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 ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2009

HIGHLIGHTS

- Revenue increased by 154.2% year-on-year to RMB11.37 billion with 1.34 million square meters of property in gross floor area (GFA) terms delivered. Contract sales increased by 79.8% year-on-year to RMB18.36 billion.

- Consolidated gross margin rose to 29.3% in 2009 from 25.8% in 2008 thanks to the increase in average selling price (net of sales tax) to RMB9,400 per square meter from RMB4,938 per square meter.

- Successful expenses control effort led selling, general and administrative expenses to decrease by 1% year-on-year despite the robust increase in revenue and contract sales.

- Attributable profit surged by 566.2% to RMB2.21 billion. Excluding the net impact of investment property revaluation gain, core attributable profit rose by 543.5% to RMB1.61 billion, 11.3% higher than the corresponding profit forecast of the Group as set out in the Company's IPO prospectus.

- EPS was RMB0.532 on a fully diluted basis. The Board of Directors recommended final dividend of RMB0.063 per share.

ANNUAL RESULTS

The Board of Directors (the "Board") of Longfor Property Co., Ltd (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group') for the year ended December 31, 2009 with comparative figures for the preceding financial year, are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2009

	NOTES	2009	2008
		RMB'000	*RMB'000*
Revenue	2	11,373,962	4,475,199
Cost of sales		(8,042,326)	(3,321,192)
Gross profit		3,331,636	1,154,007
Other income	3	424,711	132,068
Change in fair value of investment properties		920,945	125,100
Selling and marketing expenses		(314,119)	(323,910)
Administrative expenses		(410,632)	(408,286)
Finance costs	4	(27,499)	(61,525)
Share of results of jointly controlled entities		135,998	63,225
Profit before taxation		4,061,040	680,679
Income tax expense	5	(1,568,581)	(281,198)
Profit for the year and total comprehensive income for the year		2,492,459	399,481
Attributable to:			
Owners of the Company		2,209,207	331,590
Minority interests		283,252	67,891
		2,492,459	399,481
Earnings per share, in RMB cents			
Basic	7	53.5	8.3
Diluted	7	53.2	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2009

	NOTES	2009	2008
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Investment properties		4,698,300	3,759,100
Property, plant and equipment		171,861	166,976
Properties under development		—	10,701
Prepaid lease payments		3,194,207	3,026,288
Interests in associates		1	1
Interests in jointly controlled entities		2,373,834	932,468
Available-for-sale investments		8,600	8,600
Deposits paid for acquisition of land use rights		3,264,561	845,780
Deposits paid for acquisition of additional interest in a subsidiary		34,000	—
Deferred taxation assets		227,702	347,960
Amount due from a minority shareholder		—	12,490
		13,973,066	9,110,364
CURRENT ASSETS			
Inventories		301,048	138,652
Properties under development for sales		18,312,478	14,880,070
Properties held for sales		1,008,296	2,582,592
Accounts and other receivables, deposits and prepayments	8	1,382,897	1,611,597
Amounts due from jointly controlled entities		35,271	107,094
Taxation recoverable		134,265	131,722
Pledged bank deposits		496,208	605,379
Bank balances and cash		6,801,573	3,228,797
		28,472,036	23,285,903
CURRENT LIABILITIES			
Accounts payable, deposits received and accrued charges	9	16,362,320	13,843,721
Amounts due to jointly controlled entities		363,879	19,957
Amounts due to directors		—	81,590
Taxation payable		1,616,029	935,528
Bank and other borrowings - due within one year		3,710,200	6,480,051
		22,052,428	21,360,847
NET CURRENT ASSETS		6,419,608	1,925,056
TOTAL ASSETS LESS CURRENT LIABILITIES		20,392,674	11,035,420

	NOTES	2009	2008
		RMB'000	*RMB'000*
CAPITAL AND RESERVES			
Share capital		452,972	351,668
Reserves		11,685,706	2,770,893
Equity attributable to owners of the Company		12,138,678	3,122,561
Minority interests		1,099,884	821,673
TOTAL EQUITY		13,238,562	3,944,234
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year		6,055,305	6,359,700
Deferred taxation liabilities		1,098,807	731,486
		7,154,112	7,091,186
		20,392,674	11,035,420

1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied all the standards, amendments and interpretations issued by the International Accounting Standards Board, which are effective for the Group's financial year beginning January 1, 2009.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but not yet effective.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 24 (Revised)	Related Party Disclosures[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[7]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS7 Disclosure fort First-time Adopters[6]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after July 1, 2009

[2] Amendments that are effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate

[3] Effective for annual periods beginning on or after January 1, 2011

[4] Effective for annual periods beginning on or after January 1, 2010

[5] Effective for annual periods beginning on or after January 1, 2013

[6] Effective for annual periods beginning on or after July 1, 2010

[7] Effective for annual periods beginning on or after February 1, 2010

The adoption of IFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after January 1, 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

2. SEGMENT INFORMATION

(a) Segment results, assets and liabilities

In addition to receiving segment information concerning Adjusted Earnings, management is provided with segment information concerning revenue (including inter-segment sales), interest income and finance costs from borrowings managed directly by the segments, depreciation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar services.

