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, 2010

FINANCIAL SUMMARY

In 2010, the Group realized contract sales of RMB33.32 billion, representing an increase of 81.5% over last year.

Revenue was RMB15.09 billion , representing an increase of 32.7% over last year, and total GFA delivered reached 1.8 million square meters. Gross profit margin was 33.8%, an increase of 4.5% over last year.

In contrast to the significant increase in total contract sales, selling and marketing expenses only rose 4.4% to RMB0.33 billion over last year; general and administrative expenses rose only 2.9% to RMB0.43 billion as compared with previous year.

For the year ended December 31, 2010, profit attributable to shareholders was RMB4.13 billion, representing an increase of 87% over last year. Core profit attributable to shareholders after deducting revaluation gain on investment properties was RMB2.57 billion, representing an increase of 59.9% over last year.

Fully diluted earnings per share were RMB0.798. The Board recommends final dividends of RMB0.1 per share.

ANNUAL RESULTS

The Board of Directors (the "Board") of Longfor Properties 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, 2010 with comparative figures for the preceding financial year, are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

	NOTES	**2010**	**2009**
		RMB'000	*RMB'000*
Revenue	2	15,093,122	11,373,962
Cost of sales		(9,995,934)	(8,042,326)
Gross profit		5,097,188	3,331,636
Other income	3	91,531	421,188
Other gains and losses	4	34,652	13,990
Fair value gain upon transfer to investment properties		777,023	—
Change in fair value of investment properties		1,713,090	920,945
Selling and marketing expenses		(327,880)	(314,119)
Administrative expenses		(433,488)	(421,099)
Finance costs	5	(66,677)	(27,499)
Share of results of jointly controlled entities		183,035	135,998
Profit before taxation		7,068,474	4,061,040
Income tax expense	6	(2,051,101)	(1,568,581)
Profit for the year and total comprehensive income for the year	7	5,017,373	2,492,459
Profit attributable to:			
Owners of the Company		4,130,155	2,209,207
Non-controlling interests		887,218	283,252
		5,017,373	2,492,459
Earnings per share, in RMB cents			
Basic	9	80.2	53.5
Diluted	9	79.8	53.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2010

	NOTES	**2010**	**2009**
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Investment properties		8,041,000	4,698,300
Property, plant and equipment		171,741	171,861
Prepaid lease payments		7,882,002	3,194,207
Interests in associates		1	1
Interests in jointly controlled entities		2,464,099	2,373,834
Available-for-sale investments		8,600	8,600
Deposits paid for acquisition of land use rights		4,274,216	3,264,561
Deposits paid for acquisition of additional interest in a subsidiary		—	34,000
Deferred taxation assets		436,035	227,702
		23,277,694	13,973,066
CURRENT ASSETS			
Inventories		415,939	301,048
Properties under development for sales		31,590,625	18,312,478
Properties held for sales		3,004,066	1,008,296
Accounts and other receivables, deposits and prepayments	10	2,516,293	1,382,897
Amounts due from jointly controlled entities		7,362	35,271
Taxation recoverable		539,034	134,265
Pledged bank deposits		499,419	496,208
Bank balances and cash		9,863,132	6,801,573
		48,435,870	28,472,036
CURRENT LIABILITIES			
Accounts payable, deposits received and accrued charges	11	31,474,867	16,362,320
Amounts due to jointly controlled entities		1,319,490	363,879
Taxation payable		2,635,182	1,616,029
Bank and other borrowings - due within one year		2,859,870	3,710,200
		38,289,409	22,052,428
NET CURRENT ASSETS		10,146,461	6,419,608
TOTAL ASSETS LESS CURRENT LIABILITIES		33,424,155	20,392,674

	2010	2009
	RMB'000	*RMB'000*
CAPITAL AND RESERVES		
Share capital	453,410	452,972
Reserves	15,526,846	11,685,706
Equity attributable to owners of the Company	15,980,256	12,138,678
Non-controlling interests	1,385,564	1,099,884
TOTAL EQUITY	17,365,820	13,238,562
NON-CURRENT LIABILITIES		
Bank and other borrowings - due after one year	14,464,489	6,055,305
Deferred taxation liabilities	1,593,846	1,098,807
	16,058,335	7,154,112
	33,424,155	20,392,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has applied all the standards, amendments and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board, which are mandatorily effective for the Group's financial year beginning January 1, 2010.

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 which 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 RMB71,718,000 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 amounts reported in these consolidated financial statements of the Group for the current or prior accounting periods and/or the disclosures set out in these consolidated financial statements.

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 2010[1]
IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]

IAS 24 (Revised)	Related Party Disclosures[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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 July 1, 2010
3 Effective for annual periods beginning on or after July 1, 2011
4 Effective for annual periods beginning on or after January 1, 2013
5 Effective for annual periods beginning on or after January 1, 2012
6 Effective for annual periods beginning on or after January 1, 2011
7 Effective for annual periods beginning on or after February 1, 2010

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

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

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

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

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

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

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

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

2. SEGMENT INFORMATION

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

The Group is organised into business units based on their types of activities, based on which information is prepared and reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance. The Group's operating segments under IFRS 8 *Operating Segments* are identified as 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 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 represented the income generated from property management. Currently the group's activities in this regard are carried out in PRC.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible assets and current assets directly attributable to each segment with the exception of property, plant and equipment, interests in associates, interests in jointly controlled entities, available-for-sale investments, deferred taxation assets, taxation recoverable and other corporate assets. Other corporate assets are not allocated to the operating segment because they are head office assets or assets which are managed centrally by the Group. The investment properties included in segment assets are stated at cost when assessed by the chief operating decision maker. Segment liabilities include trade payables and accrued expenditure on construction, bills payable, deposits received and receipt in advance from property sales, and other payables with exception of taxation payable, deferred taxation liabilities, bank and other borrowings and other corporate liabilities. Other corporate liabilities are not allocated to the operating segment because they are head office liabilities or liabilities which are managed on group basis.

