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, 2012

FINANCIAL HIGHLIGHTS

- Core profit increased by 72% to RMB 3.35 billion, and core profit margin reached 23%

- Rental income increased by 35% to RMB 227 million, while the GFA of investment properties grew by 8%

- Since the gearing ratio was low and cash was rich at the end of last year, the Company acquired 2.48 million sq.m (GFA) new land close to downtown centers. For the first time, the Company entered the South China market

- Cash on hand was RMB 17.47 billion, net gearing ratio was 49% as at June 30, 2012

Interim Results

The board of directors (the "Board") of Longfor Properties Co. Ltd. ("the Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2012 with the comparative figures for the six months ended June 30, 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2012

		Six months ended June 30,	
	NOTES	**2012**	**2011**
		RMB'000	*RMB'000*
		(unaudited)	*(unaudited)*
Revenue	3	14,551,699	7,852,226
Cost of sales		(7,842,850)	(3,558,859)
Gross profit		6,708,849	4,293,367
Other income	4	80,711	52,470
Other gains and losses	5	(65,662)	65,410
Fair value gain upon transfer to investment properties		167,573	63,521
Change in fair value of investment properties		501,607	754,783
Selling and marketing expenses		(219,277)	(200,206)
Administrative expenses		(293,557)	(199,534)
Finance costs	6	(40,897)	(73,954)
Share of results of jointly controlled entities		72,003	11,515
Profit before taxation		6,911,350	4,767,372
Income tax expense	7	(2,789,685)	(2,002,146)
Profit for the period and total comprehensive income for the period	8	4,121,665	2,765,226
Attributable to:			
Owners of the Company		3,810,157	2,523,942
Non-controlling interests		311,508	241,284
		4,121,665	2,765,226
Earnings per share, in RMB cents			
Basic	10	73.9	49.0
Diluted	10	73.5	48.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2012

	NOTES	**At June 30, 2012**	**At December 31, 2011**
		RMB'000	*RMB'000*
		(unaudited)	*(audited)*
NON-CURRENT ASSETS			
Investment properties	11	16,436,500	13,198,200
Property, plant and equipment		173,654	175,083
Prepaid lease payments		4,632,863	6,721,986
Interests in associates		1	1
Interests in jointly controlled entities		1,945,218	1,873,215
Available-for-sale investments		8,600	8,600
Deposits paid for acquisition of land use rights		6,487,514	5,837,699
Deferred taxation assets		973,482	669,202
		30,657,832	28,483,986
CURRENT ASSETS			
Inventories		794,383	594,065
Properties under development for sale		50,163,594	46,197,041
Properties held for sale		3,122,617	3,019,488
Accounts and other receivables, deposits and prepayments	12	3,567,940	3,344,296
Amounts due from jointly controlled entities		33,552	13,084
Taxation recoverable		1,747,745	1,081,031
Pledged bank deposits		420,990	406,125
Bank balances and cash		17,047,393	14,120,925
		76,898,214	68,776,055

	NOTES	At June 30, 2012	At December 31, 2011
		RMB'000	*RMB'000*
		(unaudited)	*(audited)*
CURRENT LIABILITIES			
Accounts payable, deposits received and accrued charges	13	41,146,946	41,410,676
Amounts due to jointly controlled entities		389,294	803,170
Taxation payable		6,588,316	4,788,074
Bank and other borrowings - due within one year		4,531,168	3,580,372
		52,655,724	50,582,292
NET CURRENT ASSETS		24,242,490	18,193,763
TOTAL ASSETS LESS CURRENT LIABILITIES		54,900,322	46,677,749
CAPITAL AND RESERVES			
Share capital		453,948	453,415
Reserves		24,483,152	21,487,126
Equity attributable to owners of the Company		24,937,100	21,940,541
Non-controlling interests		2,465,637	2,154,129
TOTAL EQUITY		27,402,737	24,094,670
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year		20,350,079	15,645,880
Senior notes		4,767,662	4,740,473
Deferred taxation liabilities		2,379,844	2,196,726
		27,497,585	22,583,079
		54,900,322	46,677,749

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2012

1. BASIS OF PREPARATION

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

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2011.

Application of amendments to International Financial Reporting Standards

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board.

Amendments to IFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the amendments to IFRS 7 in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied the amendments to IAS 12 titled *Deferred Tax: Recovery of Underlying Assets* effective for annual periods beginning on or after January 1, 2012. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred tax, unless the presumption is rebutted in certain circumstances.

As at June 30, 2012, the Group had investment properties amounting to RMB16,436,500,000 (December 31, 2011: RMB13,198,200,000). The Group measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the management reviewed the Group's investment properties portfolio, which are all located in the PRC and rented out under operating leases, and concluded that the investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather through sale. As the investment properties are depreciable assets and the business model's objective is to consume substantially all of the economic benefits embodied in the investment properties over time, the presumption set out in the amendments to IAS 12 is rebutted. Deferred taxation in relation to the investment properties was and is continued to be measured based on the tax consequences of recovering through use. Hence, the application of the amendments to IAS 12 has no effect on the Group's financial performance and financial position in the current and prior periods.

