# 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, 2010

### FINANCIAL HIGHLIGHTS

- Contract sales increased by 30.7% to RMB10.49 billion. Driven by sales of high ASP projects in Beijing, average selling price ("ASP") increased by 81.7% to RMB14,234 when compared with the corresponding period last year.
- Revenue of the Group amounted to RMB3.67 billion, representing a decrease of 37.5% when compared with the corresponding period last year as the delivery of properties will mainly take place in the second half of the year. The Group delivered properties of 405,628 square meters in GFA terms. The consolidated gross profit margin of the Group remained at the same level as the corresponding period of 2009 at approximately 31%.
- Rental income of the Group increased by 32.7% over the same period last year to RMB114 million. Furthermore, three new shopping malls will be completed and commence operation in the second half of the year and the first half of next year. As a result of the above, the appraised value of investment properties increased by RMB2.13 billion.
- Despite strong increase in contract sales, sales expenses recorded a decrease of 16.8% to RMB88.22 million when compared with the corresponding period last year. General and administrative expenses recorded an increase of RMB28.52 million when compared with the corresponding period last year as new companies in Shenyang, Qingdao and Hangzhou commenced operation in the first half of 2010.
- Profit attributable to shareholders amounted to RMB2.20 billion, representing an increase of 51.4% over the corresponding period last year. Excluding the revaluation gain of investment properties, core attributable profit decreased by 18% from the corresponding period last year to RMB895 million.
- EPS was RMB0.426 on a fully diluted basis. The Board resolved not to declare an interim dividend.

**Interim Results**

The Directors 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 30 June 2010 with the comparative figures for the six months ended 30 June 2009, as follows:

**Condensed Consolidated Statement of Comprehensive Income**

| | | Six months ended June 30, | |
|---|---|---|---|
| | **NOTES** | **2010** | **2009** |
| | | *RMB'000* | *RMB'000* |
| | | *(unaudited)* | *(audited)* |
| Revenue | 3 | 3,672,389 | 5,875,808 |
| Cost of sales | | (2,537,228) | (4,035,743) |
| Gross profit | | 1,135,161 | 1,840,065 |
| Other income | 4 | 43,437 | 344,159 |
| Fair value gain upon transfer to investment properties | | 775,912 | — |
| Change in fair value of investment properties | | 1,354,700 | 561,000 |
| Selling and marketing expenses | | (88,219) | (105,975) |
| Administrative expenses | | (113,338) | (84,822) |
| Finance costs | 5 | (1,333) | (41,634) |
| Share of results of jointly controlled entities | | (7,655) | 32,570 |
| Profit before taxation | | 3,098,665 | 2,545,363 |
| Income tax expense | 6 | (431,725) | (885,379) |
| Profit for the period and total comprehensive income for the period | 7 | 2,666,940 | 1,659,984 |
| Attributable to: | | | |
| Owners of the Company | | 2,204,970 | 1,456,061 |
| Non-controlling interests | | 461,970 | 203,923 |
| | | 2,666,940 | 1,659,984 |
| Earnings per share, in RMB cents | | | |
| Basic | 9 | 42.8 | 36.4 |
| Diluted | 9 | 42.6 | N/A |

**Condensed Consolidated Statement of Financial Position**

| | NOTES | At June 30, 2010 | At December 31, 2009 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| | | *(unaudited)* | *(audited)* |
| NON-CURRENT ASSETS | | | |
| Investment properties | 10 | 7,202,300 | 4,698,300 |
| Property, plant and equipment | | 173,104 | 171,861 |
| Prepaid lease payments | | 7,197,505 | 3,194,207 |
| Interests in associates | | 1 | 1 |
| Interests in jointly controlled entities | | 2,272,446 | 2,373,834 |
| Available-for-sale investments | | 8,600 | 8,600 |
| Deposits paid for acquisition of land use rights | | 2,168,154 | 3,264,561 |
| Deposits paid for acquisition of interest in a subsidiary | | 198,947 | 34,000 |
| Deferred taxation assets | | 262,954 | 227,702 |
| | | 19,484,011 | 13,973,066 |
| CURRENT ASSETS | | | |
| Inventories | | 361,172 | 301,048 |
| Properties under development for sales | | 26,244,203 | 18,312,478 |
| Properties held for sales | | 1,401,289 | 1,008,296 |
| Accounts and other receivables, deposits and prepayments | 11 | 2,076,632 | 1,382,897 |
| Amounts due from jointly controlled entities | | 13,563 | 35,271 |
| Taxation recoverable | | 314,011 | 134,265 |
| Pledged bank deposits | | 467,989 | 496,208 |
| Bank balances and cash | | 8,378,862 | 6,801,573 |
| | | 39,257,721 | 28,472,036 |
| CURRENT LIABILITIES | | | |
| Accounts payable, deposits received and accrued charges | 12 | 22,984,067 | 16,362,320 |
| Amounts due to jointly controlled entities | | 1,300,111 | 363,879 |
| Taxation payable | | 1,254,122 | 1,616,029 |
| Bank and other borrowings - due within one year | | 2,156,780 | 3,710,200 |
| | | 27,695,080 | 22,052,428 |
| NET CURRENT ASSETS | | 11,562,641 | 6,419,608 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 31,046,652 | 20,392,674 |