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 segment profits, management is provided with segment information concerning revenue (including inter-segment sales) and additions to non-current segment assets used by the segments in their operations. Intersegment 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.

	Year ended December 31, 2010			
	Property development	**Property investment**	**Property management and related services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	14,596,701	287,281	209,140	15,093,122
Inter-segment revenue	—	—	36,678	36,678
Segment revenue	14,596,701	287,281	245,818	15,129,800
Segment profit (Adjusted Earnings)	4,498,483	220,346	50,479	4,769,308
Segment assets	49,288,258	3,049,476	9,356	52,347,090
Segment liabilities	28,826,325	23,534	66,030	28,915,889

	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
Segment revenue	11,029,310	197,975	164,072	11,391,357
Segment profit (Adjusted Earnings)	2,797,455	146,888	36,489	2,980,832
Segment assets	27,457,370	2,196,888	5,477	29,659,735
Segment liabilities	14,891,370	52,003	51,638	14,995,011

Other segment information

	Property development	Property investment	Property management and related services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment assets:				
2010				
Additions to non-current assets (Note)	11,759,241	458,709	—	12,217,950
2009				
Additions to non-current assets (Note)	4,623,906	23,745	—	4,647,651

Note: Amounts include additions to investment properties, prepaid lease payments 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, interest in jointly controlled entities and related share of results, changes in fair value of investment properties, interest income from bank balances, finance costs from borrowings and depreciation and impairment losses which are not allocated to operating segments.

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

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Segment revenue	15,129,800	11,391,357
Elimination of inter-segment revenue	(36,678)	(17,395)
Consolidated revenue	15,093,122	11,373,962
Profit		
Segment profit	4,769,308	2,980,832
Other income	91,531	421,188
Other gains and losses	34,652	3,523
Fair value gain upon transfer to investment properties	777,023	—
Change in fair value of investment properties	1,713,090	920,945
Finance costs	(66,677)	(27,499)
Share of results of jointly controlled entities	183,035	135,998
Depreciation	(24,019)	(21,863)
Unallocated expenses	(409,469)	(352,084)
Consolidated profit before taxation	7,068,474	4,061,040
Assets		
Segment assets	52,347,090	29,659,735
Cumulative change in fair value of investment properties	4,991,525	2,501,412
Interests in associates	1	1
Interests in jointly controlled entities	2,464,099	2,373,834
Available-for-sales investments	8,600	8,600
Deferred taxation assets	436,035	227,702
Taxation recoverable	539,034	134,265
Unallocated head office and other assets	10,927,180	7,539,553
Consolidated total assets	71,713,564	42,445,102
Liabilities		
Segment liabilities	28,915,889	14,995,011
Taxation payable	2,635,182	1,616,029
Deferred taxation liabilities	1,593,846	1,098,807
Bank and other borrowings	17,324,359	9,765,505
Unallocated head office and other liabilities	3,878,468	1,731,188
Consolidated total liabilities	54,347,744	29,206,540

(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 December 31	
	2010	**2009**
	RMB'000	*RMB'000*
Sales of properties	14,596,701	11,029,310
Leasing of properties	287,281	197,975
Provision of property management services	209,140	146,677
	15,093,122	11,373,962

(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 are sold, properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

	Revenues from external customers		Non-current assets	
	2010	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chongqing	4,807,460	3,030,015	9,947,384	8,920,181
Chengdu	4,187,174	2,566,327	1,324,331	863,267
Beijing	4,835,818	5,090,778	5,687,083	576,056
Other cities in the PRC	1,262,670	686,842	5,874,261	3,377,260
	15,093,122	11,373,962	22,833,059	13,736,764

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

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

3. OTHER INCOME

	2010	2009
	RMB'000	*RMB'000*
Interest income	60,078	47,620
Consultancy fee income (Note 1)	15,330	31,129
Dividend income from available-for-sale investments unlisted	1,120	685
Excess compensation received from primary development project (Note 2)	—	306,000
Government subsidies	8,611	5,406
Sundry income	6,392	30,348
Total	91,531	421,188

Notes:

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

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 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. During the year ended December 31, 2009, the Group has received the full amount of the compensation and therefore the excess compensation was recognised as other income accordingly.

4. OTHER GAINS AND LOSSES

	2010	2009
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	434	33
Net exchange gain	34,218	3,490
Loss on disposal of subsidiary	—	(10,533)
Bad debt recovery	—	16,000
Reverse of impairment loss on other receivables	—	5,000
	34,652	13,990

5. FINANCE COSTS

	2010 *RMB'000*	2009 *RMB'000*
Interest on bank and other borrowings wholly repayable		
Within five years	(753,617)	(548,322)
Over five years	(105,583)	(62,793)
Total bank and other borrowings	(859,200)	(611,115)
Less: Amount capitalised to properties under development	792,523	583,616
	(66,677)	(27,499)

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 5.29% (2009: 5.38%) per annum for the year ended December 31, 2010, to expenditure on the qualifying assets.