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

	Year ended December 31, 2009			
	Property development	Property investment	Property management and related services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	11,029,310	197,975	146,677	11,373,962
Inter-segment revenue	—	—	17,395	17,395
Reportable segment revenue	11,029,310	197,975	164,072	11,391,357
Reportable segment profit (Adjusted Earnings)	2,797,455	146,888	36,489	2,980,832
Reportable segment assets	27,457,370	2,196,888	5,477	29,659,735
Reportable segment liabilities	14,891,370	52,003	51,638	14,995,011

	Year ended December 31, 2008			
	Property development	Property investment	Property management and related services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	4,216,172	158,785	100,242	4,475,199
Inter-segment revenue	—	—	16,282	16,282
Reportable segment revenue	4,216,172	158,785	116,524	4,491,481
Reportable segment profit (Adjusted Earnings)	637,418	103,214	17,794	758,426
Reportable segment assets	22,387,387	2,307,636	19,138	24,714,161
Reportable segment liabilities	12,594,493	44,099	57,698	12,696,290

(a) **Segment results, assets and liabilities — continued**

Other segment information

	Property development *RMB'000*	Property investment *RMB'000*	Property management and related services *RMB'000*	Total *RMB'000*
Amounts included in the measure of segments assets:				
2009				
Additions to non-current assets (Note)	4,623,906	23,745	—	4,647,651
2008				
Additions to non-current assets (Note)	4,355,509	—	—	4,355,509

Note: Amounts include additions to investment properties, prepaid lease payment and deposits paid for acquisition of land use rights.

In addition to receiving segment information concerning segment profits, the chief operating decision maker is provided with information concerning the Group's consolidated amount of interests in associates and related share of results, interests in jointly controlled entities and related share of results, changes in fair value of investment properties, interest income from bank balances and depreciation which are not allocated to operating segments.

(b) **Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

	2009 *RMB'000*	2008 *RMB'000*
Revenue		
Reportable segment revenue	11,391,357	4,491,481
Elimination of inter-segment revenue	(17,395)	(16,282)
Consolidated turnover	11,373,962	4,475,199
Profit		
Reportable segment profit	2,980,832	758,426
Other income	424,711	132,068
Change in fair value of investment properties	920,945	125,100
Finance costs	(27,499)	(61,525)
Share of results of jointly controlled entities	135,998	63,225
Depreciation	(21,863)	(16,884)
Unallocated expenses	(352,084)	(319,731)
Consolidated profit before taxation	4,061,040	680,679

	2009	2008
	RMB'000	*RMB'000*

(b) **Reconciliations of reportable segment revenues, profit or loss, assets and liabilities — continued**

	2009	2008
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	29,659,735	24,714,161
Cumulative change in fair value of investment properties	2,501,412	1,581,390
Interests in associates	1	1
Interests in jointly controlled entities	2,373,834	932,468
Available-for-sales investments	8,600	8,600
Deferred taxation assets	227,702	347,960
Taxation recoverable	134,265	131,722
Unallocated head office and other assets	7,539,553	4,679,965
Consolidated total assets	42,445,102	32,396,267
Liabilities		
Reportable segment liabilities	14,995,011	12,696,290
Taxation payable	1,616,029	935,528
Deferred taxation liabilities	1,098,807	731,486
Bank and other borrowings	9,765,505	12,839,751
Unallocated head office and other liabilities	1,731,188	1,248,978
Consolidated total liabilities	29,206,540	28,452,033

(c) **Revenue from major product and services**

The following is an analysis of the Group's revenue from its properties sold, property invested and services provided:

	Year ended	
	31.12.2009	31.12.2008
	RMB'000	*RMB'000*
Sales of properties	11,029,310	4,216,172
Leasing of properties	197,975	158,785
Provision of property management services	146,677	100,242
	11,373,962	4,475,199

(d) **Geographic information**

The following table sets out information about the Group's revenue from external customers by cities in the PRC, based on the location at which the properties sold, property invested and services provided. Information about its non-current assets is analysed by geographical location of assets.

	Revenues from external customers		Non-current assets	
	2009	**2008**	**2009**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chongqing	3,030,015	2,184,825	8,920,181	6,184,647
Chengdu	2,566,327	2,285,681	863,267	495,290
Beijing	5,090,778	4,693	576,056	219,710
Other cities in the PRC	686,842	—	3,377,260	1,841,667
	11,373,962	4,475,199	13,736,764	8,741,314

Note: Non-current assets excluded financial instruments and deferred taxation assets.

No revenue from transaction with single customer is amounted to 10% or more of the Group's revenue.

3. OTHER INCOME

	2009	**2008**
	RMB'000	*RMB'000*
Interest income	47,620	28,145
Interest income from investment in a trust fund	—	5,243
Imputed interest income of amount due from a minority shareholder	—	1,337
Consultancy fee income (Note 1)	31,129	4,291
Dividend income from available-for-sale investments, unlisted	685	847
Excess compensation received from primary development project (Note 2)	306,000	—
Gain on disposal of property, plant and equipment	33	77
Gain on disposal of partial interest in a jointly controlled entity (Note 3)	—	36,774
Net exchange gain	3,490	38,555
Government subsidies	5,406	5,532
Sundry income	30,348	11,267
Total	424,711	132,068

Notes:

1. It represented the design, decoration and consulting services related to real estate development provided by the Group to independent third parties in Beijing.

2. During the year ended December 31, 2006, the Group entered into a joint land renovation and development agreement with the government and paid deposits which aggregated to RMB794,000,000 totalling as at December 31, 2008 (included in the deposits paid for acquisition of land use rights). On December 15, 2008, the Group entered into an agreement to terminate the joint land renovation and development as a result of change in the development plan of that region. Pursuant to the agreement of termination of the joint land renovation and development, the compensation from government (including the deposits paid by the Group) was RMB1,100,000,000. During the year ended December 31, 2009, the Group has received the full amount of the compensation. In the opinion of the directors of the Company, as the negotiation of termination and compensation was still in progress as at December 31, 2008, the compensation received only met the revenue recognition requirement of IAS 18 Revenue that "it is probable that the economic benefits associated with the transaction will flow to the entity" during the year ended December 31, 2009, the excess compensation received from primary development project was therefore recognised during the year ended December 31, 2009.

