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Longfor Properties Co. Ltd.
龍 湖 地 產 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 960

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2011

FINANCIAL HIGHLIGHTS

- Turnover increased by 113.8% to RMB7.85 billion as compared with the corresponding period of last year. Core profit attributable to shareholder increased by 117.4% to RMB1.95 billion, after deducting revaluation gain on investment properties. The core net profit margin increased to 24.8%.
- Contract sales amounted to RMB18.26 billion, representing an increase of 74.1% as compared with the corresponding period of last year.
- Cash in hand amounted to RMB12.63 billion and the net debt to equity ratio was 56.6%.
- Average cost of borrowing was 6.04%. Sales and administration expenses accounted for only 2.19% of the contract sales.
- Earning per share was RMB0.487 on a fully diluted basis. The Board resolved not to declare interim dividend.

Interim Results

The board of directors (the "Board") of Longfor Properties Co. Ltd. ("the Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2011 with the comparative figures for the six months ended June 30, 2010, as follows:

Condensed Consolidated Statement of Comprehensive Income
For the six months ended June 30, 2011

	NOTES	Six months ended June 30, 2011 *RMB'000 (unaudited)*	2010 *RMB'000 (unaudited)*
Revenue	3	7,852,226	3,672,389
Cost of sales		(3,558,859)	(2,537,228)
Gross profit		4,293,367	1,135,161
Other income	4	52,470	43,155
Other gains and losses	5	65,410	282
Fair value gain upon transfer to investment properties		63,521	775,912
Change in fair value of investment properties		754,783	1,354,700
Selling and marketing expenses		(200,206)	(88,219)
Administrative expenses		(199,534)	(113,338)
Finance costs	6	(73,954)	(1,333)
Share of results of jointly controlled entities		11,515	(7,655)
Profit before taxation		4,767,372	3,098,665
Income tax expense	7	(2,002,146)	(431,725)
Profit for the period and total comprehensive income for the period	8	2,765,226	2,666,940
Attributable to:			
Owners of the Company		2,523,942	2,204,970
Non-controlling interests		241,284	461,970
		2,765,226	2,666,940
Earnings per share, in RMB cents			
Basic	10	49.0	42.8
Diluted	10	48.7	42.6

Condensed Consolidated Statement of Financial Position
At June 30, 2011

	NOTES	At June 30, 2011	At December 31, 2010
		RMB'000	*RMB'000*
		(unaudited)	*(audited)*
NON-CURRENT ASSETS			
Investment properties	11	9,505,900	8,041,000
Property, plant and equipment		172,896	171,741
Prepaid lease payments		12,191,436	7,882,002
Interests in associates		1	1
Interests in jointly controlled entities		2,475,614	2,464,099
Available-for-sale investments		8,600	8,600
Deposits paid for acquisition of land use rights		4,513,537	4,274,216
Deferred taxation assets		641,554	436,035
		29,509,538	23,277,694
CURRENT ASSETS			
Inventories		604,687	415,939
Properties under development for sale		39,820,178	31,590,625
Properties held for sale		1,783,333	3,004,066
Accounts and other receivables, deposits and prepayments	12	3,091,448	2,516,293
Amounts due from jointly controlled entities		13,489	7,362
Taxation recoverable		1,205,363	539,034
Pledged bank deposits		448,919	499,419
Bank balances and cash		12,177,126	9,863,132
		59,144,543	48,435,870
CURRENT LIABILITIES			
Accounts payable, deposits received and accrued charges	13	39,476,228	31,474,867
Amounts due to jointly controlled entities		1,907,819	1,319,490
Taxation payable		3,309,831	2,635,182
Bank and other borrowings - due within one year		4,483,833	2,859,870
		49,177,711	38,289,409
NET CURRENT ASSETS		9,966,832	10,146,461
TOTAL ASSETS LESS CURRENT LIABILITIES		39,476,370	33,424,155

	NOTES	At June 30, 2011	At December 31, 2010
		RMB'000	*RMB'000*
		(unaudited)	*(audited)*
CAPITAL AND RESERVES			
Share capital		453,415	453,410
Reserves		17,586,556	15,526,846
Equity attributable to owners of the Company		18,039,971	15,980,256
Non-controlling interests		1,277,306	1,385,564
TOTAL EQUITY		19,317,277	17,365,820
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year		13,484,703	14,464,489
Senior notes		4,860,998	—
Deferred taxation liabilities		1,813,392	1,593,846
		20,159,093	16,058,335
		39,476,370	33,424,155

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2011 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2010.

Application of new or revised International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised IFRSs") issued by the International Accounting Standards Board.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised IFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued and are not yet effective:

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after July 1, 2011
[2] Effective for annual periods beginning on or after January 1, 2013
[3] Effective for annual periods beginning on or after January 1, 2012
[4] Effective for annual periods beginning on or after July 1, 2012

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the financial year ending December 31, 2013 and that the application of the new standard may have an impact on amounts reported in respect of the Groups' financial assets and financial liabilities. The directors of the Group are in the process of ascertaining the financial impact.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IRFS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. Overall, the application of IFRS 10 requires a lot of judgement. The application of IFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

IFRS 11 replaces IAS 31 Interest in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in IFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under IAS 31, there are three different types of joint arrangements: joint controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of IFRS 11 might result in changes in the classification of the Group's joint arrangements and their accounting treatments.