6. INCOME TAX EXPENSE

	2010 *RMB'000*	2009 *RMB'000*
Current tax		
PRC enterprise income tax ("EIT")	(1,088,527)	(609,428)
PRC land appreciation tax ("LAT")	(999,591)	(468,916)
	(2,088,118)	(1,078,344)
Overprovision in prior year:		
EIT*	263,408	—
LAT**	60,315	—
	323,723	—
Deferred taxation		
Current year***	(447,242)	(490,237)
Overprovision in prior year****	160,536	—
	(286,706)	(490,237)
	(2,051,101)	(1,568,581)

* During the year ended December 31, 2010, the assessment and computation of EIT payable in respect of certain completed projects were finalised at a preferential EIT rate of 15%, which was different from the management's estimation on EIT rate of 33% and 25% in prior years, resulting in a reversal of EIT during the year.

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

*** Deferred taxation liabilities of withholding tax provided for 20% of the undistributed profits arising during the current year has been made.

**** The actual dividend payout ratio in prior years, based on the dividend policy set out for the Company's subsidiaries situated in the PRC, 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 deferred taxation liabilities in previous years, 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's income neither arises in, nor is derived from, Hong Kong.

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.

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

Pursuant to the relevant PRC corporate income tax rules and regulations, preferential corporate income tax rates have been granted to certain of the Company's PRC subsidiaries which were established in western regions and engaged in the encouraged business. These companies are subject to a preferential rate of 15% from 2002 to 2010, subject to approval of the tax authority, if the annual income derived from the encouraged business is more than 70% of the annual total income. Approval has been obtained during the current year.

The tax charge for the year can be reconciled to the profit before taxation per consolidated statement of comprehensive income as follows:

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation	7,068,474	4,061,040
PRC EIT at 25%	(1,767,119)	(1,015,260)
Tax effect of share of results of jointly controlled entities	45,759	34,000
Tax effect of expenses not deductible for tax purposes (Note 1)	(101,880)	(73,653)
Tax effect of income not taxable for tax purposes	9,677	698
LAT	(999,591)	(468,916)
Tax effect of LAT	249,898	117,229
Overprovision in prior years	323,723	—
Tax effect of tax losses not recognised	(857)	(243)
Utilisation of tax loss previously not recognised	32	68
Effect of tax exemption and concessionary rates granted to certain PRC subsidiaries	53,942	20,194
Withholding tax on retained profits to be distributed (Note 2)	135,315	(123,771)
Others (note 3)	—	(58,927)
Tax charge for the year	(2,051,101)	(1,568,581)

Notes:

1. The amount mainly comprises of the tax effect of non-deductible corporate expenses of the Group and the expenses of certain subsidiaries in excess of the allowable deduction limits in accordance with the relevant tax regulations.

2. According to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuifa [2008]112, where the Hong Kong resident company directly owns at least 25% of the capital of the Mainland company, 5% dividend withholding tax rate is applicable. The amount represents the withholding income tax provided on the undistributed profits arisen during the years ended December 31, 2010 and 2009 of certain PRC subsidiaries.

3. In accordance to the PRC tax circular (Guoshuifa [2009] 31) issued on March 6, 2009 and effective from January 1, 2008, the sales that were recognised by certain subsidiaries of the Company in 2009 which were related to the pre-sale in 2007 had to use 33%, instead of 25% to provide for the income tax expense. The amount represented the difference between the tax rate used to provide for the income tax expense arising from the recognition of revenue in that year.

7. PROFIT FOR THE YEAR

	2010	2009
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	3,000	3,000
Cost of property inventories included in cost of sales	9,739,314	7,839,702
Depreciation of property, plant and equipment	24,019	21,863
Gain on disposal of property, plant and equipment	(434)	(33)
Loss on disposal of subsidiary	—	10,533
Bad debt recovery	—	(16,000)
Reverse of impairment loss on other receivables	—	(5,000)
Operating lease rentals	9,674	14,458
Staff costs		
Directors' emoluments (including equity-settled share-based payments)	62,994	44,850
Other staff costs		
Staff costs excluding retirement benefit costs	461,038	403,263
Retirement benefit contribution	42,420	35,952
Equity-settled share-based payments	61,151	40,070
Total staff costs	627,603	524,135
Less: Amount capitalised to properties under development	(240,815)	(141,717)
	386,788	382,418
Minimum lease income from investment properties	219,710	170,427
Contingent rental income	67,571	27,548
Less: direct expenses that generated rental income	(61,281)	(56,072)
	226,000	141,903
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	98,528	70,268

8. DIVIDEND

	2010	2009
	RMB'000	*RMB'000*
Dividend recognised as distribution during the year:		
Dividends declared and paid to the then shareholders	—	88,120
Final dividend paid in respect of 2009 of RMB0.063 per share	324,450	—
	324,450	88,120

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.

A final dividend of RMB515,500,000, RMB0.1 per share, in respect of the year ended December 31, 2010 (2009: final dividend of RMB324,450,000, RMB0.063 per share, in respect of 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.