3. During the year ended December 31, 2008, the Group disposed of its 28.5% equity interest in a jointly controlled entity, Chengdu Huixin Real Estate Company Limited ("Chengdu Huixin"), at a cash consideration of approximately RMB196,105,000 which is determined with reference to the attributable registered capital of Chengdu Huixin. Gain on disposal amounting to approximately RMB36,774,000 was resulted.

4. FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	(611,115)	(814,722)
Less: Amount capitalised to properties under development	583,616	753,197
	(27,499)	(61,525)

Borrowing costs capitalised arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of 5.38% (2008: 7.44%) per annum for the year ended December 31, 2009, to expenditure on the qualifying assets.

5. INCOME TAX EXPENSE

	2009	2008
	RMB'000	*RMB'000*
PRC enterprise income tax:		
Current income tax	(609,428)	(396,746)
Land appreciation tax ("LAT")	(468,916)	(55,478)
	(1,078,344)	(452,224)
Deferred taxation		
Current year	(490,237)	171,026
	(1,568,581)	(281,198)

No provision for taxation has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Certain of the Group's subsidiaries operating in the PRC are eligible for certain tax holidays and concessions and were exempted from PRC income taxes for the year.

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

Pursuant to the relevant PRC corporate income tax rules and regulations, preferential corporate income tax rates have been granted to certain of the Group'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 competent tax authority, if the annual income derived from the encouraged business is more than 70% of the annual total income. Approval has been obtained for the year.

6. DIVIDEND

	2009	**2008**
	RMB'000	*RMB'000*
Dividends:		
Dividends declared and paid to the then shareholders	88,120	138,408

On October 2, 2009, the Company declared dividend of HK$100,000,000 (equivalent to RMB88,120,000), which was conditional upon the listing of the Company's shares, to the then shareholders of the Company.

During the year ended December 31, 2008, dividends of RMB138,408,000 were declared by Juntion Development to its then shareholders.

A final dividend of RMB324,450,000 (RMB0.063 per share) for the year ended December 31, 2009 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

7. 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:

	2009	**2008**
	RMB'000	*RMB'000*
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	2,209,207	331,590

	2009	**2008**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of calculation of basic per share	4,132,192	4,000,000
Effect of dilutive potential ordinary shares in respect of - share options	23,825	
Weighted average number of ordinary shares for the purposes of calculation of diluted earnings per share	4,156,017	

For the year ended December 31, 2009, the outstanding share options issued under the Post-IPO share option scheme adopted on December 23, 2009 are not included in the calculation of diluted earnings per share as the adjusted exercise price was greater than the average market price of the Company's share during the outstanding period in 2009.

For the year ended December 31, 2008, the calculations of basic earnings per share are based on 4,000,000,000 shares in issue on the assumption that the issue of such shares of the Company under the Group Reorganisation had been completed on January 1, 2008.

No diluted earnings per share is calculated for the year ended December 31, 2008 in respect of the share-based payment transactions since the directors are of the opinion that, without reliable information of the market price of the shares to determine whether the outstanding share options were dilutive, such calculation and disclosure are not meaningful.

8. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables are mainly arisen from sales of properties. Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 45 days from the agreement. Consideration under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

	2009	**2008**
	RMB'000	*RMB'000*
Trade receivables	143,394	41,996
Other receivables, net of allowance for doubtful debts	209,572	713,343
Advances to suppliers	246,246	111,824
Prepaid tax	782,961	742,885
Prepayments and utilities deposits	724	1,549
	1,382,897	1,611,597

The following is an aged analysis of trade receivables at the end of the reporting period:

	2009	**2008**
	RMB'000	*RMB'000*
Within 60 days	136,261	35,693
61 - 180 days	4,652	4,389
181 - 365 days	2,481	1,435
1 - 2 years	—	479
	143,394	41,996

At December 31, 2009, 95% (2008: 85%) of the trade receivables are neither past due nor impaired and with satisfactory credit quality.

Included in the Group's accounts receivable balance are trade receivables with a carrying amount of approximately RMB7,133,000 (2008: RMB6,303,000) at December 31, 2009 which are past due at the end of the reporting period for which the Group has not provided for as the Group has retained the legal titles of the properties sold to these customers at each end of the reporting period and the estimated fair value of the relevant properties is expected to be higher than the outstanding receivable amount.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in other receivables mainly represented temporary payments and miscellaneous projects related deposits paid which are refundable when maturity, of which, approximately RMB39,566,000 (2008: RMB44,566,000) was impaired as at December 31, 2009 because the counterparties are in severe financial difficulties and the Group does not hold any collateral over these balances. The remaining balance was not yet due for repayment.

8. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS — continued

Movements in the allowance for doubtful debts on other receivables:

	2009	2008
	RMB'000	*RMB'000*
Balance at the beginning of the year	44,566	13,457
Impairment losses recognised	—	31,109
Amounts recovered during the year	(5,000)	—
Balance at the end of the year	39,566	44,566

9. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2009	2008
	RMB'000	*RMB'000*
Trade payables and accrued expenditure on construction	1,611,284	1,453,839
Bills payable	42,738	282,789
Deposits received and receipt in advance from property sales	13,340,989	10,959,662
Other payables and accrued charges	1,367,309	1,147,431
	16,362,320	13,843,721

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:

	2009	2008
	RMB'000	*RMB'000*
Within 60 days	1,396,739	1,491,136
61 - 180 days	142,015	205,148
181 - 365 days	76,478	23,882
1 - 2 years	34,270	11,354
2 - 3 years	2,499	5,108
Over 3 years	2,021	—
	1,654,022	1,736,628

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the business and outlook of Longfor Properties ("the Group") for the year ended December 31, 2009.

