
Cash and cash equivalents	8,894,445	6,981,848

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



# Condensed Consolidated Interim Financial Information

## Notes to Condensed Consolidated Interim Financial Information

### 1. Corporate Information

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

During the period, the Company and its subsidiaries (together, the “Group”) was involved in the following principal activities in the People’s Republic of China (the “PRC”):

- property development
- property investment
- hotel operation
- provision of property management services

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

The unaudited condensed consolidated interim financial information was reviewed by the audit committee of the Company and approved by the board of directors (the “Board”) for issue on 28 August 2014.

### 2. Basis of Preparation

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations).

# Condensed Consolidated Interim Financial Information

## 3. Accounting Policies

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 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 2013, except for the adoption of the following new and revised HKFRSs issued by the HKICPA, which are effective for the annual reporting period beginning on or after 1 January 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC) – Int 21	<i>Levies</i>

The adoption of the above new and revised HKFRSs has had no significant financial effect on the Group's unaudited condensed consolidated interim financial information and there have been no significant changes to the accounting policies applied in the unaudited condensed consolidated interim financial information.

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

Revenue, which is also the Group's turnover, represents the gross proceeds, net of business tax, from the sale of properties, gross rental income received and receivable from investment properties, gross revenue from hotel operation and property management fee income during the period.

An analysis of revenue, other income and gains, net is as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue:</b>		
Sale of properties	<b>5,104,977</b>	4,434,099
Gross rental income	<b>73,335</b>	73,579
Hotel operation income	<b>149,782</b>	65,819
Property management fees	<b>106,098</b>	71,268
	<b>5,434,192</b>	4,644,765
<b>Other income and gains, net:</b>		
Bank interest income	<b>25,070</b>	17,290
Others	<b>19,170</b>	11,659
	<b>44,240</b>	28,949

For management purposes, the Group is organised into four reportable operating segments as follows:

- (a) Property development: Sale of properties
- (b) Property investment: Leasing of properties
- (c) Hotel operation: Operation of hotels
- (d) Property management: Provision of property management services

# Condensed Consolidated Interim Financial Information

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

The Group's revenue from external customers is derived solely from its operations in the PRC.

The segment results for the six months ended 30 June 2014 are as follows:

	<b>Property development (Note) RMB'000 (Unaudited)</b>	<b>Property investment RMB'000 (Unaudited)</b>	<b>Hotel operation RMB'000 (Unaudited)</b>	<b>Property management RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<b>Segment revenue:</b>					
Sales to external customers	5,104,977	73,335	149,782	106,098	5,434,192
<b>Segment results</b>	<b>1,945,787</b>	<b>184,219</b>	<b>28,156</b>	<b>17,141</b>	<b>2,175,303</b>
<i>Reconciliation:</i>					
Interest income and other unallocated income					44,240
Unallocated expenses					(302,928)
Finance costs					(6,083)
Profit before tax					1,910,532
Income tax expenses					(566,823)
Profit for the period					1,343,709

# Condensed Consolidated Interim Financial Information

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

The segment results for the six months ended 30 June 2013 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	4,434,099	73,579	65,819	71,268	4,644,765
Segment results	1,778,923	548,090	8,606	(5,631)	2,329,988
<i>Reconciliation:</i>					
Interest income and other unallocated income					28,949
Unallocated expenses					(293,269)
Finance costs					(214,291)
Profit before tax					1,851,377
Income tax expenses					(493,793)
Profit for the period					1,357,584

Note: The segment results include share of profits and losses of joint ventures and associates.

## 5. Finance Costs

An analysis of the Group's finance costs is as follows:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Interest on bank and other borrowings	1,095,028	921,067
Less: Interest capitalised	(1,088,945)	(706,776)
	6,083	214,291

# Condensed Consolidated Interim Financial Information

## 6. Profit Before Tax

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of properties sold	<b>3,391,189</b>	2,926,032
Less: Government grant released	<b>(28)</b>	(850)
	<b>3,391,161</b>	2,925,182
Depreciation	<b>66,484</b>	58,594
Amortisation of land use rights	<b>9,013</b>	12,840
Less: Amount capitalised in assets under construction	<b>(7,351)</b>	(12,010)
	<b>1,662</b>	830
Loss on disposal of items of property, plant and equipment*	<b>2</b>	–
Premium paid on early redemption of senior notes*	<b>137,257</b>	–
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	<b>239,024</b>	224,324
Pension scheme contributions	<b>21,814</b>	14,420
Equity-settled share option expenses	<b>171</b>	570
	<b>261,009</b>	239,314
Less: Amount capitalised in assets under construction, properties under development and investment properties under development	<b>(66,743)</b>	(65,995)
	<b>194,266</b>	173,319

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

# Condensed Consolidated Interim Financial Information

## 7. Income Tax Expenses

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Current – PRC		
Corporate income tax (“CIT”)	372,583	231,426
Land appreciation tax (“LAT”)	230,031	190,199
Deferred	602,614 (35,791)	421,625 72,168
Total tax charge for the period	566,823	493,793

For the six months ended 30 June 2014, the share of CIT expense and LAT expense attributable to the joint ventures amounting to approximately RMB168,285,000 (2013: approximately RMB133,164,000) and approximately RMB70,550,000 (2013: approximately RMB143,255,000), respectively, are included in “Share of profits and losses of joint ventures” in the condensed consolidated statement of profit or loss.