The directors of the Group are in the process of ascertaining the financial impact on application of IFRSs 10-13.

The amendments to IAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred taxation for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred taxation liabilities and deferred taxation assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

The directors anticipate that the application of the amendments to IAS 12 may have a significant impact on deferred taxation recognised for investment properties that are measured using the fair value model.

The directors anticipate that the application of the other new or revised standards will have no material impact on the condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors of the Company) in order to allocate resources to the segment and to assess its performance.

The Group is organised into business units based on their types of activities, based on which information is prepared and reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance. The Group's operating segments under IFRS 8 Operating Segments are identified as the following three main operations:

- Property development: this segment develops and sells office premises, commercial and residential properties. All the Group's activities in this regard are carried out in the People's Republic of China (the "PRC").

- Property investment: this segment leases investment properties, which are developed by the Group to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located entirely in the PRC.

- Property management and related services: this segment mainly represents the income generated from property management. Currently the Group's activities in this regard are carried out in the PRC.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Company's board of directors monitors the revenue and results attributable to each operating segment on the following bases:

Revenue and expenses are allocated to the operating segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit does not include the Group's share of results arising from the activities of the Group's jointly controlled entities.

The measure used for reporting segment profit is adjusted earnings before interest, taxes, depreciation, change in fair value of investment properties and finance costs ("Adjusted Earnings"), where "interest" is regarded as including investment income and "depreciation" is regarded as including impairment losses on non-current assets. To arrive at Adjusted Earnings, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditor's remuneration and other head office or corporate administration costs.

Management is also provided with segment revenue information (including inter-segment sales). Inter-segment sales are priced with reference to prices charged to external parties for similar service.

Information regarding the Group's reportable and operating segments is set out below.

	Six months ended June 30, 2011 (unaudited)			
	Property development	**Property investment**	**Property management and related services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	7,549,779	168,239	134,208	7,852,226
Inter-segment revenue	—	—	24,340	24,340
Segment revenue	7,549,779	168,239	158,548	7,876,566
Segment profit (Adjusted Earnings)	3,926,230	126,482	40,449	4,093,161

	Six months ended June 30, 2010 (unaudited)			
	Property development	**Property investment**	**Property management and related services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	3,467,181	114,444	90,764	3,672,389
Inter-segment revenue	—	—	11,341	11,341
Segment revenue	3,467,181	114,444	102,105	3,683,730
Segment profit (Adjusted Earnings)	936,806	90,932	18,407	1,046,145

(b) Reconciliations of segment revenues and profit or loss

	Six months ended June 30,	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue		
Segment revenue	7,876,566	3,683,730
Elimination of inter-segment revenue	(24,340)	(11,341)
Consolidated revenue	7,852,226	3,672,389
Profit		
Segment profit	4,093,161	1,046,145
Other income	52,470	43,155
Other gains and losses	65,410	282
Fair value gain upon transfer to investment properties	63,521	775,912
Change in fair value of investment properties	754,783	1,354,700
Finance costs	(73,954)	(1,333)
Share of results of jointly controlled entities	11,515	(7,655)
Depreciation	(11,024)	(11,212)
Unallocated expenses	(188,510)	(101,329)
Consolidated profit before taxation	4,767,372	3,098,665

(c) Segment Assets

The following is an analysis of the Group's assets by reportable and operating segment:

	At June 30, 2011 *RMB'000* *(unaudited)*	At December 31, 2010 *RMB'000* *(audited)*
Sales of properties	59,880,985	49,288,258
Leasing of properties (Note)	3,696,072	3,049,476
Provision of property management services	12,361	9,356
Total segment assets	63,589,418	52,347,090

Note:

The above amount of segment asset relating to leasing of properties represents the cost of investment properties.

4. OTHER INCOME

	Six months ended June 30, 2011 *RMB'000* *(unaudited)*	2010 *RMB'000* *(unaudited)*
Interest income	40,594	23,819
Consultancy fee income (Note)	581	13,590
Sundry income	11,295	5,746
Total	52,470	43,155

Note:

It represents the design, decoration and consulting services related to real estate development provided by the Group to outsider.

5. OTHER GAINS AND LOSSES

	Six months ended June 30, 2011 *RMB'000* *(unaudited)*	2010 *RMB'000* *(unaudited)*
(Loss) gain on disposal of property, plant and equipment	(28)	277
Net exchange gain (Note)	65,438	5
	65,410	282

Note:

It represents exchange difference arising from bank borrowings and senior notes, original currencies of which are Hong Kong Dollar and United States Dollar respectively.