| | NOTES | At June 30, 2010 | At December 31, 2009 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| | | *(unaudited)* | *(audited)* |
| CAPITAL AND RESERVES | | | |
| Share capital | | 453,410 | 452,972 |
| Reserves | | 13,540,306 | 11,685,706 |
| Equity attributable to owners of the Company | | 13,993,716 | 12,138,678 |
| Non-controlling interests | | 1,480,925 | 1,099,884 |
| TOTAL EQUITY | | 15,474,641 | 13,238,562 |
| NON-CURRENT LIABILITIES | | | |
| Bank and other borrowings - due after one year | | 14,043,859 | 6,055,305 |
| Deferred taxation liabilities | | 1,528,152 | 1,098,807 |
| | | 15,572,011 | 7,154,112 |
| | | 31,046,652 | 20,392,674 |

## 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 the International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

### 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 used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended December 31, 2009, except as described below.

In the current interim period, the Group has applied, for the first time, a number of revised standards, amendments and interpretation ("new and revised IFRSs") issued by the IASB.

*IAS 27 (Revised 2008) Consolidated and Separate Financial Statements*

The application of IAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in the International Financial Reporting Standards ("IFRSs"), for acquisition of additional interests in subsidiaries are not business, the difference between the consideration and the carrying values of the underlying assets and liabilities attributable to the additional interests acquired is added to or deducted from the carrying values of the relevant assets, where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under IAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

In respect of the acquisition of additional interests in certain subsidiaries during the period, the impact of the change in policy has been that the difference of RMB72,293,000 between the consideration paid and payable and the decrease in the carrying amount of the non-controlling interests has been recognised directly in equity ("other reserve"). Had the previous accounting policy been applied, this amount would have been recognised as part of the carrying values of the relevant assets.

The adoption of other new and revised IFRSs 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 the following new or revised standards, amendments and interpretation that have been issued but are not yet effective.

| | |
|---|---|
| IFRSs (Amendments) | Improvements to IFRSs issued in 2010[1] |
| IAS 24 (Revised) | Related Party Disclosures[4] |
| IAS 32 (Amendment) | Classification of Rights Issues[2] |
| IFRS 1 (Amendment) | Limited Exemption from Comparative IFRS7 Disclosures for First-time Adopters[3] |
| IFRS 9 | Financial Instruments[5] |
| IFRIC 14 (Amendment) | Prepayments of a Minimum Funding Requirement[4] |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments[3] |

1 Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate
2 Effective for annual periods beginning on or after February 1, 2010
3 Effective for annual periods beginning on or after July 1, 2010
4 Effective for annual periods beginning on or after January 1, 2011
5 Effective for annual periods beginning on or after January 1, 2013

*IFRS 9 Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of *IAS 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 or revised standards, amendments and interpretation 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 are identified as 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 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.

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. Inter-segment sales are priced with reference to prices charged to external parties for similar service.

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

| | **Six months ended June 30, 2010 (unaudited)** | | | |
|---|---|---|---|---|
| | **Property development** *RMB'000* | **Property investment** *RMB'000* | **Property management and related services** *RMB'000* | **Total** *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 |

| | **Six months ended June 30, 2009 (audited)** | | | |
|---|---|---|---|---|
| | **Property development** *RMB'000* | **Property investment** *RMB'000* | **Property management and related services** *RMB'000* | **Total** *RMB'000* |
| Revenue from external customers | 5,718,444 | 86,266 | 71,098 | 5,875,808 |
| Inter-segment revenue | — | — | 9,081 | 9,081 |
| Segment revenue | 5,718,444 | 86,266 | 80,179 | 5,884,889 |
| Segment profit (Adjusted Earnings) | 1,631,561 | 65,416 | 18,628 | 1,715,605 |

**(b) Reconciliations of segment revenues and profit or loss**

| | Six months ended June 30, 2010 *RMB'000 (unaudited)* | Six months ended June 30, 2009 *RMB'000 (audited)* |
|---|---|---|
| **Revenue** | | |
| Segment revenue | 3,683,730 | 5,884,889 |
| Elimination of inter-segment revenue | (11,341) | (9,081) |
| Consolidated revenue | 3,672,389 | 5,875,808 |
| **Profit** | | |
| Segment profit | 1,046,145 | 1,715,605 |
| Other income | 43,437 | 344,159 |
| Fair value gain upon transfer to investment properties | 775,912 | — |
| Change in fair value of investment properties | 1,354,700 | 561,000 |
| Finance costs | (1,333) | (41,634) |
| Share of results of jointly controlled entities | (7,655) | 32,570 |
| Depreciation | (11,212) | (7,777) |
| Unallocated expenses | (101,329) | (58,560) |
| Consolidated profit before taxation | 3,098,665 | 2,545,363 |

