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, 2012

FINANCIAL SUMMARY

- Revenue was RMB27.9 billion, representing an increase of 16% over last year
- Core profit attributable to shareholders increased by 20% to RMB5.4 billion and the core profit margin reached 19%
- Contract sales increased by 5% to RMB40.1 billion
- As at the end of the period, cash on hand was RMB18.6 billion and the net gearing ratio was 48%
- Fully diluted earning per share were RMB1.19. The Board recommends a final dividend of RMB0.2 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, 2012 with comparative figures for the preceding financial year, are follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

	NOTES	**2012** *RMB'000*	**2011** *RMB'000*
Revenue	2	27,892,830	24,092,893
Cost of sales		(16,709,740)	(14,324,313)
Gross profit		11,183,090	9,768,580
Other income	3	182,839	168,934
Other (losses) gains	4	(11,814)	106,653
Fair value gain upon transfer to investment properties		293,107	916,115
Change in fair value of investment properties		1,015,475	1,714,447
Selling and marketing expenses		(688,560)	(642,736)
Administrative expenses		(872,743)	(709,148)
Finance costs	5	(47,612)	(202,141)
Share of results of jointly controlled entities		247,760	323,526
Profit before taxation		11,301,542	11,444,230
Income tax expense	6	(4,436,068)	(4,523,942)
Profit for the year	7	6,865,474	6,920,288
Profit attributable to:			
Owners of the Company		6,301,060	6,327,560
Non-controlling interests		564,414	592,728
		6,865,474	6,920,288

	NOTES	2012	2011
		RMB'000	RMB'000
Earnings per share, in RMB			
Basic	9	1.20	1.23
Diluted	9	1.19	1.22
Profit for the year		6,865,474	6,920,288
Other comprehensive expense:			
Fair value loss on hedging instruments		(114,152)	—
Total comprehensive income for the year		6,751,322	6,920,288
Total comprehensive income attributable to:			
Owners of the Company		6,186,908	6,327,560
Non-controlling interests		564,414	592,728
		6,751,322	6,920,288

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2012

	NOTES	**2012**	**2011**
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Investment properties		18,383,300	13,198,200
Property, plant and equipment		186,188	175,083
Prepaid lease payments		8,996,739	6,721,986
Interests in associates		1	1
Interests in jointly controlled entities		2,068,488	1,873,215
Available-for-sale investments		8,600	8,600
Deposits paid for acquisition of land use rights		6,949,391	5,837,699
Deferred taxation assets		1,012,836	669,202
		37,605,543	28,483,986
CURRENT ASSETS			
Inventories		657,209	594,065
Properties under development for sales		57,727,061	46,197,041
Properties held for sales		4,477,039	3,019,488
Accounts and other receivables, deposits and prepayments	10	4,098,246	3,344,296
Amounts due from jointly controlled entities		28,572	13,084
Taxation recoverable		2,222,095	1,081,031
Pledged bank deposits		227,212	406,125
Bank balances and cash		18,383,520	14,120,925
		87,820,954	68,776,055

	NOTES	2012	2011
		RMB'000	RMB'000
CURRENT LIABILITIES			
Accounts payable, deposits received and accrued charges	11	48,515,001	41,410,676
Amounts due to jointly controlled entities		1,051,697	803,170
Taxation payable		7,899,467	4,788,074
Bank and other borrowings - due within one year		5,108,752	3,580,372
		62,574,917	50,582,292
NET CURRENT ASSETS		25,246,037	18,193,763
TOTAL ASSETS LESS CURRENT LIABILITIES		62,851,580	46,677,749
CAPITAL AND RESERVES			
Share capital		475,802	453,415
Reserves		29,433,446	21,487,126
Equity attributable to owners of the Company		29,909,248	21,940,541
Non-controlling interests		2,668,164	2,154,129
TOTAL EQUITY		32,577,412	24,094,670
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year		20,475,034	15,645,880
Senior notes		7,252,980	4,740,473
Derivative financial instruments		114,152	—
Deferred taxation liabilities		2,432,002	2,196,726
		30,274,168	22,583,079
		62,851,580	46,677,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB").