6. FINANCE COSTS

	Six months ended June 30,	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest on bank and other borrowings		
Wholly repayable within five years	(520,174)	(380,931)
Not wholly repayable within five years	(16,388)	(9,531)
Interest expense on senior notes	(110,810)	—
Less: Amount capitalised to properties under development for sales	573,418	389,129
	(73,954)	(1,333)

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 6.2% (six months ended June 30, 2010: 6.17%) per annum for the six months ended June 30, 2011 to expenditure on the qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current tax		
PRC Enterprise Income Tax ("EIT")	(967,147)	(225,126)
Land appreciation tax ("LAT")	(1,020,972)	(128,641)
	(1,988,119)	(353,767)
Overprovision in prior periods		
EIT	—	255,820
LAT	—	60,315
	—	316,135
Deferred taxation		
Current period	(14,027)	(554,629)
Overprovision in prior periods	—	160,536
	(14,027)	(394,093)
	(2,002,146)	(431,725)

No provision for Hong Kong Profits Tax has been made as the Group does not have income which arises in, or is derived from, Hong Kong.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from January 1, 2008 onwards.

Certain of the Company's subsidiaries operating in the PRC are eligible for certain tax holidays and concessions and were exempted from PRC EIT for the period.

Pursuant to the relevant PRC corporate income tax rules and regulations, preferential corporate income tax rates have been granted to certain of the Company's PRC subsidiaries which were established in western regions and engaged in the encouraged business. These companies are subject to a preferential rate of 15% from 2002 to 2010, subject to approval of the tax authority, if the annual income derived from the encouraged business is more than 70% of the annual total income. No approval has been obtained during the current period.

8. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	11,024	11,212
Loss (gain) on disposal of property, plant and equipment	28	(277)
Operating lease rentals	6,724	5,080

9. DIVIDEND

	Six months ended June 30,	
	2011	**2010**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Dividend recognised as distribution during the period:		
Final dividend paid in respect of 2010 of RMB0.1 (Six months ended June 30 2010: in respect of 2009 of RMB0.063) per share	515,505	324,450

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended June 30, 2011	2010
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	2,523,942	2,204,970

	2011	2010
	'000	*'000*
	(unaudited)	*(unaudited)*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	5,155,047	5,150,304
Effect of dilutive potential ordinary shares in respect of - Share options	23,631	22,060
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	5,178,678	5,172,364

11. INVESTMENT PROPERTIES

	Completed investment properties	Investment properties under construction	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2011 (audited)	7,326,300	714,700	8,041,000
Additions	—	615,018	615,018
Transfer	174,700	(174,700)	—
Transfer from prepaid lease payments	—	31,578	31,578
Fair value gain upon transfer of prepaid lease payments to investment properties	—	63,521	63,521
Net increase in fair value recognised in profit or loss	151,900	602,883	754,783
At June 30, 2011 (unaudited)	7,652,900	1,853,000	9,505,900

The investment properties are all situated in the PRC under medium-term leases.

The fair values of the Group's investment properties at dates of transfer and June 30, 2011 and 2010 have been arrived at on the basis of valuations carried out on those date by Savills Valuation and Professional Services Limited, a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

12. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables are mainly arisen from sales of properties. Considerations in respect of sales of properties are paid by purchasers in accordance with the terms of the related sales and purchase agreements.

	At June 30, 2011 *RMB'000* *(unaudited)*	**At December 31, 2010** *RMB'000* *(audited)*
Trade receivables	118,503	343,397
Other receivables, net of allowance for doubtful debts	404,012	203,690
Advances to suppliers	297,897	191,188
Prepaid tax	1,892,191	1,429,263
Prepayments and utilities deposits	378,845	348,755
	3,091,448	2,516,293

The following is an aged analysis of trade receivables at the end of the reporting period based on the date of properties delivered to the customers:

	At June 30, 2011 *RMB'000* *(unaudited)*	**At December 31, 2010** *RMB'000* *(audited)*
Within 60 days	118,347	337,531
61 - 180 days	156	5,866
	118,503	343,397

13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At June 30, 2011 *RMB'000* *(unaudited)*	**At December 31, 2010** *RMB'000* *(audited)*
Trade payables and accrued expenditure on construction	2,455,441	2,618,597
Bills payable	3,750	5,306
Deposits received and receipt in advance from property sales	34,832,692	26,291,986
Other payables and accrued charges	2,184,345	2,558,978
	39,476,228	31,474,867

Trade payables and accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is an aged analysis of trade payables and accrued expenditure on construction and bills payable at the end of the reporting period:

	At June 30, 2011 *RMB'000* *(unaudited)*	At December 31, 2010 *RMB'000* *(audited)*
Within 60 days	2,035,185	2,174,354
61 - 180 days	255,101	223,733
181 - 365 days	98,239	131,905
1 - 2 years	63,853	68,066
2 - 3 years	6,813	15,868
Over 3 years	—	9,977
	2,459,191	2,623,903

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the business review and outlook of Longfor Properties Co. Ltd. (the "Company"), together with its subsidiaries (the "Group") for the six months ended June 30 2011.

Results

In the first half of 2011, the Group realized contract sales of RMB18.26 billion, representing an increase of 74.1% over the corresponding period last year. The Group recognized revenue of RMB7.85 billion, representing a significant increase of 113.8% over the corresponding period last year. Profit attributable to shareholders amounted to RMB2.52 billion, representing an increase of 14.5% over the corresponding period last year. Among which, the core profit attributable to shareholders substantially increased by 117.4% to RMB1.95 billion. The core net profit margin increased to 24.8% from 24.4% of the corresponding period last year.