**(c) Segment Assets**

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

| | At June 30, 2010 *RMB'000 (unaudited)* | At December 31, 2009 *RMB'000 (audited)* |
|---|---|---|
| Sales of properties | 39,047,141 | 27,457,370 |
| Leasing of properties | 2,570,276 | 2,196,888 |
| Provision of property management services | 7,274 | 5,477 |
| Total segment assets | 41,624,691 | 29,659,735 |

## 4. OTHER INCOME

| | Six months ended June 30, 2010 *RMB'000 (unaudited)* | Six months ended June 30, 2009 *RMB'000 (audited)* |
|---|---|---|
| Interest income | 23,819 | 23,108 |
| Consultancy fee income (Note a) | 13,590 | 18 |
| Excess compensation received from primary development project (Note b) | — | 306,000 |
| Gain on disposal of property, plant and equipment | 277 | 7 |
| Net exchange gain | 5 | — |
| Sundry income | 5,746 | 15,026 |
| Total | 43,437 | 344,159 |

*Notes:*

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

b. 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 totally 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. As at June 30, 2009, the Group has received an amount of RMB1,000,000,000 of the compensation. 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 six months ended June 30, 2009, the excess compensation received from primary development project was therefore recognised in the six months period ended June 30, 2009.

## 5. FINANCE COSTS

| | **Six months ended June 30,** | |
|---|---|---|
| | **2010** | **2009** |
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(audited)* |
| Interest on bank and other borrowings wholly repayable within five years | (390,462) | (366,526) |
| Less:Amount capitalised to properties under development for sales | 389,129 | 324,892 |
| | (1,333) | (41,634) |

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 6.17% (six months ended June 30, 2009: 6.2%) per annum for the six months ended June 30, 2010 to expenditure on the qualifying assets.

## 6. INCOME TAX EXPENSE

| | Six months ended June 30, 2010 | 2009 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(audited)* |
| Current tax | | |
| PRC Enterprise Income Tax ("EIT") | (225,126) | (294,361) |
| Land appreciation tax ("LAT") | (128,641) | (219,390) |
| | (353,767) | (513,751) |
| Overprovision in prior periods | | |
| EIT* | 255,820 | — |
| LAT** | 60,315 | — |
| | 316,135 | — |
| Deferred taxation | | |
| Current period*** | (554,629) | (371,628) |
| Overprovision in prior periods**** | 160,536 | — |
| | (394,093) | (371,628) |
| | (431,725) | (885,379) |

* During the current interim period ended June 30, 2010, the assessment and computation of EIT payable in respect of certain projects which were completed and delivered in previous years, and in respect of which profits were recognised in previous years, was completed and finalised. The EIT on these projects was assessed at a reduced preferential EIT rate of 15% in the current period. The actual EIT in these projects was different from the management's estimation in prior periods based on an EIT rate of 33% and 25%, resulting in a reversal of EIT.

** The actual appreciation value of certain property projects had been finalised in the current period which differs from the management's estimated appreciation value made in prior periods, resulting in an overprovision of LAT in respect of prior periods.

*** Deferred tax liabilities of withholding tax on approximately 20% of undistributed profit arising during the current period has been provided.

****The actual dividend payout ratio in prior years, based on the dividend policy set out for the Group's subsidiaries, was around 20% of the respective year's profit after tax (excluding net fair value gains or losses on investment properties), which differs from the management's previous estimates when it provided for the deferred tax liability in previous year. Hence, resulting in an overprovision of withholding tax in respect of prior years.

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.

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 period.

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% effective 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 relevant tax authority, if the annual income derived from the encouraged business is more than 70% of the annual total income.

## 7. PROFIT FOR THE PERIOD

| | Six months ended June 30, | |
|---|---|---|
| | **2010** | **2009** |
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(audited)* |
| Profit for the period has been arrived at after charging (crediting): | | |
| Depreciation of property, plant and equipment | 11,212 | 7,777 |
| Gain on disposal of property, plant and equipment | (277) | (7) |
| Loss on disposal of subsidiary | — | 10,533 |
| Operating lease rentals | 5,080 | 3,705 |

## 8. DIVIDEND

| | Six months ended June 30, | |
|---|---|---|
| | **2010** | **2009** |
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(audited)* |
| Dividend recognised as distribution during the period: | | |
| Final dividend paid of RMB0.063 for the year ended December 31, 2009 (Six months ended June 30, 2009: Nil for the year ended December 31, 2008) per share | 324,450 | — |

## 9. 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, | |
|---|---|---|
| | **2010** | **2009** |
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(audited)* |
| Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share | 2,204,970 | 1,456,061 |

| | **2010** | **2009** |
|---|---|---|
| | *'000* | *'000* |
| | *(unaudited)* | *(audited)* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share | 5,150,304 | 4,000,000 |
| Effect of dilutive potential ordinary shares in respect of – Pre-IPO share options | 22,060 | |
| Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share | 5,172,364 | |

For the six months ended June 30, 2010, 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 shares during the outstanding period in 2010.