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 executive directors of the Company) in order to allocate resources to the segment and to assess its performance.

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

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

- Property investment: this segment leases investment properties, which are developed by the Group to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is mainly comprised of retail properties and are all 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 executive directors monitors the revenue and results attributable to each operating segment on the following bases:

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

The measure used for reporting segment profit is adjusted earnings before interest, taxes, depreciation, share of results of jointly controlled entities, 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). 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, 2012 (unaudited)			
	Property development	**Property investment**	**Property management and related services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	14,132,651	226,709	192,339	14,551,699
Inter-segment revenue	—	—	29,787	29,787
Segment revenue	14,132,651	226,709	222,126	14,581,486
Segment profit (Adjusted Earnings)	6,260,299	184,366	44,907	6,489,572

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

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

	Six months ended June 30, 2012	2011
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue		
Segment revenue	14,581,486	7,876,566
Elimination of inter-segment revenue	(29,787)	(24,340)
Consolidated revenue	14,551,699	7,852,226
Profit		
Segment profit	6,489,572	4,093,161
Other income	80,711	52,470
Other gains and losses	(65,662)	65,410
Fair value gain upon transfer to investment properties	167,573	63,521
Change in fair value of investment properties	501,607	754,783
Finance costs	(40,897)	(73,954)
Share of results of jointly controlled entities	72,003	11,515
Depreciation	(14,371)	(11,024)
Unallocated expenses	(279,186)	(188,510)
Consolidated profit before taxation	6,911,350	4,767,372

(c) **Segment Assets**

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

	At June 30, 2012	At December 31, 2011
	RMB'000	**RMB'000**
	(unaudited)	*(audited)*
Sales of properties	57,767,629	52,787,549
Leasing of properties (Note)	8,178,805	5,597,628
Provision of property management services	20,990	17,524
Total segment assets	65,967,424	58,402,701

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

4. OTHER INCOME

	Six months ended June 30,	
	2012	**2011**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest income	56,822	40,594
Consultancy fee income	—	581
Dividend income from unlisted available-for-sale investments	1,312	1,028
Government subsidies	14,961	—
Sundry income	7,616	10,267
Total	80,711	52,470

5. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2012	**2011**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Gain (loss) on disposal of property, plant and equipment	75	(28)
Net exchange (loss) gain (Note)	(65,737)	65,438
	(65,662)	65,410

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

6. FINANCE COSTS

	Six months ended June 30, 2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Interest on bank and other borrowings		
Wholly repayable within five years	(699,688)	(520,174)
Not wholly repayable within five years	(12,776)	(16,388)
Interest expense on senior notes	(233,824)	(110,810)
Less: Amount capitalised to properties under development for sale	905,391	573,418
	(40,897)	(73,954)

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 6.9% (six months ended June 30, 2011: 6.2%) per annum for the six months ended June 30, 2012 to expenditure on the qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended June 30, 2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")	(1,559,835)	(967,147)
Land appreciation tax ("LAT")	(1,382,166)	(1,020,972)
	(2,942,001)	(1,988,119)
Overprovision in prior periods		
LAT*	31,154	—
	(2,910,847)	(1,988,119)
Deferred taxation		
Current period**	121,162	(14,027)
	(2,789,685)	(2,002,146)

* The actual appreciation value of a property project had been finalised in the interim period ended June 30, 2012, which differed from the management's estimated appreciation value made in prior periods, resulting in an overprovision of LAT in respect of prior periods.

** Deferred taxation liabilities include provision for withholding tax which has been provided for at 20% of the undistributed profits arising from all subsidiaries situated in the PRC and held by Hong Kong companies during the prior period.

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

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

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

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% in 2012, 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.

8. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2012	**2011**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	14,371	11,024
(Gain) loss on disposal of property, plant and equipment	(75)	28
Operating lease rentals	9,945	6,724

9. DIVIDEND

	Six months ended June 30,	
	2012	**2011**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Dividend recognised as distribution during the period:		
Final dividend paid in respect of 2011 of RMB0.175 (Six months ended June 30 2011: in respect of 2010 of RMB0.1) per share	902,980	515,505

10. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2012	**2011**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	3,810,157	2,523,942

	2012	**2011**
	'000	*'000*
	(unaudited)	*(unaudited)*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	5,156,395	5,155,047
Effect of dilutive potential ordinary shares in respect of - Share options	29,181	23,631
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	5,185,576	5,178,678

For the six months ended June 30, 2012 and 2011, the outstanding share options issued on January 17, 2011 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 2012 and 2011.

11. INVESTMENT PROPERTIES

	Completed investment properties	Investment properties under construction	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2012 (audited)	8,298,200	4,900,000	13,198,200
Additions	45,065	654,420	699,485
Transfer	159,000	(159,000)	—
Transfer from prepaid lease payments	—	1,869,635	1,869,635
Fair value gain upon transfer of prepaid lease payments to investment properties	—	167,573	167,573
Net increase in fair value recognised in profit or loss	134,835	366,772	501,607
At June 30, 2012 (unaudited)	8,637,100	7,799,400	16,436,500

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

The fair values of the Group's investment properties at dates of transfer and June 30, 2012 and 2011 have been arrived at on the basis of valuations carried out on those dates 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 by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties.
Properties under	—	valued on the basis that they will be developed and completed in accordance with the latest development proposals and taken into account the constructions costs that will be expended to complete the development as well as developer's profit margin to reflect the quality of the completed development.