Results

In 2009, the Group realized contract sales of RMB18.36 billion, representing an increase of 79.8% over the year before. Revenue was RMB11.37 billion, representing an increase of 154.2% year-on-year. Profit attributable to shareholders amounted to RMB2.21 billion, representing a significant increase of 566.2% year-on-year. Core attributable profit from operations after deducting revaluation gain of investment property was RMB1.61 billion, representing a year-on-year increase of 543.5%. Net profit margin of the Group, based on the profit after tax excluding investment property revaluation gain, was 16.1% in 2009, much higher than 6.9% in 2008.

Dividend

The Board recommended the payment of a final dividend of RMB0.063 per share for 2009. Total final dividends for 2009 will be RMB324.45 million, representing a payout ratio of 20.2% on the profit after tax excluding investment property revaluation gain.

Review of our Strategy

In 2009, under the selected regional focus strategy, the Group continuously expanded its footprint in the Pan Bohai Rim and the Yangtze River Delta by securing projects in Hangzhou, Qingdao, Wuxi, Changzhou and Shenyang. Together with the Dalian project secured in the first quarter of 2010, the Group has projects across 11 cities, further diversifying its income sources geographically. The Group's overall land reserves have exceeded 25 million square meters, of which the attributable areas were 21.72 million square meters. Compared with previous years, we were more tactful and efficient in acquiring land reserves at strategic locations. Consequently, the average unit cost for land acquisition was merely RMB1,869 per square meter in 2009 that averaged down the unit cost of the Group's current overall land reserves to RMB2,225 per square meter.

Another important strategy of the Group was to expand its portfolio of quality investment properties, particularly shopping centers. Currently, the Group holds four shopping centers in Chongqing with an aggregate area of 331,843 square meters. In 2009, total rental income was RMB197.98 million, representing an increase of 24.7% year-on-year. Increase in rental income was attributable to the increase in rental level for a portion of the North Paradise Walk Mall with an area of 20,000 square meters upon renovation.

More important, the Group's property investment team has become more mature and skillful in the way they run the business. This will provide support to the Group's continuous development in the rental business and help raising rental yield.

Review of the Market for 2009

We believe that China's real estate market is support by three main factors — urbanization, economic growth and upgrade demand. Despite market volatility and imbalance from time to time, commodity housings with strong brand and good quality will see fervent demands in the long run.

In 2009, benefited from the bottoming-out of the global economies and the recovery and booming of the property market, contract sales of the Group increased significantly. Apart from the outstanding performance of projects in Chongqing and Chengdu, it is more encouraging to see the fruitful results in 2009 breeding from the seeds we sowed in the Eastern cities in previous years, such as Beijing Rose and Ginkgo Villa and Beijing Chianti, which boosted up the Group's revenue and profit. It is noteworthy that the Company's brand value has been expanding across the country and our competitive edges in such a volatile market condition were more conspicuous with the diligence of our employees.

Organization Development and Brand Building

It is always our belief that brand recognition is built on public praise gathered from the experience of excellent quality and services, which in turn rely on the outstanding performance of our staff and optimized organizational structure.

After years of well-planned development, the Group has established a unique culture and operation flow. We are capable of recruiting and training junior employees by providing them with brilliant career development as well as attracting and retaining experienced talents to join our middle to senior management team. On the back of these, the Group has rapidly expanded from a regional company into a nationwide company while maintaining its product quality and standard of services without over-stretching its management resources.

In 2009, Chongqing West Paradise Walk was awarded the "Guang Xia Prize" for commercial properties by China Real Estate Association and The Center For Housing Industrialization of the Ministry of Housing and Urban-Rural Development of PRC. Chengdu King Land Project received the "Golden Award for Outstanding Residential District" of the 2009 Zhan Tianyou Civil Engineering Award presented by China Civil Engineering Society. The morale of our employees has remained high. The recovery rate of property management fee has maintained at a high level by industry standard, signifying satisfaction of the customers.

Outlook for 2010

In 2010, we believe there could be plenty of uncertainties in the government's macro policies targeting the property sector. We would therefore expect volatility from time to time and imbalance in the performances of different regional markets. Nonetheless, we are of the view that a universally good market in which everybody can do well may not represent the best of our interest. Rather, we can better differentiate ourselves from our rivals amid a market with ups and downs.

While expanding or maintaining our market shares in Chongqing, Chengdu, Beijing and Shanghai where we have already secured leading positions, the Group will endeavor to establish and enhance our brand value in the new markets of Wuxi, Shenyang, Qingdao and Hangzhou. Wuxi Tai Ke Yuan, Qing Long Project in Changzhou, Hui Shan Project in Shenyang, Bai Sha He Project in Qingdao, Xia Sha Project in Hangzhou and other new projects will be launched to the market during the year. The Group has raised its target of annual contract sales by 35% year-on-year to RMB24.8 billion. Also, we expect contribution to contract sales from the Eastern cities as a percentage of total to surpass that of the Western cities. Apart from improving and enhancing our existing products, we will launch new products in a timely manner to strengthen our competitive edges.

On property investment business, the Group plans to reserve a substantial portion of the projects under construction as investment properties. Commercial areas are included in the master plans of Crystal Magic Project in Chongqing, Wu Kuai Shi in Chengdu, Chang Ying Project in Beijing, Hangzhou Xia Sha, Tai Ke Yuan Phase II and Xi Hu Lu Project in Wuxi, Dao Yi Project in Shenyang, Bai Sha He Project in Qingdao, Hong Zhuang Project in Changzhou, Da Xing Project in Xi'an and Lvshun Long He Project in Dalian. Upon completion of these projects, it is estimated that the Group's investment portfolio will exceed 2 million square meters.