Review of the first half of the year

As a result of the austerity measures, the fluctuation of the real estate market has been more regular and shorter cycle. By adhering to its business and financial strategies including aggressive sales initiatives, prudent investment and stringent cash flow control , the Group achieved stable and outstanding results. In the first half of the year, the Group recorded significant increases in sales and profits while it effectively controlled land acquisition costs, capital costs and marketing & administrative expenses. We believe that the above initiatives will lay a solid foundation for the Group in overcoming long term market fluctuation and ferocious industry competition.

In the first half year, the Group recorded contract sales of RMB18.26 billion, representing a significant increase of 74.1% over the corresponding period last year. Among the 10 cities in which we launched property sale, five were ranked top 5 of the market, namely, Chongqing, Beijing, Chengdu, Wuxi and Changzhou. Leveraging high product quality and brand influence, our contract sales in Chongqing amounted to a record high of nearly RMB6.0 billion in the first half of the year as compared with the corresponding period in previous years. The market share increased to 12%. Although property purchases in Beijing were strictly regulated, we diversified our product portfolios and achieved contract sales of nearly RMB5.0 billion in Beijing, which amount to 60% of our target of the year 2011. As our business scale was significantly expanded, the Group's overall customer satisfaction level maintained at 86%, which was an outstanding level in the industry. Sales attributable to customer recommendation increased to 50% from 46% of the corresponding period last year. Our reputation among customers is a valuable asset of the Group, which also consolidates the foundation of the Company for future development in the volatile market.

As for property investment, Starry Street in Beijing was launched with an occupancy rate of 92.6% in the first half of the year. As such, the Group has owned 8 properties with a gross floor area of 406,000 sq.m. in Chongqing, Chengdu and Beijing. In the first half year, the Group's rental income was RMB0.17 billion, representing an increase of 47.0%. Renovation of the West Paradise Walk Mall in Chongqing was completed by the end of last year. As a result, its rental income in the first half of the year increased by 66.1% over the corresponding period last year. The construction of new projects of approximately 500,000 sq.m., including Times Paradise Walk and U2 in Chongqing, North Paradise Walk in Chengdu and Sunshine City in Shanghai, has commenced successively.

The Group believes that it is crucial to keep low costs during market fluctuation. On land investment, in the first half of the year, the Group has purchased two new pieces of land in Chengdu and Ningbo, with the planed gross floor area of approximately 2,390,000 sq.m. at the price of RMB908 per sq.m. As at June 30, the land bank of the Group amounted to approximately 33.25 million sq.m. The unit land cost further decreased from RMB1,935 per sq.m. to RMB1,778 per sq.m., which accounted for only 14.3% of the average selling price of contract sales. As for debt financing, the Group actively sought new financing channels. In the overseas market, the Group was ranked the best private-owned real estate enterprises with the ratings of BB+ by S&P and Ba2 by Moody's. It secured bond financing and syndicate loans of USD750 million and USD250 million, respectively, at the best rates among private-owned real estate enterprises for the period. In the domestic market, the Group was able to obtain competitive rates with the continuous support from domestic banks under the tightening credit environment. In the first half of the year, the average debt cost of the Group was only 6.04%, which was lower than the benchmark rate of the PBOC of the same period. As at June 30, cash in hand of the Group was over RMB12.63 billion and the net gearing ratio was only 56.6%. In respect of expenditure management, leveraging its excellent fundamental management system, the sales and administrative expenses of Group accounted for only 2.19% of the contract sales for the period with a satisfactory management level similar to that of last year. We believe the abovementioned initiatives will secure favourable position for the Group in mid to long term competition.

With its steady business growth, the Group also attached high priority to the institutionalization and continuous development of senior management. In the first half of the year, the Group appointed four additional executive directors from the senior management team, all of whom have served the Company for an average of over five years with extensive experiences in various departments and expertise for specific fields. Currently, we have seven executive directors. We believe they will facilitate the function of the Board with their insights to the Group's development, cultural sophistication and diversified expertise. Moreover, the Group also appointed Dr. Zeng Ming as an independent non-executive director, increasing the number of independent non-executive directors to four people. Different professional backgrounds and abundant experiences of the independent directors will help the Board broaden its horizon and formulate more insightful and prudent development strategies.

The Group has taken an active role in social welfare activities. In the beginning of the year, the Group donated RMB5 million for the renovation of dilapidated apartments for the handicapped in Chongqing. The Group also held the charity activity of "Longfor's New Year Gifts for Families in Need" (龍湖年貨進萬家) during the spring festival. The property management team of the Company also established a "Longfor Volunteer Team" (龍湖義工團), which was the pioneer of the local welfare activities.