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:

	2010	2009
	RMB'000	*RMB'000*
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	4,130,156	2,209,207

	2010	2009
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	5,152,671	4,132,192
Effect of dilutive potential ordinary shares in respect of - share options	21,667	23,825
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	5,174,338	4,156,017

For the years ended December 31, 2010 and 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 2010 and 2009.

10. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	2010	**2009**
	RMB'000	*RMB'000*
Trade receivables	343,397	143,394
Other receivables, net of allowance for doubtful debts	543,690	209,572
Advances to suppliers	191,188	246,246
Prepaid tax	1,429,263	782,961
Prepayments and utilities deposits	8,755	724
	2,516,293	1,382,897

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2010	**2009**
	RMB'000	*RMB'000*
Within 60 days	337,531	136,261
61 - 180 days	5,866	4,652
181 - 365 days	—	2,481
1 - 2 years	—	—
	343,397	143,394

At December 31, 2010, 98% (2009: 95%) 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 RMB5,886,000 (2009: RMB7,133,000) at December 31, 2010 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.

Before accepting any customers, the Group uses an internal credit assessment system to assess the potential customers' credit quality and defines credit limits by customer, and considers adequate allowance has been made at the end of the reporting period. Balances which are neither past due nor impaired are all with good credit quality.

Other receivables include mainly temporary payments and miscellaneous projects related deposits paid which are refundable upon maturity, of which, approximately RMB12,000,000 (2009: RMB39,566,000) was impaired as at December 31, 2010 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.

Movements in the allowance for doubtful debts on other receivables:

	2010	**2009**
	RMB'000	*RMB'000*
Balance at the beginning of the year	39,566	44,566
Amounts recovered during the year	—	(5,000)
Amounts written off as uncollectible during the year	(27,566)	—
Balance at the end of the year	12,000	39,566

11. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2010	2009
	RMB'000	*RMB'000*
Trade payables and accrued expenditure on construction	2,618,597	1,611,284
Bills payable	5,306	42,738
Deposits received and receipt in advance from property sales	26,291,986	13,340,989
Other payables and accrued charges	2,558,978	1,367,309
	31,474,867	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:

	2010	2009
	RMB'000	*RMB'000*
Within 60 days	2,174,354	1,396,739
61 - 180 days	223,733	142,015
181 - 365 days	131,905	76,478
1 - 2 years	68,066	34,270
2 - 3 years	15,868	2,499
Over 3 years	9,977	2,021
	2,623,903	1,654,022

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the business review and outlook of Longfor Properties Co. Ltd. (the "Company"), together with its subsidiaries (the "Group") for 2010.

Results

In 2010, the Group recorded contract sales of RMB33.32 billion, representing an increase of 81.5% over the previous year. Revenue for 2010 was RMB15.09 billion, representing a year-on-year increase of 32.7%. Rental income from investment properties increased by 45.1% as compared with the previous year. Revaluation gain on investment properties was RMB2.49 billion. Profit attributable to shareholders amounted to RMB4.13 billion, representing an increase of 87.0% over the previous years. Net profit margin improved to 27.4% from 19.4% of last year.

Market Review for 2010

In anticipation of the austerity measures, the Group actively boosted sales effort and took a prudent approach towards investment and financial management to maintain a healthy level of liquidity. The Group successfully overcome the market challenges and achieved outstanding results. The Group's contract sales for the year exceeded the annual target and the Group further consolidated its leading positions in certain major markets. The Group has laid down a solid foundation for future development in response to market challenges.

In 2010, the Group recorded a contract sales of RMB33.32 billion and was ranked as one of the top ten property developers in China for the first time. We launched properties for sale in 10 cities last year. Our contract sales ranked top ten in six of the cities and top three in five of them. We maintained our leading positions in Chongqing, Beijing and Chengdu. Our contract sales in Chongqing ranked the first for the seventh consecutive year. Although the Beijing property market was severely impacted by austerity measures, we achieved contract sales of more than RMB10 billion and ranked the second in Beijing, which we believe was attributed to the uniqueness and excellent quality of our products. In Chengdu, thanks to diversified product lines, we launched 6 projects in 2010 and ranked the third in the local market. It is noteworthy that our projects in new cities as Wuxi, Changzhou, Shenyang, Qingdao and Hangzhou entered in 2009 were able to commence sales within one year and recorded an aggregate contract sales of RMB6.85 billion. The contract sales of Changzhou and Wuxi projects ranked the second and the third in their respective markets. Our Qingdao projects recorded a contract sales of RMB1.52 billlion within three months after launch and ranked top 10 in Qingdao (No.1 with respect to the sales of villas). The launch of new projects in these newly entered cities proved that the Group's execution ability in geographical expansion is stable and excellent.

The Group's land bank increased by 11.97 million square meters to 31.61 million square meters. On the other hand, the average cost of land decreased to RMB1,935 per square meter in 2010 from RMB2,225 per square meter in 2009, as a result of a lower average land cost of RMB1,795 per square meter for newly purchased land parcels in 2010, which has increased room for margin improvement and enhanced risk control capability. The newly acquired land parcels are mainly located in Eastern China, and we have entered into three new cities, Dalian in Liaoning and Yantai in Shandong, as well as Yuxi in Yunnan. The unique natural environment resources and large sizes of the projects in Yantai and Yuxi provided us an edge to further expand our product line to include leisure and retirement properties.