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.

12. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables are mainly arisen from sales of properties and properties investment. Considerations in respect of sales of properties are paid by purchasers in accordance with the terms of the related sales and purchase agreements. For properties investment, rental income are paid by tenants within two months in accordance with the terms in the tenant agreement.

	At June 30, 2012 *RMB'000* *(unaudited)*	At December 31, 2011 *RMB'000* *(audited)*
Trade receivables	37,930	128,367
Bills receivable	83,141	—
Other receivables, net of allowance for doubtful debts (Note)	1,159,819	923,169
Advances to suppliers	340,143	308,859
Prepaid tax	1,924,255	1,965,625
Prepayments and utilities deposits	22,652	18,276
	3,567,940	3,344,296

Note: Included in other receivables are rental deposits, receivable of refund of the deposit for land auction and deposits for construction work.

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

	At June 30, 2012 *RMB'000* *(unaudited)*	At December 31, 2011 *RMB'000* *(audited)*
Within 60 days	9,551	65,269
61 - 180 days	96,088	11,681
181 - 365 days	15,046	51,417
1 - 2 years	386	—
	121,071	128,367

13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At June 30, 2012	At December 31, 2011
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables and accrued expenditure on construction	3,958,745	3,665,035
Bills payable	482	1,852
Deposits received and receipt in advance from property sales	34,258,369	34,569,718
Other payables and accrued charges (Note)	2,929,350	3,174,071
	41,146,946	41,410,676

Note: Other payables and accrued charges comprise mainly tax received and payable to the government on behalf of customers, accrued salaries and accrued staff welfare.

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 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, 2012	At December 31, 2011
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 60 days	2,771,051	2,520,267
61 - 180 days	485,594	734,431
181 - 365 days	269,802	178,561
1 - 2 years	380,979	214,283
2 - 3 years	40,116	7,449
Over 3 years	11,685	11,896
	3,959,227	3,666,887

Chairman's Statement

I am pleased to present to the shareholders the business review and outlook of Longfor Properties Co. Ltd. (the "Company"), together with its subsidiaries (the "Group"), for the six months ended June 30, 2012.

Results

In the first half of 2012, the Group recognized revenue of RMB14.55 billion, representing an increase of 85.3% over the corresponding period last year. Rental income from investment properties reached RMB0.23 billion, representing an increase of 34.8% over the corresponding period last year. Excluding minority interest and valuation gains, core profit attributable to shareholders was RMB3.35 billion, representing an increase of 72.1% over the corresponding period last year. Core net profit margin attributable to shareholders was 23.0%.

Review of the First Half of 2012

In the first half of 2012, transaction volume and price in China's property market has stabilized despite lingering pressure. As homebuyers have already adapted to the regulatory measures in place, market sentiment has improved since Chinese New Year anchored by pent-up demand and more accommodative credit environment, resulting in the Group recording a steady increase in contracted sales volume. Contracted sales value for the first six months of the year amounted to RMB17.46 billion, or 45% of our annual sales target. We take pride in ranking among the top 10 developers in terms of sales in eight out of the twelve regional markets where we have projects for sale. Apart from the more mature markets which we operate in, such as Chongqing, Beijing and Chengdu, we have also consolidated our presence in Yantai, Wuxi, Changzhou, Xi'an, Qingdao and Hangzhou, which have become new growth engines of the Group.

With ample cash on hand and a relatively low net gearing ratio at the start of the year, the Group was able to take advantage of the current property market consolidation as an opportunity to further expand and diversify its geographical presence at lower cost, and optimize the business model for sustainable growth in the future. In the first half of the year, the Group added seven parcels of land representing a combined gross floor area of more than 2,476 thousand square meters with most purchased at auction reserve prices. We focused on replenishing landbank in the core districts of Xi'an, Chengdu and Shengyang, while expanding into Shaoxing and Cixi in light of the robust local economies and healthy property market dynamics. In late June, the Group successfully entered the Xiamen-Zhangzhou-Quanzhou market in southern China after securing projects in Jimei, Xiamen. Such expansion provided a solid foundation for the second phase of the regional expansion strategy of Longfor. In addition to focusing on risk/return profiles when replenishing its land reserves, the Group has, more importantly, put emphasis on maintaining an overall healthy financial position and implementing strict cost control and keeping a prudent and balanced financial management approach. As at the end of the period, the gearing ratio of the Group was 49%, while cash on hand increased to a record high of RMB17.5 billion.