For the six months ended 30 June 2014, the share of CIT credit attributable to the associates amounting to approximately RMB1,468,000 (2013: approximately RMB408,000) is included in “Share of profits and losses of associates” in the condensed consolidated statement of profit or loss.

### Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2014 and 2013.

### PRC corporate income tax

PRC CIT in respect of operations in the PRC have been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2014 and 2013, based on existing legislation, interpretations and practices in respect thereof.

### PRC land appreciation tax

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

# Condensed Consolidated Interim Financial Information

## 8. Dividends

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2014 (2013: Nil).

## 9. Earnings Per Share Attributable to Owners of the Company

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 2,893,150,000 (2013: 2,893,150,000) in issue during the period.

No adjustment had been made to the basic earnings per share amount presented for the six months ended 30 June 2014 in respect of a dilution as the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

For the six months ended 30 June 2013, the calculation of diluted earnings per share amount is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation of 2,893,150,000 plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares of 882,795.

The calculation of basic and diluted earnings per share is based on:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company	1,345,313	1,357,330
	Number of shares Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	2,893,150,000	2,893,150,000
Effect of dilution – share options	–	882,795
Weighted average number of ordinary shares used in diluted earnings per share calculation	2,893,150,000	2,894,032,795

# Condensed Consolidated Interim Financial Information

## 10. Property, Plant and Equipment

During the six months ended 30 June 2014, the Group had additions of property, plant and equipment at a total cost of approximately RMB82,409,000 (2013: approximately RMB233,601,000).

## 11. Trade Receivables

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

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Within 3 months	<b>91,723</b>	152,260
4 to 6 months	<b>16,977</b>	854
7 to 12 months	<b>34,946</b>	2,119
Over 1 year	<b>9,220</b>	11,462
	<b>152,866</b>	166,695

## 12. Trade and Bills Payables

All trade and bills payables were fallen due within one year or repayable on demand as of 30 June 2014 and 31 December 2013.



# Condensed Consolidated Interim Financial Information

## 13. Interest-bearing Bank and Other Borrowings

	As at 30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
<b>Current</b>		
Bank loans		
– secured	1,949,906	914,584
– denominated in HK\$, secured	–	147,296
– unsecured	1,000,000	500,000
Current portion of long-term bank loans		
– secured	542,037	1,373,931
– denominated in HK\$, secured	139,056	121,707
– denominated in US\$, secured	21,836	7,492
	<b>3,652,835</b>	3,065,010
<b>Non-current</b>		
Bank loans		
– secured	9,521,469	8,986,952
– denominated in HK\$, secured	387,152	456,249
– denominated in US\$, secured	69,205	82,260
– unsecured	–	500,000
Senior notes – denominated in US\$, secured (a)	9,325,963	7,814,895
	<b>19,303,789</b>	17,840,356
	<b>22,956,624</b>	20,905,366

- (i) Certain of the Group's borrowings were secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying values of approximately RMB17,335,213,000 and properties under development of a joint venture with total carrying values of approximately RMB457,555,000 as at 30 June 2014 (31 December 2013: approximately RMB14,929,369,000 and RMB457,555,000).
- (ii) As at 30 June 2014 and 31 December 2013, the equity interests of certain subsidiaries of the Group were pledged to certain banks for the loans granted to the Group.
- (iii) As at 30 June 2014 and 31 December 2013, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

Except for the above mentioned borrowings denominated in HK\$ and US\$, all borrowings were denominated in RMB as at 30 June 2014 and 31 December 2013. All of the Group's borrowings were charged at floating interest rates except for loan balances with an aggregate amount of RMB2,370,000,000, which were charged at fixed interest rate as at 30 June 2014 (31 December 2013: RMB1,750,000,000).

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

Note:

- (a) On 11 August 2010, the Company issued 12.5% senior notes with an aggregate principal amount of US\$250,000,000 (equivalent to approximately RMB1,693,123,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 18 August 2017. The senior notes carry interest at a rate of 12.5% per annum, which is payable semi-annually in arrears on 18 February and 18 August of each year commencing on 18 February 2011. For further details on the senior notes, please refer to the related announcements of the Company dated 12 August 2010 and 19 August 2010.