In face of challenging markets, we closely monitored our cash flow and gearing ratio. As at the end of 2010, the net gearing ratio of the Group was only 43.6%, with a total cash balance of over RMB10 billion, a significant increase as compared to the previous year. In respect of bank loans, the Company was able to secure sufficient loans from domestic banks due to its excellent creditability and long-term relationship. Major relationship banks also extended more credit facilities to us. The average interest rates of domestic bank loans are secured at or below the PBOC benchmark rates. The Group successfully improved its loan portfolio through the offshore syndicated loans of HKD2.15 billion following the IPO in the beginning of last year.

The Group completed two shopping malls in 2010, namely MOCO Center in Chongqing and Three Thousand Mall in Chengdu. The total gross floor area of commercial properties of the Group increased to nearly 400,000 square meters. The two shopping centers both recorded occupancy rate of nearly 100%. The Three Thousand Mall in Chengdu was the first commercial property of the Group outside of Chongqing. The project commenced operation within six months after completion of construction. It demonstrated that our management team of the commercial property operation business was capable of expanding our geographical presence. Upgrade of the tenant mix of North Paradise Walk and West Paradise Walk in Chongqing were also completed. The rental income of these projects significantly increased by 45.1% as compared with the previous year.

With respect to social responsibility, in Beijing the Group completed the largest Price Limited project, namely Tongzhou's Elegance Loft. Under our adequate planning and safe construction practices, we offered approximately 6,000 affordable residential units to the mass market. Furthermore, the Company participated in various public welfare activities and donated RMB28 million during the year.

Outlook for 2011

Looking forward, the real estate industry will be affected by government policy in 2011 and market environment will be constantly evolving. The Company will keep abreast of market changes and respond promptly. The Group will continue to promote sales and maintain its prudent strategy with respect to investment and financial management.

With respect to sales, the Group will keep sales growth steadily and launch sales for properties more evenly distributed in the Pan Bohai Rim, the Yangtze River Delta and the Western regions. The Group will maintain a diversified product portfolio to promptly sell products and respond to market changes. Our sales team has gained extensive experience throughout the years and demonstrated their dedication and flexibility in the challenging markets. The outstanding sales team is one of the key competitiveness of the Group. We believe that their ability will be further demonstrated under the market condition this year. The quality products and excellent services of the Company will continue to appeal to customers. Furthermore, the Group will launch leisure projects in Yantai and Yuxi to further diversify our product portfolio and explore the sales and development model of leisure properties.

The completion of Beijing Starry Street this year will further broaden the geographical coverage of our investment properties. Construction of other major investment properties such as Chongqing Times Paradise Walk, Beijing Changying Paradise Walk, Chengdu North Paradise Walk and Hangzhou Xiasha Project will support the sustainable development of the Group in the next few years.

With respect to land bank, the Group will maintain prudent policies in land acquisition and will strictly control the average cost of land and the payment schedule. On the other hand, the Group also manage cash flow by adhering to its “fast asset turn” strategy. While continuously boosting sales to 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 Group will continue to participate in social welfare activities. In January 2011, the Company donated RMB5 million to the Welfare Foundation for the Disabled (殘疾人基金會) for the renovation of the buildings for the handicapped in Chongqing. The Company will also provide financial support for the education of migrants’ children who were left behind in rural areas. The Company is also concerned about issues associated with aging population. Our property management team will organize various community activities to seniors to enhance their wellbeing and quality of life.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2010, the Group's contract sales demonstrated strong growth of 81.5% as compared to 2009, reaching a total contract sales of RMB33.32 billion. Revenue was RMB15.09 billion, representing an increase of 32.7%.Rental income from investment properties recorded an increase of 45.1% over last year, while revaluation gain on investment properties reached RMB2.49 billion. Profit attributable to shareholders increased by 87.0% to RMB4.13 billion. Core profit attributable to shareholders was RMB2.57 billion, representing an increase of 59.9 %. Net profit margin rose from 19.4% in 2009 to 27.4% in 2010. Core net profit margin rose from 14.2% to 17.1% over last year.

Property Development.

In 2010, revenue from property development was RMB14.6 billion. The Group delivered 2,003,000 square meters of property in GFA terms, of which 203,000 square meters was contributed from two jointly controlled entities, and it represents a year-on-year increase of 32.3% and 53.4%, respectively. With the delivery of high margin projects, gross profit margin of overall property development business rose from 28.6% in 2009 to 33.3% in 2010. Recognized average selling price was RMB8,109 per square meters or RMB9,368 after excluding the Elegance Loft project, which is a price-limiting project. This is consistent with the recognized average selling price in 2009.