No diluted earnings per share is calculated for the six months ended June 30, 2009 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.

## 10. INVESTMENT PROPERTIES

| | RMB'000 |
|---|---|
| Completed properties, at fair value | |
| At January 1, 2010 (audited) | 4,698,300 |
| Transfer from properties under development for sales (Note) | 98,500 |
| Fair value gain upon transfer of properties under development for sales to investment properties | 284,200 |
| Increase in fair value recognised in profit or loss | 1,354,700 |
| At June 30, 2010 (unaudited) | 6,435,700 |
| Properties under construction, at fair value | |
| At January 1, 2010 (audited) | - |
| Additions | 14,500 |
| Transfer from prepaid lease payments | 68,000 |
| Transfer from properties under development for sales (Note) | 192,388 |
| Fair value gain upon transfer of properties under development for sales to investment properties | 443,212 |
| Fair value gain upon transfer of prepaid lease payments to investment properties | 48,500 |
| At June 30, 2010 (unaudited) | 766,600 |
| Total | 7,202,300 |

Note: The transfer from properties under development for sales to investment properties was made since there was a change in use as evidenced by the commencement of operating leases to outside parties.

The investment properties are all situated in the PRC under medium-term leases. All of the Group's property interests in leasehold land and buildings to earn rentals or for capital appreciation purposes are measured using the fair value model and classified and accounted for as investment properties.

The fair values of the Group's investment properties at dates of transfer and June 30, 2010 have been arrived at on the basis of valuations carried out on that 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.

The fair values of the investment properties were determined by the valuers on the following basis:

| | | |
|---|---|---|
| Completed properties | - | arrived at using the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets and where appropriate, by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties. |
| Properties under Construction | - | by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties and also take into account the estimated costs to completion. |

## 11. 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 date. Considerations under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

| | **At June 30, 2010** | **At December 31, 2009** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(audited)* |
| Trade receivables | 91,233 | 143,394 |
| Other receivables, net of allowance for doubtful debts | 597,819 | 209,572 |
| Advances to suppliers | 325,841 | 246,246 |
| Prepaid tax | 1,061,496 | 782,961 |
| Prepayments and utilities deposits | 243 | 724 |
| | 2,076,632 | 1,382,897 |

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

| | **At June 30, 2010** | **At December 31, 2009** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(audited)* |
| Within 60 days | 89,125 | 136,261 |
| 61 - 180 days | 1,230 | 4,652 |
| 181 - 365 days | 598 | 2,481 |
| 1 - 2 years | 280 | — |
| | 91,233 | 143,394 |

## 12. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

| | At June 30, 2010 RMB'000 (unaudited) | At December 31, 2009 RMB'000 (audited) |
|---|---|---|
| Trade payables and accrued expenditure on construction | 1,726,523 | 1,611,284 |
| Bills payable | 8,560 | 42,738 |
| Deposits received and receipt in advance from property sales | 19,888,704 | 13,340,989 |
| Other payables and accrued charges | 1,360,280 | 1,367,309 |
| | 22,984,067 | 16,362,320 |

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, 2010 RMB'000 (unaudited) | At December 31, 2009 RMB'000 (audited) |
|---|---|---|
| Within 60 days | 1,544,465 | 1,396,739 |
| 61 - 180 days | 30,993 | 142,015 |
| 181 - 365 days | 151,498 | 76,478 |
| 1 - 2 years | 4,932 | 34,270 |
| 2 - 3 years | 1,812 | 2,499 |
| Over 3 years | 1,383 | 2,021 |
| | 1,735,083 | 1,654,022 |

## CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the business review for the Group for the six months ended June 30, 2010.

### Results

In the first half of 2010, the Group realized contract sales of RMB10.49 billion, representing an increase of 30.7% over the corresponding period last year. The Group recognized revenue of RMB3.67 billion and delivered properties of 405,628 square meters in gross floor area (GFA) terms (excluding the areas delivered by jointly controlled entities). Profit attributable to shareholders amounted to RMB2.20 billion, representing an increase of 51.4% over the corresponding period last year. Net profit margin excluding investment properties revaluation gain increased to 24.4% from 18.6% of the corresponding period last year. Fully diluted earnings per share were RMB0.426. The Board resolved not to declare an interim dividends.