As for land reserves, the Group will adhere to its strategy of "selected regional focus" and further expand its footprint in Eastern China based on prudent financial budget. We will strive to control the acquisition cost while replenishing the land reserves. For instance, the Group won the Chang Ying Project in Chaoyang District of Beijing City with a planned GFA of 462,929 square meters at a reasonable price of RMB9,807 per square meter in the beginning of the year. This project will be developed into residential areas as well as a large-scale shopping center, providing solid foundation for our future growth in Beijing. The total land reserves of the Group should be sufficient for development in the coming five to seven years.

In respect of organization development and brand building, the Group is committed to maintaining rapid growth while upholding a nimble organizational structure. While achieving further business expansion, the Group will continue to streamline its corporate structure and develop a unique corporate culture with an equal and transparent environment to maintain our vivacity in pursuit of quality. We will also enhance our efficiency by upgrading our IT system to reduce redundancy in operation flow. We will further promote the "Leadership Training Program" which launched last year to offer more training opportunities to our staff. New human resources development plan will be implemented in the property management division to nurture more regional general managers and project managers for the property management arm. Moreover, the Company will fortify its construction technology quality center and internal audit department to ensure its product quality and efficiency of operation.

Besides building quality products and providing quality services, the Group will actively participate in social welfare activities organized by the government and the community so as to further enhance our brand value. In Chongqing, the Group will roll out the "Ten Million Housings" plan, pursuant to which 2,000 small-sized flats will be offered for leasing to university students and urban residents who do not have their own flats at rentals comparable to public housings within the next five years and for sales in the market after five to seven years. The Group will persist on providing "Long Hu Chinese New Year Gifts" to the poor at the end of each year and encourage more homeowners and kindnesses to join this meaningful activity.

MANAGEMENT DISCUSSION AND ANALYSIS

Under the dual support of loose monetary policy and proactive financial policy of the central government, the property market of China experienced a robust recovery in 2009. The market turned the sluggishness caused by the financial crisis in 2008 into another record high year in primary housing transactions in 2009. As a sequel of push back of numerous construction projects and reduced number of land sales a year before, the property markets in most cities where the Group had businesses were plagued by under-supply in 2009. Coupled with the pick-up in pent-up demand, property prices went over the roof.

Under this backdrop, the Group recorded a very strong year in 2009. Revenue was up by 154.2% year-on-year to RMB11.37 billion. Profit attributable to shareholders increased by 566.2% to RMB2.21 billion. Excluding the net impact of investment property revaluation gain, core attributable profit surged by 543.5% to RMB1.61 billion.

Property Development

Revenue of property development business was RMB11.03 billion, up 161.6% year-on-year, accounted for 97.0% of total revenue. For the first time in our history, the Group generated 46.1% of total property development revenue from the coastal region of China whereas in the past all of our revenue came from Western China. The Directors expect revenue contribution from coastal China to further increase to over 50% in the next two years.

The Group delivered 1.34 million square meters of property in GFA terms in 2009, of which 167,251 square meters belonged to a jointly controlled entity. Net average selling price (ASP), which arises from dividing property development revenue by GFA delivered by the subsidiaries of the Group, was RMB9,400 per square meter in 2009. This compared to RMB4,938 per square meter a year before. Thanks to the increase in ASP, gross profit margin for the property development business rose to 28.6% in 2009 from 24.7% in 2008.

Table 1: Breakdown of property development revenue by projects

Year Ended Dec 31	**City**	**Revenue**		**GFA**		**GP Margin**	
		2009	**2008**	**2009**	**2008**	**2009**	**2008**
		RMB'000	*RMB'000*	*Sqm*	*Sqm*	*%*	*%*
Rose and Ginkgo Villa	Beijing	2,848,099	—	107,708	—	36.0%	—
3000 Lane	Chengdu	1,765,806	—	294,440	—	27.0%	—
Beijing Chianti	Beijing	1,588,681	—	147,033	—	26.1%	—
Sunshine Riverside	Chongqing	817,910	—	167,558	—	13.3%	—
Qujiang Glory	Xi'an	686,894	—	58,558	—	32.7%	—
Peace Hill County	Chongqing	683,675	—	77,578	—	21.0%	—
Bridge County	Chengdu	681,975	—	57,643	—	48.5%	—
Chunsen Land	Chongqing	648,525	—	85,660	—	34.6%	—
Blossom Chianti	Beijing	646,087	—	56,179	—	11.5%	—
Wisdom Town	Chongqing	457,715	—	73,834	—	16.7%	—
King Land	Chengdu	53,937	897,608	9,532	159,447	55.4%	42.9%
Charming Port	Chengdu	44,250	1,399,312	8,186	263,374	41.2%	30.9%
Blue Lake County	Chongqing	16,876	729,276	3,480	123,340	37.5%	5.4%
West Paradise Walk	Chongqing	16,223	347,444	2,985	77,388	16.9%	11.5%
River View	Chongqing	6,950	332,520	2,823	87,904	24.9%	24.6%
Chongqing Fairy Castle	Chongqing	1,436	364,911	563	101,162	10.7%	21.8%
Others	NA	64,271	145,101	19,625	41,228	5.8%	(10.4%)
Total		**11,029,310**	**4,216,172**	**1,173,385**	**853,843**	**28.6%**	**24.7%**

In terms of contract sales, the Group sold RMB18.36 billion (including RMB2.92 billion from jointly controlled entities) in 2009 on GFA of 1.88 million square meters, representing increase of 79.8% year-on-year and 60.4% year-on-year, respectively. In 2009, the Group generated sales from 5 cities, namely Beijing, Chengdu, Chongqing, Shanghai and Xi'an, up from three cities in 2008. Contract sales from the two new cities of Shanghai and Xi'an accounted for 17.9% of the total value. On the other hand, contract sales from the three old markets recorded an average organic growth rate of 56.0% year-on-year.