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

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. 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 entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's 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 than through sale. Therefore, the directors have determined that the 'sale' 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.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009 - 2011 Cycle[1]
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]

Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC - Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

[2] Effective for annual periods beginning on or after January 1, 2014.

[3] Effective for annual periods beginning on or after January 1, 2015.

[4] Effective for annual periods beginning on or after July 1, 2012.

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in June 2012

The Annual Improvements to IFRSs 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRSs include the amendments to IAS 16 Property, Plant and Equipment and the amendments to IAS 32 Financial Instruments: Presentation.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at 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 reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as 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, 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets. The directors of the Company are in the process of ascertaining the financial impact.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-Int 12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC - Int 13 Jointly Controlled Entities - Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

These five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. Taking into account the new definition of control and the additional guidance on control set out in IFRS 10, the directors of the Company have a preliminary review on the group structure and anticipate that the application of IFRS 10 will have no material impact on the consolidated financial statements, based on the existing group structure. The directors of the Company are in the process of ascertaining the financial impact on application of the remaining four standards.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements. The directors of the Company are in the process of ascertaining the financial impact.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors of the Company anticipate that the application of the other new and revised IFRSs 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 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 three main operations:

- Property development: this segment develops and sells office premises, commercial and residential properties. All of 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 mainly comprises retail properties and are all located 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, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Company's executive directors monitor 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 certain property, plant and equipment, prepaid lease payments, deposit paid for acquisition of land use rights, interests in associates and 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 segments 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 but exclude taxation payable, deferred taxation liabilities, bank and other borrowings, senior notes, derivative financial instruments 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 a 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, share of results of jointly controlled entities, change in fair value of investment properties and upon transfer to 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 profit, 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. 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.

	Year ended December 31, 2012			
	Property development	Property investment	Property management and related services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	26,946,129	483,373	463,328	27,892,830
Inter-segment revenue	—	—	81,607	81,607
Segment revenue	26,946,129	483,373	544,935	27,974,437
Segment profit (Adjusted Earnings)	9,941,407	380,066	173,057	10,494,530
Segment assets	67,084,344	9,491,397	22,553	76,598,294
Segment liabilities	44,819,990	202,010	6,352	45,028,352

	Year ended December 31, 2011			
	Property development	Property investment	Property management and related services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	23,376,012	402,167	314,714	24,092,893
Inter-segment revenue	—	—	57,020	57,020
Segment revenue	23,376,012	402,167	371,734	24,149,913
Segment profit (Adjusted Earnings)	8,736,177	309,601	80,066	9,125,844
Segment assets	52,787,549	5,597,628	17,524	58,402,701
Segment liabilities	38,141,552	89,621	5,432	38,236,605

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:				
2012				
Additions to non-current assets *(Note)*	27,992	1,543,403	3,876	1,575,271
2011				
Additions to non-current assets *(Note)*	26,479	1,667,442	2,922	1,696,843

Note: Amounts comprise additions to investment properties and property, plant and equipment.

In addition to receiving segment information concerning segment profit, the chief operating decision maker is provided with information concerning the Group's consolidated amount of interests in associates and related share of results (if any), interests in jointly controlled entities and related share of results, changes in fair value of investment properties and upon transfer to investment properties, other income, other gains, finance costs from borrowings, depreciation and impairment losses (if any) which are not allocated to operating segments.