**Review of the first half of 2010**

In the beginning of the year, the Company anticipated that a number of austerity measures targeting the property sector would be launched and the overall property market would be clouded by volatility but different regional markets could be impacted differently. As such, the Company was well prepared for the market fluctuations caused by the policy changes since April and prudently managed its operations and investments. Over the cycles, the Group has become more matured and effective in handling effects of such government crackdown.

In the first half of the year, the Group's new markets started to contribute. Last year, we successfully expanded into such eastern cities of Wuxi, Changzhou, Hangzhou, Shenyang and Qingdao. By the first half of this year, with the strong support from the professional teams of the headquarters of the Group, operations in these new places have begun via the establishment of four new regional subsidiaries. Most noticeably, Wuxi Rose and Ginkgo Villa, the first project in our newly entered markets since August 2009, recorded sales of RMB446 million in the first month of its debut in May this year, a new record for the local villa market. This proved the Group's execution capability in new markets.

For the first time in our history, the Group's half year contract sales surpassed RMB10 billion. We maintained our leadership positions in Chongqing and Beijing where we already have had a strong foothold. For instance, we ranked top in the Chongqing market. On the other hand, although the Beijing property market was greatly affected by the regulatory measures, the Group managed to substantially raise contract sales to more than RMB5 billion in the first half, securing the second place in Beijing, thanks to our unique and excellent products.

The Group prudently replenished its land bank at reasonable costs in the first half of the year. 2.93 million square meters of land in GFA terms were added mainly in the Pan Bohai Rim and the Yangtze River Delta. We also entered into one new regional market—Dalian. The Group took a conservative approach to control land cost when the market was over optimistic in the beginning of the year. For example, the Group acquired the site of Changying in Chaoyang District of Beijing at the relative low price level of RMB9,807 per square meter, which in turn could protect us against market risk and allow adequate profit margin. In view of our land reserves of approximately 24.37 million square meters, in particular the additional land reserves in Beijing and Shanghai, the Group has not replenished the land reserves since April.

In the first half of the year, the Group seized the opportunity to raise an overseas syndicated loan to improve its loan structure and liquidity. On the other hand, despite the constraints on lending to real estate projects in China, the Group still secured stable funding in the first half of the year thanks to its long-established strategic relationship with various local banks.

**Outlook for the second half of 2010**

We believe that the property market will continue to be adversely affected by the regulatory measures but may gradually stabilize in the second half of the year. Accordingly, the Group's strategy is to be pro-active in sales, be prudent in investment and be strict in controlling cash flow.

On property development, while contract sales of the Group in the first half of the year were in line with our expectation, they were less than half of the annual target. In the second half of the year, the Group will step-up its sales effort by promptly launch products to meet demands in various regions so as to achieve its annual sales target of RMB24.8 billion. We believe that the Group can replicate the success of Wuxi in Changzhou, Shenyang, Qingdao and Hangzhou based on its excellent product quality and management ability.

On property investment, three new shopping malls will be completed for operation between the second half of the year and the first half of next year, including MOCO Centre in Chongqing, Three Thousand Mall in Chengdu and Starry Street in Beijing. Renovation of the main store of the West Paradise Walk Mall has commenced and is scheduled to complete by the end of this year. The construction of other major shopping malls, namely Crystal Magic Project in Chongqing, Wu Kuai Shi in Chengdu and Chang Ying Project in Beijing, will also commence soon. Upon completion, these investment properties will generate stable income to support the ongoing development of the Group.

As for land reserves, the Company plans to further acquire land parcels in our strategic markets, namely the Pan Bohai Rim and Yangtze River Delta, when opportunities arise. The Company will take a prudent approach to build up its land bank while strictly control land cost. We will also manage cash flow by adhering to its "fast asset turn" strategy. While continuously boosting sales of new and old projects, the Group will carefully schedule its investments and payments according to the cash inflows so as to maintain the liquidity position and gearing ratio at comfortable levels.

The Company has taken an active role in social welfare activities organized by the government. In the second half of 2010, we will complete and deliver the "Elegant Loft" project—the biggest "restricted-price" housing project in Beijing located in Tongzhou District specifically designed and constructed to provide a comfortable living environment to the general public.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded RMB10.49 billion in contract sales from January to June 2010, representing an increase of 30.7% year-on-year. Rental income increased by 32.7% over the same period of last year. In addition, the Group recorded an investment property revaluation gain of RMB2.13 billion. Since delivery of property is concentrated in the second half of the year, revenue of the Group registered a decline to RMB3.67 billion. Profit attributable to shareholders increased by 51.4% period-on-period to RMB2.2 billion. Excluding investment property revaluation gain, net profit margin increased from 18.6% in the first half of last year to 24.4% this year.

### Property Development

During the first half, revenue from property development business of the Group was RMB3.47 billion. The Group delivered 475,208 square meters of property in GFA terms, of which 69,580 square meters belonged to two jointly controlled entities. As the delivery of properties will mainly take place in the second half of the year, the revenue and areas delivered in the first half of the year recorded period-on-period decreases of 39.4% and 28.6%, respectively. The gross profit margin for the property development business remained at the same level at the corresponding period of 2009 of approximately 30%.