Table 1: Breakdown of property development revenue by projects in 2010

** After deducting sales tax*

	Revenue		Total GFA	
	2010	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*Sq.m*	*Sq.m*
Beijing Elegance Loft	2,121,082	—	468,480	—
Chengdu Thousand Castles	2,097,694	—	246,982	—
Chengdu Bridge County	1,538,050	681,975	133,146	57,643
Beijing Blossom Chianti	1,528,366	646,087	91,289	56,179
Chongqing Toschna Villa	1,310,829	—	139,459	—
Shanghai Sunshine City	1,249,760	—	53,711	—
Beijing Summer Palace Splendor	1,077,389	—	19,791	—
Chongqing Sunshine Riverside	1,043,367	817,910	159,419	167,558
Chongqing Peace Hill County	940,795	683,675	167,447	77,578
Chongqing MOCO Center	522,796	—	97,487	—
Chengdu Flamenco Spain	388,787	—	68,951	—
Chongqing Wisdom Town	370,973	457,715	71,286	73,834
Chongqing Chunsen Land	118,981	648,525	15,840	85,660
Others	287,832	7,093,423	66,861	654,933
Total	**14,596,701**	**11,029,310**	**1,800,149**	**1,173,385**

In terms of contract sales, the Group's sold RMB 33.32 billion (including RMB2.55 billion from jointly controlled entities), representing an increase of 81.5 % as compared to last year. The Group sold 2.45 million square meters in GFA, representing an increase of 30.2% over last year. The Group entered Wuxi, Changzhou, Qingdao, Hangzhou and Shenyang in 2009, and the Group's projects in these cities achieved strong results in 2010. The contract sales in these cities amounted to RMB6.85 billion in 2010, contributing to 20.6% of the Group's total contract sales. At the same time, existing operations in Chongqing, Chengdu, Beijing, Shanghai and Xi'an achieved a total contract sales of RMB26.47 billion, contributing to 79.4% of the Group's total contract sales. This marked an increase of 44.1% as compared to the same period last year.

The Group's contract sales in Yangtze River Delta and Pan Bohai Rim rose from 46.4% in 2009 to 59.7% in 2010, laying a solid foundation for sustained earning growth for the Group.

Table 2: Details of contract sales of the Group in 2010

** Before deducting sales tax*

Project	**Sales** *RMB in million*	**Total GFA** *sq. m*
Beijing Summer Palace Splendor	3,247	47,545
Shanghai Sunshine City	2,522	131,538
Beijing Chianti Riverside	2,071	142,063
Wuxi Rose and Ginkgo Villa	1,896	104,065
Chongqing Toschna Villa	1,860	150,901
Beijing Tangning One	1,768	41,862
Chongqing Bamboo Grove	1,525	178,005
Qingdao Rose & Gingko Coast	1,523	93,549
Beijing Azure Chianti	1,415	68,387
Chongqing Hometown	1,374	131,729
Beijing Blossom Chianti	1,292	65,779
Changzhou Chianti	1,279	102,320
Hangzhou Rose & Gingko Villa	1,153	63,097
Chengdu North Paradise Walk	1,080	119,562
Chongqing Chunsen Land	1,060	103,901
Chengdu Thousand Castles	1,027	107,965
Chongqing U2	902	137,537
Chengdu Bridge County	878	56,865
Chongqing Sunshine Riverside	753	91,770
Changzhou Dongjing 120 Project	738	42,742
Chongqing Peace Hill County	710	106,241
Xi'an Fairy Castle	608	79,449
Chengdu Century Peak View	539	39,524
Chengdu Flamenco Spain	504	77,918
Shanghai Rose and Ginkgo Villa	485	17,211
Chengdu Jade Town	355	14,639
Shenyang Rose & Gingko Villa	150	16,200
Beijing Elegance Loft	131	32,215
Shenyang Daoyi Project	115	13,808
Chongqing Wisdom Town	56	7,922
Others	304	67,789
Total	**33,320**	**2,454,098**

As of December 31, 2010, the Group had RMB33.8 billion (derived from 2.4 million square meters) sold but unrecognized contract sales which formed a solid basis for the Group's future growth in revenue.

Property Investment

With the operation of new malls and renovation and upgrade of existing malls, the Group's rental income from investment properties for 2010 grew rapidly with an increase of 45.1% to RMB0.29 billion. Gross profit margin from rental income rose from 78% in 2009 to 79% in 2010. The anchor store in North Paradise Walk, which underwent renovation and was repositioned as a trendy shopping area featuring middle to high-end fashion shops, was able to collect much higher rent, thus increasing rental income by 56.8%. West Paradise Walk's anchor store has also completed renovation and upgrade at the end of 2010. The Chengdu Three Thousand Mall and the Chongqing MOCO Center both commenced operation in the second half of 2010 and occupancy rates have achieved nearly 100%, thus assuring a rapid rise in rental income for the future.

Table 3: Breakdown of rental income of the Group in 2010

** After deducting sales tax*

	2010			2009			
	Rental Income	**% of Revenue**	**Occupancy Rate**	**Rental Income**	**% of Revenue**	**Occupancy Rate**	**Rental Income Growth Rate**
North Paradise Walk	197,261	68.7%	99.4%	125,796	63.5%	97.7%	56.8%
West Paradise Walk	53,190	18.5%	98.1%	44,787	22.6%	96.1%	18.8%
Fairy Castle	13,984	4.9%	100.0%	9,728	4.9%	100.0%	43.8%
Crystal Palace	14,077	4.9%	100.0%	11,388	5.8%	100.0%	23.6%
MOCO Center	2,715	0.9%	98.5%	—			
Three Thousand Mall	3,294	1.1%	97.7%	—			
Others	2,760	1.0%	N/A	6,276	3.2%	N/A	-56.0%
Total	**287,281**	**100%**	**97.1%**	**197,975**	**100%**	**97.7%**	**45.1%**

In the next three years, investment properties such as the Beijing Starry Street, Beijing Changying Paradise Walk, Time Paradise Walk, Chengdu North Paradise Walk will commence operation. The Directors expect these investment properties to bring a rapid growth of rental income in the future.