In order to ensure the Group possessed the financial liquidity to respond to any potential changes in the regulatory environment and industry landscape, we explored various financing channels in the first half of the year to secure sufficient capital at competitive costs. In early April, the Group secured a HK$2.43 billion syndicated loan in Hong Kong from nine banks for a term of three years. Mainly at a low interest rate of Hibor plus 400 basis points, it was the first syndicated loan successfully secured in the overseas market by a Chinese property developer this year. In addition, the onshore credit market conditions have improved in the first half of 2012 with bank lending increasingly skewed to high quality customers. As a result, the Group secured more onshore banking facilities than expected and at more favorable interest rates during the first half of the year.

The Group has adhered to its long-term strategy of building an investment property portfolio funded by sales of residential properties and keeping a balance between property sales and building an investment property portfolio. At the same time, we have also continued to focus on enhancing the development and management of our existing investment properties. In the first half of the year, the gross floor area of the investment properties of the Group increased by 8.1% compared to the corresponding period last year. Due to the optimization of tenant mix and continuous property upgrading, rental income from our investment properties recorded a strong increase of 34.8% compared to the corresponding period last year. Despite the general slowdown in retail sales growth, satisfactory progress has been made in leasing at Times Paradise Walk in Chongqing and North Paradise Walk in Chengdu as a result of our practical design/planning and effective quality management of properties.

While maintaining stable business growth, the Group has placed a high priority on improving its operation efficiency and quality to ensure long-term growth. In the first half of the year, the Group launched its Cash Management Platform Phase I for more efficient and well-planned cash management. Smooth progress has also been made in developing an Integrated Operating Platform which we expect to launch within this year. By integrating internal and external information flows through our IT system, we expect to enhance our operation efficiency and quality for continued improvement in customer experience and employee productivity.

As a corporate citizen, the Group has always been committed to making contribution to the community and fulfilling its social responsibilities. In the first half of the year, the Group donated value of more than RMB 9 million for renovation of dilapidated apartments for the handicapped and construction of care centers for "left-behind children". By involving owners of Longfor properties to participate in our community activities, the Company has been recognized as a charitable and responsible enterprise in China.

Outlook for the Second Half of 2012

With concerns emerging over possible stagflation in the second half of 2012, domestic and overseas economies could face tremendous pressure. The uncertainties of China's real estate industry are imposing new challenges to the management of the Group. The Group will continue to implement a proactive marketing strategy. In order to increase project sales, accurately match project positioning with customers' needs and identify potential customers with real demand, the Group will need collaborative research effort and continued commitment from its employees across investment, operation, marketing and customer service departments. While continuing to grow the Group's operations, we will constantly focus on maintaining and improving the quality of planning, engineering and properties, and ensuring consistent delivery of quality products to satisfy our customers' needs. We are well aware that our brand is the foundation of the Group. Going forward, the Group will place an even higher priority on product quality. More efforts will be made in building and training a team of professional engineers, and reinforcing quality checks and hand-over inspections.

In the second half of the year, two new shopping malls of the Group will commence operation, namely Chongqing Times Paradise Walk Phase I, (重慶時代天街1期) and Chongqing University City Fashion Hall (重慶U城風尚館). The number of projects in operation will increase to 11 and the gross floor area under our management will increase to around 727,000 square meters, laying a solid foundation for steady rental income growth going forward. Times Paradise Walk located in the central business district of Daping in Chongqing is expected to become a leading mega urban complex in China with a gross floor area of around 600,000 square meters. The leasing process of this project (phrase I) has been progressing smoothly with 75% of its leasable area pre-committed to date, six months earlier than target date.

The more accommodative credit environment and rebounding sales have boosted prices in the land market in recent months. Various parcels of land were sold at high premiums under fierce bidding. The Group will remain cautious and strictly comply with its investment discipline by focusing on profitability and defensiveness of projects. The Group will also adhere to its prudent capital expenditure principle to maintain strong cashflow and liquidity.

Management Discussion and Analysis

Property Development

From January to June 2012, revenue from property development business of the Group was RMB14.13 billion, representing an increase of 87.2% over the corresponding period of last year. The Group delivered 1,198,338 square meters of property in GFA terms, of which 75,496 square meters belonged to jointly controlled entities. Gross profit margin of overall property development business decreased slightly to 46.0% as compared with the corresponding period last year. The decrease was attributable to the recognition of projects with high gross profit margin such as Summer Palace Splendor during the same period last year. Recognized average selling price was RMB12,586 per square meter from January to June 2012.