*Table 1: Breakdown of property development revenue by projects during the period from January to June 2010*

| Period ended Jun 30 | City | Revenue (January to June) 2010 RMB'000 | Revenue (January to June) 2009 RMB'000 | GFA (January to June) 2010 Sqm | GFA (January to June) 2009 Sqm |
|---|---|---|---|---|---|
| Blossom Chianti | Beijing | 927,021 | — | 45,875 | — |
| Three Thousand Castles | Chengdu | 762,660 | — | 87,825 | — |
| Bridge County | Chengdu | 508,288 | — | 40,298 | — |
| Sunshine Riverside | Chongqing | 290,945 | 335,973 | 54,617 | 47,705 |
| University Town | Chongqing | 271,209 | — | 48,759 | — |
| Peace Hill County | Chongqing | 215,321 | 454,046 | 20,601 | 37,758 |
| MOCO | Chongqing | 201,857 | — | 40,869 | — |
| Flamenco Spain | Chengdu | 144,382 | — | 26,594 | — |
| Charming Port | Chengdu | 33,920 | 33,670 | 11,964 | 5,512 |
| Three Thousand Lane | Chengdu | 32,624 | 1,722,578 | 8,964 | 287,707 |
| Chunsen Land | Chongqing | 17,909 | — | 1,638 | — |
| King Land | Chengdu | 15,996 | 35,512 | 3,178 | 5,156 |
| Chianti | Beijing | 9,329 | 1,243,137 | 494 | 101,302 |
| Rose and Ginkgo Villa | Beijing | — | 1,859,008 | — | 73,739 |
| Others | | 35,720 | 34,517 | 13,952 | 8,961 |
| **Total** | | 3,467,181 | 5,718,441 | 405,628 | 567,840 |

With the successful launching of Wuxi Rose and Ginkgo Villa, the number of cities contributing sales to the Group increased from five (namely, Beijing, Chongqing, Chengdu, Shanghai and Xi'an) to six during the period from January to June 2010. Contract sales of the Group during the period amounted to RMB10.49 billion (including RMB0.86 billion from jointly controlled entities), representing a period-on-period increase of 30.7%. The Group sold 736,648 square meters of properties in GFA terms in the first half, representing a decrease of 28.1% as compared with the corresponding period last year. Driven by sales of projects in the high price city of Beijing, ASP was RMB14,234, representing an increase of 81.7% as compared with the corresponding period last year.

In terms of regional breakdown, contract sales from Pan Bohai Rim, Yangtze River Delta and western China accounted for 49.0%, 11.5% and 39.5% of the total, respectively.

*Table 2: Details of contract sales of the Group during the period from January to June 2010*

| Project | City | Contract Sales* | GFA |
|---|---|---|---|
| | | *RMB mn* | *Sqm* |
| Summer Palace Splendor | Beijing | 1,547 | 23,754 |
| Blossom Chianti | Beijing | 1,096 | 49,694 |
| Tangning One | Beijing | 1,024 | 25,085 |
| Chianti Riverside | Beijing | 943 | 65,519 |
| Toschna Villa | Chongqing | 853 | 70,755 |
| Three Thousand Castles | Chengdu | 732 | 63,256 |
| Bamboo Grove | Chongqing | 567 | 59,211 |
| Sunshine City | Shanghai | 465 | 19,307 |
| Wuxi Rose and Ginkgo Villa | Wuxi | 446 | 35,942 |
| Azure Chianti | Beijing | 412 | 17,879 |
| Sunshine Riverside | Chongqing | 377 | 53,636 |
| Chunsen Land | Chongqing | 371 | 36,692 |
| Shanghai Rose and Ginkgo Villa | Shanghai | 294 | 10,145 |
| Bridge County | Chengdu | 285 | 20,040 |
| Wu Kuai Shi | Chengdu | 284 | 34,754 |
| Peace Hill County | Chongqing | 247 | 38,683 |
| Flamenco Spain | Chengdu | 203 | 33,334 |
| Elegance Loft | Beijing | 102 | 26,031 |
| Fairy Castle | Xi'an | 73 | 9,763 |
| 3000 Lane | Chengdu | 34 | 8,964 |
| Wisdom Town | Chongqing | 17 | 1,601 |
| Others | N/A | 113 | 32,603 |
| **Total/Average** | | **10,485** | **736,648** |

* *Before deducting sales tax*

As of June 30, 2010, the Group had RMB25 billion sold but unrecognized contract sales which formed a solid basis for the Group's future growth in revenue.