On 23 March 2011, the Company issued 12.75% senior notes with an aggregate principal amount of US\$350,000,000 (equivalent to approximately RMB2,296,035,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 30 March 2016. The senior notes carry interest at a rate of 12.75% per annum, which is payable semi-annually in arrears on 30 March and 30 September of each year commencing on 30 September 2011. For further details on the senior notes, please refer to the related announcements of the Company dated 23 March 2011, 24 March 2011 and 30 March 2011.

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

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

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

On 30 March 2014, the Company redeemed the outstanding 12.75% senior notes due 2016 in full at a redemption price to 106.375% of the principal amount thereof, plus accrued and unpaid interest to (but not including) 30 March 2014. For further details, please refer to the related announcement of the Company dated 28 February 2014 and 31 March 2014.

# Condensed Consolidated Interim Financial Information

## 14. Share Capital

	Number of ordinary shares of HK\$0.10 each '000	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000
<b>Authorised</b>			
<b>At 30 June 2014 (unaudited)</b>	<b>8,000,000</b>	<b>800,000</b>	<b>786,113</b>
At 31 December 2013 (audited)	8,000,000	800,000	786,113
<b>Issued and fully paid</b>			
<b>At 30 June 2014 (unaudited)</b>	<b>2,893,150</b>	<b>289,315</b>	<b>280,485</b>
At 31 December 2013 (audited)	2,893,150	289,315	280,485

## 15. Contingent Liabilities

- (i) As at 30 June 2014, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties amounting to approximately RMB4,947,557,000 (31 December 2013: approximately RMB4,846,403,000). Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principal together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled, but not limited to, to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considered that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements as at 30 June 2014 and 31 December 2013 for the guarantees.

- (ii) As at 30 June 2014, the Group had provided guarantees in respect of certain bank loans of approximately RMB2,978,474,000 (31 December 2013: approximately RMB4,360,992,000) for its joint ventures.
- (iii) As at 30 June 2014, the Group had provided a guarantee in respect of a bank loan of approximately RMB46,737,000 (31 December 2013: approximately RMB28,626,000) for an associate.

# Condensed Consolidated Interim Financial Information

## 16. Commitments

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

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Contracted, but not provided for:		
Property, plant and equipment	212,854	173,243
Properties being developed by the Group for sale	3,714,147	4,652,122
Investment properties	575,453	644,723
	<b>4,502,454</b>	<b>5,470,088</b>

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

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Contracted, but not provided for	3,028,960	2,311,448

## 17. Related Party Transactions

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Short term employee benefits	15,373	20,363
Equity-settled share option expenses	115	458
Post-employment benefits	263	287
Total compensation paid to key management personnel	<b>15,751</b>	<b>21,108</b>

# Condensed Consolidated Interim Financial Information

## 17. Related Party Transactions (Continued)

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

	<b>As at</b>	31 December
	<b>30 June</b>	2013
	<b>2014</b>	RMB'000
	<b>RMB'000</b>	(Audited)
	<b>(Unaudited)</b>	
Included in interests in associates/joint ventures:		
Advances to associates	714,243	679,751
Advances to joint ventures	6,890,382	4,297,845
Included in current assets:		
Due from a joint venture	27	23
Included in current liabilities:		
Due to joint ventures	10,603,723	6,401,540

As at 30 June 2014 and 31 December 2013, except for the aggregate amounts of RMB40,600,000, which are interest-bearing at 6% per annum, the advances to associates as shown above are unsecured, interest-free and not repayable within 12 months.

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

The amount due from a joint venture and amounts due to joint ventures as shown above are unsecured, interest-free and have no fixed terms of repayment.

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

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

# Condensed Consolidated Interim Financial Information

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

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

	<b>Carrying amounts As at 30 June 2014 RMB'000 (Unaudited)</b>	<b>Fair values As at 30 June 2014 RMB'000 (Unaudited)</b>
Financial liabilities		
Interest-bearing bank and other borrowings	22,956,624	23,483,894

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

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

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

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2014 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 30 June 2014 and 31 December 2013.

During the six months ended 30 June 2014 and the year ended 31 December 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

# Condensed Consolidated Interim Financial Information

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

Liabilities for which fair values are disclosed:

As at 30 June 2014

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Interest-bearing bank and other borrowings	–	23,483,894	–	23,483,894

## 19. Subsequent Events

- (i) On 29 July 2014, the Company issued 8.25% senior notes with an aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,464,600,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 August 2019. The senior notes carry interest at a rate of 8.25% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 February 2015. For further details on the senior notes, please refer to the related announcements of the Company dated 29 July 2014, 30 July 2014 and 5 August 2014.
- (ii) On 31 July 2014, the Company announced that the outstanding 12.50% senior notes due 2017 with an aggregate principal amount of US\$250,000,000 would be redeemed in full on 30 August 2014 at a redemption price of 106.250% of the principal amount thereof, plus accrued and unpaid interest to (but not including) 30 August 2014. For further details, please refer to the related announcement of the Company dated 31 July 2014.