Benefiting from high rental income growth and the stable development of new investment properties, the appraised value of the Group's investment properties has increased significantly. In 2010, a revaluation gain of investment properties of RMB 2.49 billion was recorded.

Expenses Control

The Group's strict budget management system and highly robust IT system ensure efficient use of resources and cost control along with the Group's expansion. In 2010, contract sales increased 81.5% as compared to the year before while selling and marketing expenses only rose 4.4% to RMB0.33 billion, which constituted only 1.0% of total contract sales (selling and marketing expenses over total contract sales was 1.7% in 2009). Due to the establishment of new project companies in Wuxi, Changzhou, Shenyang, Qingdao and Hangzhou in 2010, general and administrative expenses rose by 2.9% to RMB0.43 billion year-on-year, accounting only for 1.3% of total contract sales (administrative expenses over total contract sales was 2.3% in 2009).

Share of Results of Jointly Controlled Entities

Contribution of jointly controlled entities (JCEs) in 2010 mainly came from the Group's 49.6%-owned Bamboo Grove Project in Chongqing and 45.7%-owned Rose and Ginkgo Villa Project in Shanghai. These two projects delivered 203,000 square meters in 2010, (2009: 167,000 square meters). The attributable profit after tax before minority interest of the Group in JCEs was RMB0.18 billion

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

Income Tax Expense

Income tax expenses comprised of PRC enterprise income tax and land appreciation tax. The enterprise income tax and the land appreciation tax of the Group in 2010 were RMB1.09 billion and RMB1.00 billion, respectively. Due to the recognition of the reversal of tax expenses for certain projects in Chongqing, an income tax credit amounted to approximately RMB0.32 billion was recorded during the period. Together with the deferred tax effect of RMB0.28 billion, total income tax of the Group for the period was RMB2.05 billion.

Profitability

The core net profit margin of the Group (profit attributable to equity shareholders excluding revaluation gain on investment properties to revenue) increased from 14.2% in 2009 to 17.1% in 2010. This is mainly due to the increase in the gross profit margin of property sales and effective control of operating expenses.

Land Bank Replenishment

As of December 31, 2010, the total land bank of the Group was 31.61 million square meters or 28.24 million square meters on an attributable basis. The average acquisition cost of our land bank was RMB1,935 per square meter. In terms of regional breakdown, Pan Bohai Rim, the Yangtze River Delta, and Western China accounted for 42.3%, 16.8% and 40.9 % of the total land bank, respectively.

Table 4: Breakdown of land bank of the Group

Region	**City**	**Total GFA** *sq.m*	**% of Total**	**Attributable GFA** *sq.m*	**% of Total**
Pan Bohai Rim	Beijing	1,994,279	6.4%	1,816,973	6.4%
	Shenyang	2,880,032	9.1%	2,751,125	9.7%
	Qingdao	665,411	2.1%	643,253	2.3%
	Yantai	6,996,311	22.1%	6,387,632	22.6%
	Dalian	669,724	2.1%	324,146	1.1%
	Subtotal	***13,205,757***	***41.8%***	***11,923,129***	***42.2%***
Yangtze River Delta	Shanghai	536,932	1.7%	501,730	1.8%
	Wuxi	1,212,199	3.8%	1,106,738	3.9%
	Changzhou	2,141,085	6.8%	2,023,569	7.2%
	Hangzhou	1,147,155	3.6%	1,118,967	4.0%
	Subtotal	***5,037,371***	***15.9%***	***4,751,004***	***16.8%***
Western China	Chongqing	7,284,143	23.0%	6,244,912	22.1%
	Chengdu	3,125,778	9.9%	2,613,645	9.3%
	Xi'an	2,134,132	6.8%	1,953,617	6.9%
	Yuxi	822,100	2.6%	750,577	2.7%
	Subtotal	***13,366,153***	***42.3%***	***11,562,751***	***40.9%***
Total		**31,609,281**	**100.0%**	**28,236,884**	**100.0%**

During 2010, the Group acquired 11.97 million square meters of land in terms of GFA, of which 82% was located in the Pan Bohai Rim region, 9% in the Yangtze River Delta region, and the remaining 9% in Western region. The average acquisition cost per square meter was RMB1,795. Strategically, we were able to enter the cities of Yantai, Yuxi, Dalian as well as maintaining a relatively low land cost with high potential. In early 2011, the Group further acquired land plots in the West Park of Chengdu's high-tech zone and the new coastal city of Beicang in Ningpo city, with a total planned GFA of 1.22 million and 0.63 million square meters, respectively.