**Property Investment**

Through upgrading tenant mix and optimizing the management of existing shopping malls, rental income of the Group in the first half of this year grew rapidly. Total rental income of the Group increased significantly by 32.7% over the same period last year to RMB114 million. The anchor store of North Paradise Walk underwent renovation and was repositioned as a trendy shopping area featuring middle to high-end fashionable apparel. The mall has attracted 62 tier 1 global brands, including 16 brands that entered the markets in Chongqing and southwest China for the first time. As such, customer traffic and rental level of the mall picked up rapidly. The renovation of the anchor store area of West Paradise Walk has commenced and will be reopened at the end of this year.

*Table 3: Breakdown of rental income of the Group during the period from January to June 2010*

| | **January to June 2010** | | **January to June 2009** | | **Change** |
|---|---|---|---|---|---|
| | **Rental Income** | **% of Revenue** | **Rental Income** | **% of Revenue** | **of rental income** |
| North Paradise Walk | 74,325 | 64.9% | 53,889 | 62.5% | 37.9% |
| West Paradise Walk | 25,533 | 22.3% | 20.218 | 23.4% | 26.3% |
| Fairy Castle | 5,202 | 4.5% | 4,976 | 5.8% | 4.6% |
| Crystal Palace | 6,760 | 5.9% | 5,385 | 6.2% | 25.5% |
| Others | 2,624 | 2.3% | 1,797 | 2.1% | 45.9% |
| **Total** | **114,444** | **100.0%** | **86,266** | **100.0%** | **32.7%** |

Three new projects of the Group, namely Chongqing MOCO Centre, Chengdu Three Thousand Mall and Beijing Starry Street will commence operation from the second half of 2010 to the first half of 2011. The Directors believe that rental income of property investment will grow rapidly.

Benefiting from soaring rental income and the stable development of new investment properties, the appraised value of the Group's investment properties increased significantly. In the first half of the year, the Group recorded investment property revaluation gain of RMB2.13 billion, of which, the value of the four existing shopping malls increased by RMB1.35 billion while value of the three new investment properties increased by RMB0.78 billion.

**Expenses Control**

The Group has been adhering to the strict expense control system. While contract sales recorded a significant period-on-period increase of 30.7%, selling and distribution expenses recorded a period-on-period decrease of 16.8% to RMB88.22 million over the same period. As such, selling expenses only accounted for 0.84% of contract sales. General and administrative expenses recorded an increase of RMB28.52million over the corresponding period last year as new companies in Shenyang, Qingdao and Hangzhou commenced operation in the first half of 2010. General and administrative expenses accounted for 1.08 % of contract sales.

**Income Tax Expenses**

Income tax expenses comprised PRC enterprise income tax and land appreciation tax. The enterprise income tax and the land appreciation tax of the Group during the period from January to June 2010 were RMB0.22 billion and RMB0.13 billion, respectively. Due to the recognition of the reversal of tax expenses for certain projects in Chongqing, an income tax credit amounted to approximately RMB0.31 billion was recorded during the period. Together with the effect of deferred tax expenses of RMB0.39 billion mainly arising from investment property revaluation gain, total income tax of the Group for the period was RMB0.43 billion.

**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 24.4% during the period from January to June 2010 from 18.6% during the corresponding period of 2009. The rise in net profit margin was mainly resulted from the recognition of the reversal of income tax expenses.

## Land Bank Replenishment

As of June 30, 2010, the total size of the Group's land bank was 24.37 million square meters or 21.24 million square meters on an attributable basis. The average unit acquisition cost of our land bank was around RMB2,215 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* | |
| Bohai Rim | Beijing | 2,086,404 | 8.6% | 1,913,213 | 9.0% |
| | Shenyang | 2,725,862 | 11.2% | 2,503,872 | 11.8% |
| | Qingdao | 622,240 | 2.6% | 522,682 | 2.5% |
| | Dalian | 669,724 | 2.7% | 324,146 | 1.5% |
| | ***Subtotal*** | 6,104,230 | 25.1% | 5,263,913 | 24.8% |
| Yangtze River Delta | Shanghai | 931,041 | 3.8% | 788,558 | 3.7% |
| | Wuxi | 1,036,204 | 4.3% | 946,054 | 4.5% |
| | Changzhou | 2,043,930 | 8.4% | 1,844,584 | 8.7% |
| | Hangzhou | 591,214 | 2.4% | 591,214 | 2.8% |
| | ***Subtotal*** | 4,602,389 | 18.9% | 4,170,411 | 19.6% |
| Western China | Chongqing | 8,240,311 | 33.8% | 6,994,881 | 32.9% |
| | Chengdu | 3,388,682 | 13.9% | 2,991,552 | 14.1% |
| | Xi'an | 2,030,595 | 8.3% | 1,823,318 | 8.6% |
| | ***Subtotal*** | 13,659,588 | 56.1% | 11,809,751 | 55.6% |
| **Total** | | **24,366,207** | **100.0%** | **21,244,074** | **100.0%** |

From January to June 2010, the land bank of the Group increased by 2.93 million square meters in GFA terms. Of which, 73.4% was in Pan Bohai Rim, 21.1% was in Yangtze River Delta and the remaining 5.5% was in western China. The average acquisition unit cost was RMB3,578 per square meter. The acquisition cost was higher than that of 2009 because the Group successfully acquired land in tier-one cities such as Beijing and Shanghai, where the costs of land are relatively higher.