Table 1: Breakdown of property development revenue by projects of the Group during the period from January to June 2012

* *After deducting sales tax*

	City	Revenue		Total GFA	
		January to June 2012	**January to June 2011**	**January to June 2012**	**January to June 2011**
		RMB'000	*RMB'000*	*Sqm*	*Sqm*
BeijingChianti Riverside	Beijing	2,515,233		205,527	
Beijing Azure Chianti	Beijing	2,263,727		108,407	
Qingdao Rose & Gingko Coast	Qingdao	1,587,552		100,519	
Chongqing U2	Chongqing	1,335,734		196,451	
Hangzhou Rose & Gingko Villa	Hangzhou	1,319,755		74,050	
Changzhou Sunshine City	Changzhou	1,219,316		104,082	
Chongqing Chunsen Land	Chongqing	761,747	917,323	74,066	120,171
Chongqing Toschna Villa	Chongqing	748,628	1,141,087	65,875	103,146
Shanghai Sunshine City	Shanghai	618,342	715,133	37,431	34,197
Chengdu North Paradise Walk	Chengdu	505,496		34,496	
Beijing Summer Palace Splendor	Beijing	303,992	4,030,074	8,623	64,818
Beijing Tangning One	Beijing	253,853		8,357	
Xi'an Fairy Castle	Xi'an	193,209		27,830	
Chengdu Flamenco Spain	Chengdu	141,991	247,825	25,111	33,840
Chengdu Bridge County	Chengdu	137,194	63,045	12,164	4,482
Chongqing Peace Hill County	Chongqing	65,523	112,998	17,704	16,641
Chongqing Sunshine Riverside	Chongqing	30,312	82,007	5,645	18,543
Chengdu Jade Town	Chengdu	28,419		1,521	

	City	Revenue		Total GFA	
		January to June 2012	January to June 2011	January to June 2012	January to June 2011
		RMB'000	*RMB'000*	*Sqm*	*Sqm*
Wuxi Rose and Ginkgo Villa	Wuxi	21,375		1,606	
Beijing Elegance Loft	Beijing	18,427	33,522	3,979	7,217
Shanghai Rose and Ginkgo Villa	Shanghai	16,401		688	
Others		46,425	206,765	8,710	71,665
Total		**14,132,651**	**7,549,779**	**1,122,842**	**474,720**

The Group achieved contract sales of RMB17.46 billion (including RMB0.97 billion from jointly controlled entities) from January to June 2012, representing a decrease of 4.4% as compared to the corresponding period of 2011. The Group sold 1,852,706 square meters in total GFA, representing an increase of 26.3% over the corresponding period of last year. Contract sales from regions of western China, Pan Bohai Rim and Yangtze River Delta were RMB9.03 billion, RMB4.38 billion and RMB4.05 billion respectively, accounting for 51.7%, 25.1% and 23.2% of the contract sales of the Group, respectively.

Table 2: Details of contract sales of the Group during the period from January to June 2012

* *Before deducting sales tax*

Project	City	Contract Sales	Total GFA
		RMB mn	*Sqm*
Beijing Time Paradise Walk	Beijing	1,285	98,783
Chongqing Hometown	Chongqing	1,242	143,137
Chongqing Toschna Villa	Chongqing	1,132	144,163
Hangzhou Rose & Gingko Villa	Hangzhou	1,077	76,882
Chongqing Time Paradise Walk	Chongqing	1,021	91,990
Chengdu North Paradise Walk	Chengdu	870	107,643
Chongqing Hilltop's Gardon	Chongqing	860	102,356
Beijing Changying Paradise Walk	Beijing	830	28,523
Changzhou Sunshine City	Changzhou	731	124,528
Chongqing Bamboo Grove	Chongqing	696	86,942
Xi'an Chianti	Xi'an	541	72,329
Chongqing U2	Chongqing	540	84,356

Project	City	Contract Sales	Total GFA
		RMB mn	*Sqm*
Shanghai Long Xing Lu	Shanghai	462	32,732
Yantai Banyan Bay	Yantai	456	29,776
Shanghai Azure Chianti (Bai Yin Lu)	Shanghai	373	21,598
Chengdu Time Paradise Walk	Chengdu	357	39,198
Hangzhou Chianti Riverside	Hangzhou	330	33,767
Wuxi Rose & Gingko Villa II	Wuxi	329	35,223
Qingdao F Plot	Qingdao	305	31,233
Chengdu Flamenco Spain	Chengdu	273	53,266
Chengdu Century Peak View	Chengdu	270	28,142
Qingdao Rose & Gingko Coast	Qingdao	255	33,307
Chengdu Peace Hill County	Chengdu	252	30,138
Beijing Hill of Good Hope	Beijing	239	17,603
Changzhou Dongjing 120 Project	Changzhou	231	28,081
Xi'an Fairy Castle	Xi'an	229	30,605
Wuxi Rose and Ginkgo Villa	Wuxi	227	33,168
Chengdu Bridge County	Chengdu	217	23,761
Xi'an MOCO	Xi'an	204	28,395
Chongqing Chunsen Land	Chongqing	201	24,374
Beijing Tangning One	Beijing	195	5,721
Shenyang Chianti	Shenyang	188	42,300
Beijing Azure Chianti	Beijing	184	9,127
Qingdao Original	Qingdao	179	9,708
Yantai Yangma Island	Yantai	131	5,824
Changzhou Hongzhuang Project	Changzhou	104	8,024
Others		445	56,003
Total/Average		**17,461**	**1,852,706**

As of June 30, 2012, the Group had RMB46.7 billion (derived from 4,410,000 square meters) sold but unrecognized contract sales which formed a solid basis for the Group's future growth in revenue.