Outlook for the second half of the year

We believe that the property market will continue to be adversely affected by the austerity measures. Customers' purchasing power will be further affected as the purchase limit policy was implemented in more and more second and third tier cities and domestic commercial banks continued to tighten their loan limits. However, there is also great demand for improved self-use housing. As such, attracting customers with purchasing capacity for self-use housing has become a crucial initiative for maintaining steady sales increase. Therefore, the Company will focus on product quality and property service to maintain an outstanding customer satisfaction level and loyalty. Moreover, the Company will actively develop diversified product line. The Company is confident of achieving the sales target of the year.

In respect of product line, as the first integrated tourism real estate project, the Yantai BanyanBay (Island of Horse) Project has commenced its sample display area in mid June. Its unique design and outstanding quality has been well recognized by the market It commenced sales on 29 July 2011 and 1,002 units were sold with an aggregate value of RMB2.0 billion, breaking the record high in such a new market with an annual transaction amount of less than 30 billion. In addition, the Group will also increase the sales of commercial projects to an appropriate level so as to mitigate the effects of the purchase limit policy.

As for land reserves, the Company believes that there will be attractive investment opportunities in the second half of the year. Based on the satisfactory operating results and financial position in the first half of the year, the Company will take a prudent approach to increase high quality land investment, especially in the Yangtze River Delta Region and the Pan Bohai Rim. The Company will put emphasis on controlling unit land price and payment schedule so as to maintain the liquidity position and gearing ratio at reasonable level.

As for the enhancement of product quality and property service, the Company's IT platform integration commenced in the first half of the year will facilitate the systematic and intelligent development of product quality and property service. The Company has integrated the customer service system, the cost management system, the construction quality management system and the design management system, which originally functioned separately. Any notice of maintenance from customers will be automatically sent to the work platform of design, engineering, procurement and marketing departments. These systems will identify defaults effectively and help formulate the best practices for continuously optimizing integrated operating workflow.

Over the past few years, China's urbanization process and rapid economic growth have brought great development opportunities to the prospering real estate industry. The Company has also recorded fast growth in sales and revenue. While maintaining robust growth, the Company has been making great efforts in improving product quality and ensuring customer's satisfaction and loyaity. The Group will realize customer value and maintain qualify development by adhering to its corporate philosophy of For you forever.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded RMB18.26 billion in contract sales from January to June 2011, representing an increase of 74.1% as compared with the corresponding period of last year. The Group recognized revenue of RMB7.85 billion, representing an increase of 113.8% over the corresponding period of last year. Profit attributable to shareholders increased by 14.5% to RMB2.52 billion, of which core profit attributable to shareholders was RMB1.95 billion, representing an increase of 117.4%. Core net profit margin rose from 24.4% to 24.8% over the corresponding period of last year.

Property Development

From January to June 2011, revenue from property development business of the Group was RMB7.55 billion. The Group delivered 482,282 square meters of property in GFA terms, of which 7,562 square meters belonged to two jointly controlled entities, and it represents an increase of 117.7% and 1.49% as compared with the corresponding period of last year, respectively. With the recognition of high margin projects such as Beijing Summer Palace Splendor, gross profit margin of overall property development business rose from 29.9% in the first half of year 2010 to 54.9% in the same period of 2011. Recognized average selling price was RMB15,904 per square meters or RMB8,587 after excluding the Beijing Summer Palace Splendor project from January to June 2011.

Table 1: Breakdown of property development revenue by projects during the period from January to June 2011

* *After deducting sales tax*

	City	Revenue (January to June)		GFA (January to June)	
		2011	**2010**	**2011**	**2010**
		RMB'000	*RMB'000*	*Sqm*	*Sqm*
Beijing Summer Palace Splendor	Beijing	4,030,074	—	64,818	—
Chongqing Chunsen Land	Chongqing	917,323	17,909	120,171	1,638
Chongqing Toschna Villa	Chongqing	749,396	—	58,185	—
Shanghai Sunshine City	Shanghai	715,133	—	34,197	—
Chongqing Mu Yu Shi	Chongqing	391,691	—	44,962	—
Chengdu Flamenco Spain	Chengdu	247,825	144,382	33,840	26,594
Chongqing Peace Hill County	Chongqing	112,998	215,321	16,641	20,601
Chongqing Sunshine Riverside	Chongqing	82,007	290,945	18,543	54,617
Chengdu Bridge County	Chengdu	63,045	508,288	4,482	40,298
Beijing Elegance Loft	Beijing	33,522	—	7,217	—
Chongqing MOCO Center	Chongqing	30,561	201,857	12,622	40,869
Others		176,204	2,088,479	59,042	221,011
Total		**7,549,779**	**3,467,181**	**474,720**	**405,628**

In terms of contract sales, the Group achieved contract sales of RMB18.26 billion (including RMB1.41 billion from jointly controlled entities) from January to June 2011, representing an increase of 74.1% as compared to the corresponding period of last year. The Group sold 1,466,529 square meters in GFA, representing a significant increase of 99.1% over the corresponding period of last year.