In terms of regional breakdown, contract sales from the Pan Bohai Rim, the Yangtze River Delta and Western China accounted for 33.2%, 13.2 % and 53.6% of the total, respectively.

Table 2: Details of contract sales of the Group in 2009

Project	**City**	**Contract Sales** *RMB mn*	**GFA** *Sqm*	**ASP*** *RMB/Sqm*
Tangning One	Beijing	2,436	82,222	29,627
Three Thousand Castles	Chengdu	1,777	204,790	8,677
Rose & Gingko Villa	Shanghai	1,566	76,059	20,589
Elegance Loft	Beijing	1,432	301,913	4,743
Bamboo Grove	Chongqing	1,352	129,121	10,471
Peace Hill County	Chongqing	1,101	178,343	6,173
Bridge County	Chengdu	1,057	88,890	11,891
Summer Palace Splendor	Beijing	964	17,224	55,968
Sunshine City	Shanghai	855	37,644	22,713
Chunsen Land	Chongqing	845	109,446	7,721
Toschna Villa *	Chongqing	832	92,344	9,010
Sunshine Riverside	Chongqing	664	133,191	4,985
Blossom Chianti	Beijing	599	44,237	13,541
Qujiang Glory	Xi'an	514	40,911	12,564
Chianti Riverside	Beijing	437	31,255	13,982
MOCO Center	Chongqing	370	62,329	5,936
Xi'an Fairy Castle	Xi'an	349	69,144	5,047
Chengdu Flamenco Spain	Chengdu	346	57,123	6,057
Wisdom Town	Chongqing	321	56,792	5,652
Rose and Ginkgo Villa	Beijing	225	8,209	27,409
Three Thousand Lane	Chengdu	131	18,467	7,094
Others	N/A	186	45,315	4,099
Total/Average		**18,363**	**1,884,968**	**9,742**

*   *Before deducting sales tax*

**   *Formerly known as East Bridge County*

As of January 1, 2010, the Group had RMB19.21 billion sold but unrecognized revenue which formed a solid basis for the Group top's line growth in 2010.

Property Investment

Total rental income of the Group in 2009 was RMB197.98 million, representing an increase of 24.7% year-on-year. The Group generated rental income mainly from four shopping malls in Chongqing with details set out in Table 3. Gross profit margin from rental income increased to 78.3% in 2009 from 72.5% a year ago.

Table 3: Breakdown in 2009 rental income

Year ended December 31 (RMB'000)	Rental Income	% of Revenue	Occupancy Rate
North Paradise Walk	125,796	63.5%	97.7%
West Paradise Walk	44,787	22.6%	96.1%
Fairy Castle	9,728	4.9%	100.0%
Crystal Constellation	11,388	5.8%	100.0%
Car Park	973	0.5%	N/A
Others	5,303	2.7%	62.0%
Total/Average	**197,975**	**100.0%**	**97.5%**

Expenses Control

Management put in a lot of effort in controlling selling as well as general and administrative (G&A) expenses of the Group.

A unit was set up in the headquarters of the Group to monitor and to optimize the use of sales and marketing resources. Internal audit were conducted on the use of selling expenses for several subsidiaries aiming at raising utilization and reducing wastage. As a result, selling expenses as a percentage of revenue decreased to 2.8% in 2009 from 7.2% a year before. Despite that contract sales increased by 79.8% year-on-year in 2009, selling expenses decreased by 3.0% year-on-year over the same period.

Also, in spite of the triple digit increase in revenue in last year, G&A expenses only mildly rose by 0.6% year-on-year over the same period. The ratio of G&A expenses to revenue decreased to 3.6% in 2009 from 9.1% in 2008. Management imposed very stringent expenses control measures including, amongst other things, introduced an on-line expenses tracking system that traced expenses records of every employee in every transaction. In 2009, about 48.9% of the G&A expenses of the Group related to salary and amortization of share-based compensation schemes. In 2008, such ratio was 39.1%.

In the future, the Directors expect that the ratios of selling and G&A expenses to revenue will remain more or less at the same levels as those in 2009, respectively.

Share of Results of Jointly Controlled Entities

Contribution of jointly controlled entities (JCEs) in 2009 mainly came from the Group's 49.6%-owned Bamboo Grove Project in Chongqing. The project delivered 167,251 square meter of property on ASP (net of sales tax) of RMB6,868 per square meter. This compared to GFA of 111,960 square meters on net ASP of RMB6,050 in 2008. The attributable profit after tax before minority interest of the Group in JCEs was RMB136 million in 2009.

The Directors expect contribution from jointly controlled entities to further increase in 2010 from the level of 2009 since a new phase of the Bamboo Grove Project and the 45.7%-owned Rose and Gingko Villa Project in Shanghai will reach completion, respectively in this year.

Income Tax Expenses

The income tax expenses of the Group were RMB1.57 billion in 2009, translating into an effective tax rate of 39% (41% in 2008). Income tax expenses consisted of three taxes. Firstly, PRC enterprise income tax, which was charged at the rate 25%, less any tax concession the Group was entitled to. Secondly, a 5% withholding tax provided on the profits arose during the year of certain PRC subsidiaries which were available for distributing to the Group's Hong Kong holding company. And thirdly, full provision of land appreciation tax (LAT). LAT was approximately 4.3% of property development revenue in 2009 (1.3% in 2008) and the Directors expect such ratio to increase if the gross profit margin of the Group from property development business increases in the future.

Profitability

Net profit margin of the Group, which is defined as the ratio of profit after tax excluding investment property revaluation gain to revenue, increased to 16.1% in 2009 from 6.9% in 2008. The rise in net profit margin was mainly resulted from an increase in gross profit margin to 29.3%, which in turn was mainly driven by the increase in ASP, good expenses control efforts and a 115.1% increase in contribution from JCEs.