Property Investment

The Group maintains a prudent strategy on property investment. All investment properties of the Group are shopping malls under three major product series, namely Paradise Walk series, which are metropolitan shopping malls, Starry Street series, which are community shopping malls, and MOCO, which are household and lifestyle shopping center. As of June 2012, the Group has investment properties of 438,979 square meters which have commenced operation with an occupancy rate of 98.6%. From January to June 2012, total rental income reached RMB227 million, representing an increase of 34.8% as compared with the corresponding period of last year. The series of Paradise Walk, Starry Street and MOCO, accounted for 79.4%, 16.0% and 4.6% of the total rental respectively, and recorded increases of 30.7%, 47.4% and 77.7% respectively. For the tenant mix of such shopping malls, the GFA of the anchor stores, retail stores, restaurants, recreation stores and stores providing services account for 42.7%, 31.0%, 14.6%, 9.7% and 2.0% of the GFA of Paradise Walk series, respectively, while those for Starry Street account for 0.9%, 37.9%, 30.8%, 23.5% and 6.9% of the GFA, respectively.

Table 3: Breakdown of rental income of the Group during the period from January to June 2012

* *After deducting sales tax*

	GFA	January to June 2012			January to June 2011			
		Rental Income *RMB'000*	% of Revenue	Occupancy Rate	Rental Income *RMB'000*	% of Revenue	Occupancy Rate	Change of rental income
Chongqing North Paradise Walk	146,262	127,432	56.2%	98.8%	95,395	56.7%	98.8%	33.6%
Chongqing West Paradise Walk	111,654	52,656	23.2%	99.1%	42,413	25.2%	97.9%	24.2%
Subtotal for Paradise Walk	**257,916**	**180,088**	**79.4%**	**98.9%**	**137,808**	**81.9%**	**98.5%**	**30.7%**
Chongqing Crystal Castle	41,554	7,161	3.2%	96.1%	7,416	4.4%	100.0%	-3.4%
Chengdu Three Thousand Mall	37,860	10,991	4.8%	97.9%	8,904	5.3%	98.3%	23.4%
Chongqing Starry Street	32,121	3,635	1.6%	93.3%				
Chongqing Fairy Castle	29,413	5,375	2.4%	100.0%	5,326	3.2%	100.0%	0.9%
Beijing Starry Street	6,320	5,250	2.3%	90.2%	967	0.6%	92.6%	442.9%
Others*	3,445	3,924	1.7%	100.0%	2,031	1.2%	100.0%	93.2%
Subtotal for Starry Street	**150,713**	**36,336**	**16.0%**	**96.5%**	**24,644**	**14.7%**	**99.1%**	**47.4%**
Chongqing MOCO	30,350	10,285	4.6%	99.7%	5,787	3.4%	99.3%	77.7%
Subtotal for MOCO	**30,350**	**10,285**	**4.6%**	**99.7%**	**5,787**	**3.4%**	**99.3%**	**77.7%**
Projects in operation Total	**438,979**	**226,709**	**100.0%**	**98.6%**	**168,239**	**100.0%**	**98.6%**	**34.8%**

* *Others included community facilities, such as small scaled supermarkets.*

The leased area under the lease contracts of shopping malls expiring in 2012 to 2014 of the Group will account for 12.7%, 15.8% and 10.1% of the total leased area, and the daily average rental per square meter was RMB6.20, RMB4.26 and RMB3.20. The increase of the expiring lease contract will allow further increase in the rental of shopping malls.

Table 4:

Breakdown of lease contracts of investment properties of the Group expiring in 2012 to 2014 (in terms of leased area)

	2012	**2013**	**2014**
Leased area under expiring contracts	36,532	45,356	28,849
Percentage to total leased area	12.7%	15.8%	10.1%
Average rental due	6.20	4.26	3.20

The Group has 7 shopping malls under construction with a total GFA of 1,127,000 square meters. The total areas under construction of Paradise Walk series, Starry Street series and MOCO series are 1,016,000 square meters, 57,000 square meters and 54,000 square meters respectively.

Table 5:

Breakdown of investment properties under construction of the Group in 2012 to 2015

	Commencement of Operation	**Planned GFA**
Chongqing Time Paradise Walk Phase I	2012	250,431
Chengdu North Paradise Walk	2013	223,455
Chongqing Time Paradise Walk Phase II Section I	2014	261,293
Beijing Changying Paradise Walk	2015	280,767
Paradise Walk Subtotal		**1,015,946**
Chongqing University City Fashion Hall	2012	38,039
Shanghai Sunshine City	2013	18,934
Starry Street Subtotal		**56,973**
Xi'an MOCO	2013	54,218
MOCO Subtotal		**54,218**
Projects under construction Total		**1,127,137**

Attributable to the steady increase in rental income of investment properties and construction of new investment properties, the valuation gain of investment properties of the Group amounted to RMB0.67 billion from January to June 2012.

Cost Control

From January to June 2012, in accordance with the regional expansion strategy, the Group established management teams and recruited key personnel for newly-entered cities, such as Ningbo, Dalian and Xiamen, the portion of general and administrative expenses to the total contract sales increased by 0.59% to 1.68% as compared with the corresponding period of last year. As the Group adopted measures to boost marketing and promotion and sales channel management under the severe market environment, the portion of sales expenses to the total contract sales only increased by 0.16% to 1.26% as compared with corresponding period of last year.