Table 2: Details of contract sales of the Group during the period from January to June 2011

* *Before deducting sales tax*

Project	City	Contract Sales *RMB mn*	GFA *Sqm*
Chongqing Time Paradise Walk	Chongqing	1,794	122,239
Beijing Tangning One	Beijing	1,269	52,037
Chengdu North Paradise Walk	Chengdu	1,226	92,470
Beijing Summer Palace Splendor	Beijing	1,218	13,998
Chongqing U2	Chongqing	1,072	143,833
Beijing Azure Chianti	Beijing	954	40,903
Chongqing Mopan Shan I	Chongqing	861	95,576
Chongqing Bamboo Grove	Chongqing	844	107,306
Beijing Chianti Riverside	Beijing	774	74,490
Shanghai Sunshine City	Shanghai	714	38,167
Beijing Changying Paradise Walk	Beijing	705	25,930
Changzhou Dongjing 120 Project	Changzhou	662	40,798
Chengdu Flamenco Spain	Chengdu	616	97,395
Chongqing Toschna Villa	Chongqing	588	43,795
Changzhou Sunshine City	Changzhou	566	49,155
Wuxi Rose and Ginkgo Villa	Wuxi	483	41,329
Qingdao Rose & Gingko Coast	Qingdao	450	21,041
Xi'an Chianti	Xi'an	393	47,166
Hangzhou Rose & Gingko Villa	Hangzhou	389	18,383
Chongqing Chunsen Land	Chongqing	353	32,291
Chengdu Century Peak View	Chengdu	352	24,183
Xi'an Fairy Castle	Xi'an	280	32,502
Shanghai Long Xing Lu	Shanghai	226	6,770
Shenyang Chianti	Shenyang	212	30,382
Shanghai Rose and Ginkgo Villa	Shanghai	211	7,462
Chongqing Peace Hill County	Chongqing	180	25,673
Chengdu Bridge County	Chengdu	153	9,637
Chengdu Jade Town	Chengdu	145	5,221
Chongqing Mu Yu Shi	Chongqing	127	19,153
Chongqing Sunshine Riverside	Chongqing	121	20,855
Others	N/A	320	86,389
Total / Average		**18,258**	**1,466,529**

As of June 30, 2011, the Group had RMB43.94 billion (derived from 3,385,000 square meters) sold but unrecognized contract sales which formed a solid basis for the Group's future growth in revenue.

Property Investment

With the renovation and upgrade of existing properties, the Group's rental income from investment properties for January to June 2011 grew rapidly with an increase of 47.0% to RMB170 million. The anchor store in Chongqing West Paradise Walk, which underwent renovation brought the rental income increased by 66.1%. The occupancy rate of Beijing Starry Street, which commenced operation in May 2011, reached 92.6%. Up to date, the Group possesses properties of 405,976 square meters which have commenced operation in cities such as Chongqing, Chengdu and Beijing.

Table 3: Breakdown of rental income of the Group during the period from January to June 2011

* *After deducting sales tax*

	January to June 2011			January to June 2010			Change
	Rental Income	**% of Revenue**	**Occupancy Rate**	**Rental Income**	**% of Revenue**	**Occupancy Rate**	**of rental income**
		RMB'000			*RMB'000*		
North Paradise Walk	95,395	56.7%	98.8%	74,325	64.9%	99.8%	28.3%
West Paradise Walk	42,413	25.2%	97.9%	25,533	22.3%	87.3%	66.1%
Fairy Castle	5,326	3.2%	100.0%	5,202	4.5%	100.0%	2.4%
Crystal Castle	7,416	4.4%	100.0%	6,760	5.9%	100.0%	9.7%
MOCO Center	5,787	3.4%	99.3%	—	—	—	—
Three Thousand Mall	8,904	5.3%	98.3%	—	—	—	—
Starry Street	967	0.6%	92.6%	—	—	—	—
Others	2,031	1.2%	N/A	2,624	2.4%	N/A	-22.6%
Total	**168,239**	**100%**	**98.6%**	**114,444**	**100%**	**97.0%**	**47.0%**

In the first half of 2011, three existing properties, namely Chengdu North Paradise Walk, Chongqing U2 and Shanghai Sunshine City, have commenced construction. In the next three years, large investment properties including Chongqing Times Paradise Walk, Chengdu North Paradise Walk, Beijing Changying Paradise Walk will commence operation, thus assuring a rise in rental income in the future.

Benefiting from the steady growth in rental income and the development of new investment properties, the Group recorded a revaluation gain of investment properties of RMB 820 million from January to June 2011.

Cost Control

From January to June 2011, leveraging on its effective budget control system and its focus on improving utilization rate of resources, general and administrative expenses of the Group accounted for 1.09% of total contract sales, representing an increase of 0.01% as compared with the same period of last year. Although the number of cities with projects available for sales increased from 6 in the same period of 2010 to 10, selling expenses constituted only 1.10% of total contract sales, representing an increase of 0.26% as compared with the same period of last year.

Share of Results of Jointly Controlled Entities

Contribution of jointly controlled entities (JCEs) from January to June 2011 mainly came from the Group's 49.6%-owned Bamboo Grove Project in Chongqing and 45.7%-owned Rose and Ginkgo Villa Project in Shanghai. These two projects delivered 7,562 square meters and turnover of RMB140 million. The attributable profit after tax before minority interest of the Group in JCEs was RMB11.52 million.