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

	2012	**2011**
	RMB'000	*RMB'000*
Revenue		
Segment revenue	27,974,437	24,149,913
Elimination of inter-segment revenue	(81,607)	(57,020)
Consolidated revenue	27,892,830	24,092,893
Profit		
Segment profit	10,494,530	9,125,844
Other income	182,839	168,934
Other (losses) gains	(11,814)	106,653
Fair value gain upon transfer to investment properties	293,107	916,115
Change in fair value of investment properties	1,015,475	1,714,447
Finance costs	(47,612)	(202,141)
Share of results of jointly controlled entities	247,760	323,526
Depreciation	(33,232)	(26,924)
Unallocated expenses	(839,511)	(682,224)
Consolidated profit before taxation	11,301,542	11,444,230
Assets		
Segment assets	76,598,294	58,402,701
Cumulative change in fair value of investment properties	8,930,669	7,622,087
Prepaid lease payments	8,996,739	6,721,986
Interests in associates	1	1
Interests in jointly controlled entities	2,068,488	1,873,215
Available-for-sale investments	8,600	8,600
Deposits paid for acquisition of land use rights	6,949,391	5,837,699
Deferred taxation assets	1,012,836	669,202
Taxation recoverable	2,222,095	1,081,031
Unallocated head office and other assets	18,639,384	15,043,519
Consolidated total assets	125,426,497	97,260,041
Liabilities		
Segment liabilities	45,028,352	38,236,605
Taxation payable	7,899,467	4,788,074
Deferred taxation liabilities	2,432,002	2,196,726
Bank and other borrowings	25,583,786	19,226,252
Senior notes	7,252,980	4,740,473
Derivative financial instruments	114,152	—
Unallocated head office and other liabilities	4,538,346	3,977,241
Consolidated total liabilities	92,849,085	73,165,371

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

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

	2012	**2011**
	RMB'000	*RMB'000*
Sales of properties	26,946,129	23,376,012
Leasing of properties	483,373	402,167
Provision of property management services	463,328	314,714
	27,892,830	24,092,893

(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.

	Revenue from external customers		**Non-current assets**	
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chongqing	8,918,384	4,951,492	16,065,609	12,406,683
Chengdu	2,788,468	3,926,284	3,624,105	3,077,689
Beijing	6,092,996	10,827,469	5,402,335	7,723,633
Sunan	3,651,550	1,610,582	1,374,611	1,016,825
Other cities in the PRC	6,441,432	2,777,066	10,117,447	3,581,354
	27,892,830	24,092,893	36,584,107	27,806,184

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

	2012	2011
	RMB'000	*RMB'000*
Interest income	139,813	140,590
Consultancy fee income *(Note 1)*	—	1,585
Dividend income from unlisted available-for-sale investments	1,312	1,028
Government subsidies	16,040	658
Promotion and advertising income	—	19,677
Penalty income *(Note 2)*	16,400	4,897
Sundry income	9,274	499
Total	182,839	168,934

Note 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.

Note 2: It represents penalty received from property buyers who do not execute sales and purchase agreement on property sales.

4. OTHER (LOSSES) GAINS

	2012	2011
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	6,379	3
Net exchange (loss) gain *(Note)*	(18,193)	106,650
	(11,814)	106,653

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

5. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest on bank and other borrowings		
Wholly repayable within five years	(1,515,565)	(1,190,505)
Not wholly repayable within five years	(53,388)	(7,808)
Interest expense on senior notes	(501,708)	(342,973)
Less: Amount capitalised to properties under development	2,023,049	1,339,145
	(47,612)	(202,141)

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 6.9% (2011: 6.2%) per annum for the year ended December 31, 2012, to expenditure on the qualifying assets.

6. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("EIT")	(2,439,303)	(2,066,945)
PRC Land Appreciation Tax ("LAT")	(2,136,277)	(2,087,284)
	(4,575,580)	(4,154,229)
Overprovision in prior years:		
LAT	31,154	—
	(4,544,426)	(4,154,229)
Deferred taxation		
Current year	108,358	(369,713)
	(4,436,068)	(369,713)
	(4,436,068)	(4,523,942)