Table 6: Land acquisition from January 2010 to December 2010

Region	Project Name	City	Attributable Interest *%*	Site Area *sq.m*	Total GFA *sq.m*
Pan Bohai Rim	Chang Ying	Beijing	91.3%	131,897	558,518
	Niu Lan Shan 4	Beijing	91.3%	109,593	152,670
	Da Xing	Beijing	91.3%	165,338	462,946
	Dao Yi II	Shenyang	96.2%	204,787	409,574
	Hui Shan II	Shenyang	93.5%	371,311	589,278
	Yantai Yang Ma Island I	Yantai	91.3%	1,365,969	6,996,311
	Lvshunkou Long He II	Dalian	48.4%	608,701	669,724
	Subtotal			***2,957,596***	***9,839,021***
Yangtze River Delta	Songjiang Long Xin Lu	Shanghai	91.3%	92,734	150,254
	Yuhang Chao Shan	Hangzhou	91.3%	118,051	324,000
	Dong Jing 120	Changzhou	96.8%	384,720	472,489
	Jing Hu	Wuxi	91.3%	27,437	109,452
	Subtotal			***622,942***	***1,056,195***
Western China	Da Xing New District	Xi'an	94.2%	24,503	179,583
	Fairy Castle II	Xi'an	91.3%	15,607	71,741
	Fairy Lake	Yuxi	91.3%	1,187,339	822,100
	Subtotal			***1,227,449***	***1,073,424***
Total				**4,807,987**	**11,968,640**

The Directors believe that the Group's land acquisition cost to date has been extremely competitive, and our gross profit will have further room to increase when relevant projects are completed in the next few years, even assuming property prices remain stable.

Financial Position

As of December 31, 2010, the Group's consolidated borrowings amounted to RMB17.32 billion (December 31, 2009: RMB9.77 billion). Cash and bank balance reached RMB10.36 billion. The net debt to equity ratio of the Group was 43.6%.

Approximately 84.7% of the Group's total borrowings were denominated in RMB, while 15.3% were denominated in HK dollars. The Group has no arrangements for currency hedging.

Approximately RMB5.47 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 were quoted at floating rates. On December 31, 2010, the Group's average cost of borrowing was 5.6% per annum. The ratio of unsecured debt to total debt rose from 26.3% in 2009 to 46.6% in 2010. Ratio of fixed interest debt to total debt rose from 29.4% in 2009 to 31.5% in 2010.

On April 26, 2010, the Group borrowed a syndicated loan of HK$ 2.15 billion with a 4-year tenor from 5 overseas banks. The syndicated loan has one of the longest tenors amongst similar loans for private real estate developers in China. As of December 31, 2010, the Group's consolidated borrowings averaged a tenor of about 3.4 years, longer than the 2.5 years as of December 31, 2009.

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

Employees and Compensation Policy

As of December 31, 2010, the Group had 5,844 full-time employees in China and Hong Kong. 1,344 of these employees worked in the property development division, 79 in the property investment division, and 4,421 in the property management division. Average age of our workforce is 31 years old and 61.8% of them are male. In the property development and investment divisions, approx. 80.3% have university degrees and 13.8% have master degrees or above.

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

Prospects

In 2011, the real estate market in mainland China will continue to be affected by government's tightening measures. The Group, faced with an increasingly complex and fluctuating market, will continue to carry out a proactive sales strategy and make every effort to ensure adequate growth of contract sales. As compared to only 5 cities in operation in early 2009, the Group has launched sales in 10 cities at the beginning of 2011. In the second half of this year, our projects in Yantai and other new cities will be available for sale. In 2011, the Group will launch 16 new projects in addition to the current 30 projects available for sales. The Group's products will cater to customers with various demands including those who are seeking first-time housing, and those who are seeking further upgrade. In addition, the Group will launch tourism and leisure related property projects in Yantai, Shandong and in Yuxi, Yunnan, thus broadening the Group's overall product lines. The Group will adjust and optimize its operation in response to changes in external environment and evolving market conditions so that our products will satisfy market demand and we can achieve our sales target of this year.

In 2010, the Group realized a core profit of RMB2.57 billion and completed 2.467 million square meters in terms of GFA. Both demonstrated significant increases over what was achieved in 2009. The Group (including jointly controlled entities) plans to complete 2.818 million square meters of properties in 2011. Currently, the sales progress is satisfactory, which ensured a solid basis for the Group's growth in revenue and profitability in 2011.

Aside from the growing rental income of our existing investment properties, the Group also focuses on long-term strategic development of its investment property portfolio. Beijing Starry Street will be completed and commence operation in 2011, while other projects will continue construction, namely, Chongqing Times Paradise Walk, Beijing Changying Paradise Walk, Chengdu North Paradise Walk, Hangzhou Xia Sha, Bai Sha He Project in Qingdao and Da Xing Project in Xi'an. In the coming five years, the GFA of the investment properties portfolio of the Group will increase to 2 million square meters and the expected rental income will increase substantially.

In respect of the land bank and financial management, the Group will, based on its financial capacity, prudently acquire land plots in selected strategic regions with reasonable land cost and control land payment schedule. Meanwhile, the Group will continue to implement prudent cash flow management policies to maintain a strong cash position. The Group will also effectively control its leverage ratio to proactively manage the challenges of the volatile market environment.

Lastly, on behalf of the Board, I would like to express my sincere appreciation to all of our employees for their 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 RMB0.1 per share for the year ended December 31, 2010 to shareholders whose names appear on the register of members of the Company on May 9, 2011. The proposed final dividend will be paid on or about May 13, 2011 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 May 9, 2011 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 April 27, 2011 to May 9, 2011 (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 April 26, 2011.

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, 2010.

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 for the year ended December 31, 2010 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 four 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 the year ended December 31, 2010.

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 year ended December 31, 2010.

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, 2010 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. 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, March 21, 2011