The Directors believe that, with the delivery of the Chongqing Bamboo Grove project and the Chengdu Century Peak View project in the second half of the year, contributions from these JCEs in 2011 will further increase.

Income Tax Expense

Income tax expenses comprised of PRC enterprise income tax and land appreciation tax. The enterprise income tax and the land appreciation tax of the Group from January to June 2011 were RMB0.98 billion and RMB1.02 billion, respectively. The total income tax expenses for the period amounted to RMB 2.00 billion. Income tax expenses increased during the period due to the comparatively high appreciation rate of projects such as The Summer Palace Splendor.

Profitability

Net profit margin of the Group, which is defined as the ratio of attributable profit excluding investment property revaluation gain to revenue, increased to 24.8% from 24.4% as compared with corresponding period of last year. The rise in net profit margin was mainly resulted from the recognition of projects with high gross profit margin, such as Beijing Summer Palace Splendor, and the effective management on selling and administrative expenses during the period.

Land Bank Replenishment

As of June 30, 2011, the total Group's land bank was 33.25 million square meters or 29.89 million square meters on an attributable basis. The average unit acquisition cost of our land bank was RMB1,778 per square meter. Geographically, land bank in Pan Bohai Rim, Yangtze River Delta and western China accounted for 39.4%, 18.7% and 41.9% of the total land bank, respectively.

The geographic spread of the land bank of the Group was as follows:

Region	**City**	**Gross GFA**	**% of Total**	**Attributable GFA**	**% of Total**
		Sqm		*Sqm*	
Pan Bohai Rim	Beijing	1,861,227	5.6%	1,699,212	5.7%
	Shenyang	2,870,940	8.6%	2,777,103	9.3%
	Qingdao	678,392	2.0%	645,829	2.2%
	Yantai	6,947,342	20.9%	6,342,923	21.2%
	Dalian	669,724	2.1%	324,146	1.0%
	Subtotal	*13,027,625*	*39.2%*	*11,789,213*	*39.4%*
Yangtze River Delta	Shanghai	506,338	1.5%	473,103	1.6%
	Wuxi	1,109,769	3.3%	1,013,219	3.4%
	Changzhou	2,319,728	7.0%	2,211,753	7.4%
	Hangzhou	1,139,930	3.4%	1,112,371	3.7%
	Ningbo	769,150	2.4%	769,150	2.6%
	Subtotal	*5,844,915*	*17.6%*	*5,579,596*	*18.7%*
Western China	Chongqing	7,027,045	21.1%	5,999,346	20.1%
	Chengdu	4,407,120	13.3%	3,832,683	12.8%
	Xian	2,122,772	6.4%	1,943,245	6.5%
	Yuxi	821,620	2.4%	750,139	2.5%
	Subtotal	*14,378,557*	*43.2%*	*12,525,413*	*41.9%*
Total		**33,251,097**	**100%**	**29,894,222**	**100%**

From January to June 2011, the Group has acquired new land bank with GFA of 2.39 million square meters. The average acquisition unit cost was RMB908 per square meter.

Table 5: Land acquisition from January to June in 2011

Region	**Project**	**City**	**Attributable Interest**	**Site Area**	**Total GFA**
			%	*Sqm*	*Sqm*
Yangtze River Delta	Ningbo Rose & Ginkgo Coast	Ningbo	100%	505,794	769,150
		Subtotal	*100%*	*505,794*	*769,150*
Western China	Chengdu Time Paradise Walk	Chengdu	91.3%	305,675	1,619,652
		Subtotal	*91.3%*	*305,675*	*1,619,652*
Total				811,469	2,388,802

In July 2011, the Group acquired the land plot F in Baisha River, Qingdao, land plot Beibei, Chongqing, and land plot Hongqiao, Shanghai, with a planned GFA of 0.27 million, 0.63 million and 0.29 million square meters, respectively.

The cost of land bank of the Group only accounted for 14.3% of unit contract sales price as of June 30, 2011. The Directors believe that the Group's costs for land acquisition in the past were highly competitive. When these projects gradually fall in delivery phases in the coming years, the Group's gross profit margin should remain at high level, assuming property prices remain stable.

Financial Position

As of June 30, 2011, the Group's consolidated borrowings amounted to RMB22.83 billion (December 31, 2010: RMB17.32 billion). Cash and bank balance reached RMB12.63 billion. The net debt to equity ratio of the Group was 56.6%.

Approximately 65.5% of the Group's total borrowings were denominated in RMB, while 34.5% were denominated in foreign currencies. The Group has no arrangements for currency hedging.

Approximately RMB11.40 billion of the Group's consolidated borrowings were quoted at fixed rates ranging from 3.08% per annum to 9.50% per annum depending on the tenors of the loans, and the rest were quoted at floating rates. As at June 30, 2011, the Group's average cost of borrowing was 6.04% per annum. The average term of loan was extended from 3.4 years to 3.7 years. The ratio of unsecured debt to total debt rose from 46.6% as at 31 December, 2010 to 58.6%. Ratio of fixed interest debt to total debt rose from 31.5% as at 31 December, 2010 to 49.9%.