Land Bank Replenishment

As of March 31, 2010, the total size of the Group's land bank was 25.04 million square meters or 21.72 million square meters on an attributable basis. We estimate that the average unit acquisition cost of our land bank was RMB2,225 per square meter. The geographic spread of the land bank of the Group was as follows:

Table 4: Breakdown of land bank of the Group

Region	City	Gross GFA	% of Total	Attributable GFA	% of Total
		Sqm		*Sqm*	
Pan Bohai Rim	Beijing	2,148,994	8.6%	1,969,987	9.1%
	Shenyang	2,725,862	10.9%	2,503,872	11.5%
	Qingdao	622,240	2.5%	522,682	2.4%
	Dalian	669,724	2.7%	324,146	1.5%
	Subtotal	6,166,821	24.6%	5,320,687	24.5%
Yangtze River Delta	Shanghai	983,956	3.9%	812,714	3.7%
	Wuxi	1,036,204	4.1%	946,054	4.4%
	Changzhou	2,043,930	8.2%	1,844,584	8.5%
	Hangzhou	591,214	2.4%	591,214	2.7%
	Subtotal	4,655,304	18.6%	4,194,566	19.3%
Western China	Chongqing	8,496,715	33.9%	7,195,174	33.1%
	Chengdu	3,689,763	14.7%	3,185,975	14.7%
	Xi'an	2,030,595	8.1%	1,823,318	8.4%
	Subtotal	14,217,073	56.8%	12,204,468	56.2%
Total		**25,039,197**	**100.0%**	**21,719,721**	**100.0%**

In 2009, the Group purchased 10.43 million square meters of land in GFA terms. Of which, 25.9% was in Pan Bohai Rim, 32.1% was in Yangtze River Delta and the remaining 42.0% was in Western China. The average acquisition unit cost was RMB1,869 per square meter. By means of expanding our footprint around the secondary cities in the Pan Bohai Rim and Yangtze River Delta, the Group was able to control land acquisition costs at reasonable levels.

Table 5: Details of land acquisition in 2009

Project Name	City	Attributable Interest *%*	Site Area *Sqm*	Total GFA *Sqm*
Tai Ke Yuan	Wuxi	91.3%	188,496	270,657
Tai Ke Yuan II	Wuxi	91.3%	125,400	279,547
Xi Hu Lu	Wuxi	91.3%	145,900	486,000
Qing Long	Changzhou	95.6%	164,855	418,000
Qing Long II	Changzhou	85.1%	143,965	345,430
Hong Zhuang	Changzhou	91.3%	294,440	809,700
Xia Sha	Hangzhou	100.0%	177,478	591,214
Bai Yin Lu	Shanghai	95.6%	62,819	146,080
Chianti Riverside	Beijing	91.3%	187,514	305,860
Hou Sha Yu	Beijing	91.3%	163,616	65,447
Hui Shan	Shenyang	93.5%	84,086	85,137
Dao Yi	Shenyang	91.3%	684,420	1,620,689
Bai Sha He	Qingdao	84.0%	509,300	622,240
Mo Pan Shan	Chongqing	93.5%	224,378	1,170,392
University Town 2	Chongqing	95.6%	588,220	1,774,955
Wu Kuai Shi	Chengdu	91.3%	184,487	901,813
Mou Ma Heaven	Chengdu	95.6%	448,582	538,298
Total			**4,377,956**	**10,431,460**

In the first three months of 2010, the Group added another 2.93 million square meters in GFA terms to the land bank. Of which, 73.4% was in Pan Bohai Rim, 21.1% was in Yangtze River Delta and the remaining 5.4% was in Western China. The average acquisition cost was RMB3,578 per square meters. The relatively higher unit cost when compared to that of 2009 reflected that the Group successfully bought more land in the core markets of Beijing and Shanghai where land costs have been higher.

Table 6: Land acquisition in 1Q 2010

Project Name	City	Attributable Interest *%*	Site Area *Sqm*	Total GFA *Sqm*
Dong Jing 120	Changzhou	91.3%	384,720	470,800
Hui Shan II	Shenyang	93.5%	371,311	610,462
Songjiang Long Xin Lu	Shanghai	95.6%	92,734	148,400
Chang Ying	Beijing	93.5%	131,897	462,929
Dao Yi II	Shenyang	91.3%	204,787	409,574
Lvshun Long He	Dalian	48.4%	608,701	669,724
Da Xing Project	Xi’an	91.3%	24,503	159,270
Total			**1,818,653**	**2,931,159**

The Directors believe that the Group's costs for land acquisition in the last 15 months were very competitive. When these projects gradually attain delivery phases from the second half of 2011 onwards, our Group's gross profit margin should have room to expand further, assuming property prices remain stable.

Financial Position

As of December 31, 2009, the Group had consolidated borrowings of RMB9.77 billion (2008: RMB12.84 billion). Cash and bank balances amounted to RMB7.30 billion. The net debt to equity ratio of the Group was 20.3%.

Of the Group's total borrowings, about 89% were denominated in Renminbi and 11% were in HK dollars. The Group has no currency hedging arrangement.

About RMB2.88 billion of the Group's consolidated borrowings were quoted in fixed rates ranging from 5.31% per annum to 6.7% per annum depending on the tenors of the loans. The rest of the borrowings were quoted in floating rates. As of the balance sheet date, the Group's average cost of borrowing was 5.65% per annum.