Share of Results of Jointly Controlled Entities

Contribution of jointly controlled entities (JCEs) from January to June 2012 mainly came from the Group's 49.6%-owned Bamboo Grove Project in Chongqing and 49.1%-owned Century Peak View Project in Chengdu. These two projects delivered 75,496 square meters. The attributable profit after tax before minority interest of the Group in JCEs was RMB70 million.

Income Tax Expense

Income tax expenses comprised of PRC enterprise income tax and land appreciation tax. The enterprise income tax and the land appreciation tax of the Group from January to June 2012 were RMB1.44 billion and RMB1.35 billion, respectively. The total income tax expenses for the period amounted to RMB2.79 billion.

Profitability

The core net profit margin of the Group (the ration of core net profit attributable to equity shareholders to revenue) was 23%, representing a slight decrease as compared with corresponding period of last year. The decrease in core net profit margin was mainly resulted from the recognition of certain projects with high gross profit margin during the same period last year, such as Summer Palace Splendor, and the decrease of sale price for certain properties due to the declining market during the period.

Return on Equity (ROE) of the Group remained at high level and maintained steady growth as a result of the remarkable corporate operation and management. From January to June 2012, ROE of the Group reached 16.3% (January to June, 2011: 14.8%), providing stable returns for shareholders despite the volatile market.

Land Bank Replenishment

As of June 30, 2012, the total Group's land bank was 35.03 million square meters or 31.92 million square meters on an attributable basis. The average unit acquisition cost of our land bank was RMB1,879 per square meter, accounting for 19.9% of unit price of current contract sales. In terms of regional breakdown, geographically, land bank in Pan Bohai Rim, western China, Yangtze River Delta and southern China accounted for 40.2%, 38.1%, 20.2% and 1.5% of the total land bank, respectively. The geographic spread of the land bank of the Group was as follows:

Table 6: Breakdown of land bank of the Group

Region	**City**	**Total GFA**	**% of Total**	**Attributable GFA**	**% of Total**
		Sqm		*Sqm*	
	Beijing	1,518,366	4.3%	1,386,269	4.4%
	Shenyang	3,113,632	8.9%	2,992,786	9.4%
Pan Bohai Rim	Qingdao	1,069,134	3.1%	1,036,622	3.2%
	Yantai	7,700,066	22.0%	7,090,725	22.2%
	Dalian	669,724	1.9%	324,146	1.0%
	Subtotal	14,070,922	40.2%	12,830,548	40.2%
	Shanghai	666,798	1.9%	623,075	2.0%
Yangtze River Delta	Wuxi	1,230,320	3.5%	1,123,283	3.5%
	Changzhou	2,259,097	6.5%	2,203,234	6.9%
	Hangzhou	1,541,332	4.4%	1,512,777	4.7%
	Ningbo	1,024,846	2.9%	991,996	3.1%
	Subtotal	6,722,393	19.2%	6,454,335	20.2%
Southern China	Xiamen	529,730	1.5%	494,556	1.5%
	Sub-total	529,730	1.5%	494,556	1.5%
	Chongqing	6,490,500	18.6%	5,704,341	17.9%
Western China	Chengdu	4,005,617	11.4%	3,494,151	10.9%
	Xi'an	2,388,192	6.8%	2,190,782	6.9%
	Yuxi	821,619	2.3%	750,138	2.4%
	Subtotal	13,705,928	39.1%	12,139,412	38.1%
Total		35,028,973	100%	31,918,851	100%

Depending on ample cash on hand and relatively low net gearing ratio at the start of the year, the Group captured the opportunities to acquire high quality land bank in the first half of this year.

From January to June 2012, the Group has acquired new land bank with total GFA of 2.48 million square meters, 35.7%, 29.1%, 21.4% and 13.8% of which located in Yangtze River Delta, western China, southern China and Pan Bohai Rim, respectively. The average acquisition unit cost was RMB2,294 per square meter.

The locations of the projects acquired by the Group from January to June 2012 were in proximity to the downtown area. The Group has strategically entered into southern China after its acquisition of the Jimei Guankou Plot in Xiamen in June.

Table 7:

Breakdown of Land acquisition from January to June in 2012

Region	**Project**	**City**	**Attributable Interest**	**Site Area**	**Total GFA**
			%	*Sqm*	*Sqm*
Pan Bohai Rim	Ceramics City	Shenyang	91.3%	113,543	342,012
	Subtotal			113,543	342,012
Yangtze River Delta	Hangzhou Keqiao	Hangzhou	100.0%	167,000	505,683
	Chianti	Ningbo	91.3%	298,266	377,927
	Subtotal			465,266	883,610
Southern China	Jimei Guankou	Xiamen	93.4%	270,200	529,730
	Subtotal			270,200	529,730
Western China	Jinyang Project	Chengdu	94.2%	96,700	388,000
	Crystal Town	Xi'an	94.2%	45,206	178,120
	Waft Yard	Xi'an	91.3%	36,300	154,965
	Subtotal			178,206	721,085
Total				**1,027,215**	**2,476,437**

After the reporting period, the Group successfully acquired the land plot in Zhongcun Community in Chengyang District, Qingdao, land plot in south Chidian, Jinjiang, Quanzhou, land plot in Dong Gang CBD in Zhongshan District, Dalian, and land plot in Li Jia CBD in Bei Bu New District, Chongqing, with a planned GFA of 300,000, 1,220,000, 188,000 and 1,985,000 square meters, respectively.