In April, 2011, the Company completed the overseas issuance of bonds of USD750 million at a reasonable interest rate of 9.5% with a tenor of 5 years to secure healthy and sound cash flow for the Company in the future.

The Directors believe that the continuous improvement of the Group's debt profile and capital structure will act as a strong buffer against market fluctuations and financial risk.

Employees and Compensation Policy

As of June 30, 2011, the Group had 6,246 full-time employees in China and Hong Kong. 1,612 of these employees worked in the property development division, 109 in the property investment division, and 4,525 in the property management division. Average age of our employees is 31.2 years old. In the property development and investment divisions, approx. 83.1% have university degrees and 13.9% have master degrees or above.

The Group remunerates its employees based on their performance, work experience and the prevailing market wage level. The total compensation of the employees consisted of base salary, cash bonus and share-based rewards. Cash bonus is a large part of senior employees' cash compensation which is a function of, amongst other things, the net profit of the individual subsidiaries, the return on invested capital, results of a balanced score card system and operating cash inflow, etc. In January 2011, the Group issued share options amounting to 46 million shares in conformity with its post-IPO share option scheme to some Directors, senior management and employees, at an exercise price of HKD12.528 per share.

Prospects

In the second half of 2011, the real estate market in mainland China will continue to be affected by government's tightening measures. To achieve our sales target of this year, the Group will continue to carry out a proactive sales strategy and make every effort to ensure adequate growth of contract sales. In the second half of 2011, the Group will launch 13 new projects in addition to the current 33 projects available for sales. The Group's products will cater to customers with various demands including those who are seeking first-time housing, and those who are seeking further upgrade. The Group launched a brand new tourism and leisure related property project in Yantai, Shandong in July 2011, achieving sales of RMB2.0 billion on the first day available for sale and diversifying the Group's product portfolio. Adhering to our business strategy of "multiple products line", the Group will adjust and optimize its operation and product portfolio in response to the evolving market conditions so that the quantity and types of products will satisfy market demand for us to grasp the opportunity.

The Group (including jointly controlled entities) plans to complete 2.65 million and 3.10 million square meters of properties construction in 2011 and 2012 respectively, which ensured a solid basis for the Group's growth in revenue and profitability in future years.

For investment properties, Beijing Starry Street was completed and commenced operation in the first half of 2011, while the construction of four other properties of the Group, namely, Chongqing Times Paradise Walk, Chengdu North Paradise Walk, Chongqing U2 and Shanghai Sunshine City has commenced. In the second half of 2011, Beijing Changying Paradise Walk, Hangzhou Xia Sha, Xi'an MOCO Center and Bai Sha He Project in Qingdao will commence construction. In the coming five years, the GFA of the investment properties portfolio of the Group will increase to 2.60 million square meters.

In respect of the land bank and financial management, the Group will continue to implement prudent financial management, prudently acquire land plots in selected strategic regions with reasonable land cost and control land payment schedule to proactively manage the challenges of the volatile market environment.

Lastly, on behalf of the Board, I would like to express my sincere appreciation to all of our employees for their diligence and all of our shareholders for their support in the first half of the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

During the period, the Company had adopted, applied and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except on the deviations set out in the paragraph headed "Chairman and Chief Executive Officer" below.

Chairman and Chief Executive Officer

During the period, the roles of the chairman and chief executive officer of the Company have not been segregated as required by the provision A.2.1 of the Code.

Madam Wu Yajun is the Chairman and Chief Executive Officer of the Company. With extensive experience in property development, property investment and property management, Madam Wu is responsible for the Group's overall strategic planning and the management of our business.The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high calibre individuals. The Board currently comprises seven executive Directors (including Madam Wu) and four independent non-executive Directors and therefore has a fairly strong independence element in its composition.

On August 15, 2011, Madam Wu Yajun resigned as the Chief Executive Officer of the Company and remains as the Chairman and executive director of the Company and Mr. Shao Mingxiao, an executive director of the Company, was appointed as the Chief Executive Officer of the Company. The roles of Chairman and Chief Executive Officer of the Company are performed by Madam Wu Yajun and Mr. Shao Mingxiao respectively since August 15, 2011.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, Mr. Chan Chi On, Derek, Mr. Frederick Peter Churchouse, and Dr. Xiang Bing and is chaired by Mr. Chan Chi On, Derek. The Group's unaudited condensed consolidated interim results for the six months ended June 30, 2011 were reviewed by the members of the Audit Committee before submission to the Board for approval.

By Order of the Board
Longfor Properties Co. Ltd.
Wu Yajun
Chairman

Hong Kong, August 15, 2011

As at the date of this announcement, the Board comprises eleven members: Madam Wu Yajun, Mr. Shao Mingxiao, Mr. Zhou Dekang , Mr. Qin Lihong, Mr. Feng Jinyi, Mr. Wei Huaning and Mr. Fang Shengtao who are executive Directors; and Mr. Frederick Peter Churchouse, Mr. Chan Chi On, Derek, Mr. Xiang Bing and Dr. Zeng Ming who are independent non-executive Director.