A subsidiary of the Company in China issued a seven-year RMB1.4 billion enterprise bond in May last year at the fixed coupon rate of 6.7% per annum for the first five years. The Company may elect to upward adjust the coupon rate by 100 basis points on a one-off basis at the end of the fifth year. The bond was part of Company's effort to lengthen the debt maturity profile, which the Directors believe it is an important way to lower the Group's financial risks, together with the control of gearing. As of the end of last year, the average tenor of the Group's consolidated borrowings was 2.5 years, up from 1.58 years a year before.

Employee and Compensation Policy

As of December 31, 2009, the Group employed 4,671 full time employees in China and Hong Kong. Of them, 984 belonged to the property development division, 66 to the property investment division and 3,621 to the property management division. The average age of our workforce is 31 years old and 62.3% of them are male. About 77.2% of the staff of the property development and property investment divisions have university degrees and about 14.8% have masters degree 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. On top of two pre-IPO share award schemes and a pre-IPO share option scheme, the Company granted a batch of new options to certain Directors and senior employees in December 2009 under the post-IPO share option scheme with exercise price set at HK$8.44 per share. On a fully diluted basis, the share award and share option schemes account for 2.74% of the total enlarged share capital of the Company. Around 550 employees of the Group own incentive shares or share options.

Prospects

The contract sales target of the Group for 2010 is RMB24.8 billion, representing an increase of 35% year-on-year. The Directors have full confidence to achieve the sales target because the Group will be selling properties in 10 cities in China this year, doubling the number of cities in 2009. Starting from 2Q 2010, the Group will launch its first project in Wuxi City, to be followed by new projects in Changzhou, Qingdao and Shenyang in 3Q 2010. Finally, Hangzhou will start selling in 4Q. The number of saleable projects throughout the year will increase from 17 in 1Q 2010 to 35 by the end of the year. Consequently, the Directors expect sales momentum to go stronger and stronger as we go deeper into the year.

During the first three months this year, the Group had recorded contract sales of RMB4.52 billion, up 78.6% year-on-year. ASP achieved was RMB13,822 per square meter in GFA terms, which compared to the ASP of RMB9,742 per square meter for the 2009 contract sales.

The Group plans to complete 2.28 million square meters of properties in GFA terms (including jointly controlled entities) in 2010, up 56.7% year-on-year. Of which, 301,069 square meters will be completed in 1H10 and the balance of 1,981,351 square meters will be in 2H10. By the end of March this year, the Group has sold approximately 77% of the GFA to be completed in 2010.

In the longer term, the estimated completion pipeline of the Group is as follows (such completion schedule may change with construction schedule):

Table 7: Completion pipeline 2010-2012

Region	**City**	**2010** *Sqm*	**2011** *Sqm*	**2012** *Sqm*
Pan Bohai Rim	Beijing	727,695	328,390	277,923
	Shenyang		144,583	303,195
	Qingdao		130,000	256,000
	Dalian			89,900
Yangtze River Delta	Shanghai	199,463	167,452	312,478
	Wuxi		273,475	308,501
	Changzhou		90,000	733,860
	Hangzhou		75,500	17,500
Western China	Chongqing	822,374	842,796	1,090,750
	Chengdu	532,888	571,022	714,893
	Xi'an		212,328	635,768
Total		**2,282,420**	**2,835,545**	**4,740,769**
YoY change (%)		56.7%	24.2%	67.2%

Thanks to the competitive costs of our land bank and expenses control efforts, the Directors believe that net profit margin of the Group will continue to expand between 2010 and 2012.

Lastly, on behalf of the Board, I would like to express my sincere appreciation to all of our employees for their hard work and all of our shareholders for their support in the past challenging but yet rewarding year.

FINAL DIVIDEND

The Board proposed the payment of a finial dividend of RMB0.063 per share for the year ended December 31, 2009 to shareholders whose names appear on the register of members of the Company on 26 May, 2010. The proposed final dividend will be paid on or about 15 June 2010 after approval by shareholders of the Company at the forthcoming 2010 annual general meeting of the Company (the "AGM").

ANNUAL GENERAL MEETING

The AGM is to be held on 26 May, 2010 and the notice of AGM will be published and dispatched to the shareholders of the Company within the prescribed time and in such manner as required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May, 2010 to 26 May, 2010 (both days inclusive) during which period no transfer of shares will be effected. To qualify for the final dividend to be approved at the AGM and the right to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited Hopewell Centre, Shops 1712-1716, 17th Floor, 183 Queen's Road East, Wan Chai, Hong Kong not later that 4:30p.m. on 19 May 2010.

AUDIT COMMITTEE

The Audit Committee of the Company comprises of all three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls system and financial reporting matters including the review of the Group's audited consolidated results for the year ended December 31, 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has adopted Corporate Governance Policy with reference to the principles set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules and has updated regularly so as to maintain a high standard of corporate governance practices.

The Company has complied with the code provisions of the Code period commencing on 19 November 2009 (the "Listing Date") to December 31, 2009 except the following deviation:

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 the property development, property investment and property management businesses, Madam Wu is responsible for the Group's overall strategic planning and the management of our business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. 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 five executive Directors (including Madam Wu) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted a code of conduct regarding securities transactions of directors (the "Securities Code") on no less exacting the required standard set out in the Model code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. All Directors confirmed that they have complied with the required standard set out in the Securities Code during period commencing on the Listing Date to December 31, 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company during the period commencing on the Listing Date to December 31, 2009.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.longfor.com). The annual report of the Company for the year ended December 31, 2009 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and posted on the above websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Madam Wu Yajun (Chairperson and CEO), Mr. Lin Chu Chang (CFO), Mr. Fang Shengtao (CHO), Mr. Chen Kai and Mr. Qin Lihong who are all executive Directors; and Mr. Frederick Peter Churchouse, Mr. Chan Chi On and Dr. Xiang Bing who are independent non-executive Directors.

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

Hong Kong, April 12, 2010