Financial Position

As of June 30, 2012, the Group's consolidated borrowings amounted to RMB29.65 billion (December 31, 2011: RMB23.97 billion). Cash and bank balance reached RMB17.47 billion. The net debt to equity ratio of the Group was 49%. The credit rating of the Group was BB+ by Standard & Poor and Ba2 by Moodys, with the outlook maintained as "stable".

Approximately 69.2% of the Group's total borrowings were denominated in RMB, while 30.8% were denominated in foreign currencies. The Group has no arrangements for currency hedging.

Approximately RMB9.35 billion of the Group's consolidated borrowings were quoted at fixed rates ranging from 3.08% per annum to 9.50% per annum depending on the tenors of the loans, and the rest were quoted at floating rates. As at June 30, 2012, the Group's average cost of borrowing was 6.73% per annum. The average term of loan was shortened from 4.0 years to 3.9 years. The ratio of unsecured debt to total debt was 46.5% (31 December, 2011: 46.6%). Ratio of fixed interest debt to total debt was 31.5% (31 December, 2011: 31.5%).

In April, 2012, the Company completed the overseas issuance of syndicated loans of equivalent HKD2.43 billion at a reasonable interest rate of mainly HIBOR plus 400 basic points with a tenor of 3 years to secure healthy and sound cash flow for the Group in the future.

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

Employees and Compensation Policy

As of June 30, 2012, the Group had 8,285 full-time employees in China and Hong Kong. 2,029 of these employees worked in the property development division, 164 in the property investment division, and 6,092 in the property management division. Average age of our employees is 31.7 years old, and 62.8% of these employees are male. In the property development and investment divisions, approximately 83.2% of the employees have bachelor degrees and 14.1% of the employees 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 , the net profit margin and results of a balanced score card of the individual subsidiaries.

Prospects

In the second half of 2012, the real estate market in mainland China will continue to be affected by measures of the government. The Group currently has 33 key projects available for sales, 18 of which will be launched its new phases with new product portfolio in the second half of 2012. The Group will also launch 6 new projects. The products of the Group will cater for different groups of customers, including first-time buyers, buyers who are seeking to improve their living condition and business operators, thus enabling the Group to grasp the demands and opportunities in the complicated and volatile market.

The Group (including jointly controlled entities) has completed the construction of 1,210,000 square meters of properties from January to June 2012. The Group plans to complete construction of approximately 3,200,000 square meters (including approximately 320,000 square meters of self-owned properties) and approximately 5,910,000 square meters (including approximately 280,000 square meters of self-owned properties) of properties in 2012 and 2013 respectively. The construction and sales of projects maintain smooth progress.

For investment properties, Chongqing Times Paradise Walk I and Chongqing University City Fashion Hall will commence operation in the second half of 2012. Chengdu North Paradise Walk, Shanghai Sunshine City Starry Street and Xian MOCO, will commence operation in 2013. The constructions of Chongqing Time Paradise Walk Phase II and Beijing Changying Paradise Walk, which are planned to commence operation in 2014 to 2015, have been started. These projects lay a solid foundation for the future growth in rental income from investment properties of the Group.

In the face of the market fluctuations, the Group will continue to implement prudent cost control strategy in respect of the financial management and formulate reasonable planning and arrangement of investment and operating expenses based on the cash inflow in order to maintain healthy and sound financial position and gearing ratio.

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 over the past 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 (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except the following deviations:

Due to personal commitments, Mr. Xiang Bing and Mr. Zeng Ming, the independent non-executive directors of the Company, did not attend the annual general meeting of the Company held on 17 May 2012. These constitute a deviation of the code provision A.6.7 of the Code.

During the period, the Company has not established Nomination Committee as required by the provision A.5 of the Code. Madam Wu is responsible for the nomination and appointment of directors. In according to Company's corporate strategy, Madam Wu will review and discuss with other board members the structure, size and composition(including the skills, knowledge and experience) of the board from time to time and indentify individuals suitably qualified to become directors and make recommendations to the board on the nomination for directorship. The Board is of view that Chairman responsible for the nomination directorship is more effective than establishment Nomination Committee.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, Mr. Chan Chi On, Derek, Mr. Frederick Peter Churchouse, and Dr. Xiang Bing and is chaired by Mr. Chan Chi On, Derek. The Group's unaudited condensed consolidated interim results for the six months ended June 30, 2012 were reviewed by the members of the Audit Committee before submission to the Board for approval.

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

Hong Kong, August 17, 2012

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