*Table 5: Land acquisition from January to June in 2010*

| **Project** | **City** | **Attributable Interest** | **Site Area** | **Total GFA** |
|---|---|---|---|---|
| | | *%* | *Sqm* | *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 past were highly competitive. When these projects gradually fall in delivery phases in the coming years, the Group's gross profit margin should have room to expand further, assuming property prices remain stable.

**Financial Position**

As of June 30, 2010, the Group had consolidated borrowings of RMB16.2 billion (December 31, 2009: RMB9.77 billion). Cash and bank balances amounted to RMB8.85 billion. The net debt to equity ratio of the Group was 52.6%.

Of the Group's total borrowings, about 81.8% were denominated in Renminbi and 18.2% were in the Hong Kong dollar. The Group has no currency hedging arrangement.

About RMB4.55 billion of the Group's consolidated borrowings were quoted at fixed rates ranging from 3.08% per annum to 6.70% per annum depending on the tenors of the loans. The rest of the borrowings were quoted at floating rates. As of June 30, the Group's average cost of borrowing was 5.5% per annum.

On April 26, 2010, the Group borrowed a syndicated loan of HK$2.15 billion with a tenor of four years from five overseas banks. The syndicated loan has one of the longest tenors amongst similar loans for private real estate enterprises in China.

Financing through syndicated loans and issuing bonds last year were part of Company's effort to lengthen the debt maturity profile, which the Directors believe is an important way to lower the Group's financial risks, together with the control of gearing. As of June 30, 2010, the average tenor of the Group's consolidated borrowings was approximately 3.4 years, lengthened from 2.5 years at the end of last year.

## Employee and Compensation Policy

As of June 30, 2010, the Group employed 5,357 full time employees in China and Hong Kong. Of them, 1,168 were under the property development division, 74 were under the property investment division and 4,115 were under the property management division. The average age of the Group's workforce is 31 years old. About 79.3% of the staff of the property development and property investment divisions have university degrees and about 14.7% have masters degree or above.

## Prospects

The contract sales of the Group for the first half of the year amounted to RMB10.49 billion, representing a growth of 30.7% as compared with the corresponding period last year. Sales from Pan Bohai Rim and Yangtze River Delta amounted to RMB5.13 billion and RMB1.21 billion respectively, while the contract sales from western China amounted to RMB4.15 billion. The sales saw a steady growth, indicating the effectiveness of the Group's strategy of "multiple products and selected regional focus".

Wuxi Rose and Ginkgo Villa was the first project launched in Jiangsu. The land for the project was acquired in August 2009 and available for sales at the end of May 2010. The sales of the project amounted to RMB0.45 billion in the first month of launch and ranked top in the Wuxi market in that month, reflecting the Group's strong capability in handling new projects in a new region and maintaining high asset turnover rate of the Group in general. In the second half of the year, a total of 13 new projects will be launched by the Group. Of which, 7 new projects will be launched in the existing markets of Chongqing, Chengdu, Beijing and Xi'an and 6 new projects will be launched in four new markets, namely, Shenyang, Changzhou, Qingdao and Hangzhou.

The Group plans to complete 2.32 million square meters of properties in GFA terms (including jointly controlled entities) in 2010. 672,990 square meters was completed in the first half of 2010 and the remaining 1.64 million square meters will be completed in the second half of 2010. Currently, the progress of the projects is satisfactory.

Aside from continuously improving the rental income of properties, the Group also focuses on the long-term strategic development of its investment property portfolio. In the coming years, the Group will reserve a substantial portion of the projects under construction as investment properties, such as Chang Ying Project in Beijing, Crystal Magic Project in Chongqing, Wu Kuai Shi in Chengdu, Hangzhou Xia Sha, Bai Sha He Project in Qingdao and Da Xing Project in Xi'an. In the coming five years, the area of the investment portfolio of the Group will increase to 2 million square meters and the expected rental income will increase substantially.

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*

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 of directors (the "Directors") of the Company (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 4 executive Directors (including Madam Wu) and three independent non- executive Directors and therefore has a fairly strong independence element in its composition.

## AUDIT COMMITTEE

The Company established the Audit Committee on 1 November 2009 with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. 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 30 June 2010 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, 16 August 2010

*As at the date of this announcement, the Company's directors are Madam Wu Yajun, Mr. Fang Shengtao, Mr. Chen Kai, Mr. Qin Lihong, Mr Frederick Peter Churchouse*, Mr. Chan Chi On, Derek* and Dr. Xiang Bing*.*

* *Independent non-executive director*