7. PROFIT FOR THE YEAR

	2012	2011
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	3,520	3,300
Cost of property inventories included in cost of sales	16,070,157	13,952,604
Depreciation of property, plant and equipment	33,232	26,924
Gain on disposal of property, plant and equipment	(6,379)	(3)
Minimum lease payment of operating lease rentals	19,623	16,029
Staff costs		
Directors' emoluments (including equity-settled share-based payments)	95,165	98,030
Other staff costs		
Retirement benefit contributions	108,425	71,535
Equity-settled share-based payments	85,859	118,050
Other staff costs	922,980	689,899
Total staff costs	1,212,429	977,514
Less: Amount capitalised to properties under development	(524,222)	(362,856)
	688,207	614,658
Minimum lease income from investment properties	405,692	308,828
Contingent rental income	77,681	93,339
Less: direct expenses that generated rental income	(98,584)	(80,040)
	384,789	322,127
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	190,146	227,594

8. DIVIDEND

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

A final dividend of RMB1,085,755,000, representing RMB0.20 per share, in respect of the year ended December 31, 2012 (2011: final dividend of RMB902,980,000, representing RMB0.175 per share, in respect of the year ended December 31, 2011) has been proposed by the directors of the Company 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:

	2012	**2011**
	RMB'000	*RMB'000*
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	6,301,060	6,327,560

	2012	**2011**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	5,238,342	5,155,049
Effect of dilutive potential ordinary shares in respect of - share options	46,990	22,693
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	5,285,332	5,177,742

For the year ended December 31, 2012, the share options granted 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.

For the year ended December 31, 2011, the share options granted on January 17, 2011 and September 28, 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 2011.

10. 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.

	2012	**2011**
	RMB'000	*RMB'000*
Trade receivables	334,977	128,367
Other receivables, net of allowance for doubtful debts	922,613	923,169
Advances to suppliers	543,975	308,859
Prepaid other tax	2,280,980	1,965,625
Prepayments and utilities deposits	15,701	18,276
	4,098,246	3,344,296

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

	2012	**2011**
	RMB'000	*RMB'000*
Within 60 days	284,169	65,269
61 - 180 days	26,501	11,681
181 - 365 days	24,307	51,417
	334,977	128,367

At December 31, 2012, 15% (2011: 50%) 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 RMB284,544,000 (2011: RMB64,643,000) at December 31, 2012 which are past due at the end of the reporting period for which the Group has not provided for impairment as the Group has retained the legal titles of the properties sold to these customers and the estimated fair value of the relevant properties is expected to be higher than the outstanding receivable amount.

Ageing of trade receivables which are past due but not impaired:

	2012	2011
	RMB'000	*RMB'000*
Within 60 days	233,736	1,545
61 - 180 days	26,501	11,681
181 - 365 days	24,307	51,417
Total	284,544	64,643

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 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 mainly comprise of rental deposits, receivable of refund of the deposit for land auction, deposits for construction work, temporary payments and miscellaneous projects related deposits paid which are refundable upon maturity, of which, approximately RMB12,000,000 (2011: RMB12,000,000) was impaired as at December 31, 2012 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:

	2012	2011
	RMB'000	*RMB'000*
Balance at the beginning of the year and at the end of the year	12,000	12,000

11. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2012	2011
	RMB'000	*RMB'000*
Trade payables and accrued expenditure on construction	4,197,276	3,665,035
Bills payable	—	1,852
Deposits received and receipt in advance from property sales	40,845,115	34,569,718
Other payables and accrued charges *(Note)*	3,472,610	3,174,071
	48,515,001	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 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:

	2012	2011
	RMB'000	*RMB'000*
Within 60 days	3,146,952	2,520,267
61 - 180 days	437,526	734,431
181 - 365 days	199,552	178,561
1 - 2 years	357,561	214,283
2 - 3 years	40,114	7,449
Over 3 years	15,571	11,896
	4,197,276	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 year ended December 31, 2012.

RESULTS

In 2012, the Group's contracted sales achieved RMB 40.13 billion, representing a 4.9% growth from 2011. The Group recognized revenue of RMB 27.89 billion, representing an increase of 15.8%. Excluding minority interest and revaluation gains, core profit attributable to shareholders was RMB 5.4 billion, representing an increase of 20.0%. Core net profit margin attributable to shareholders rose to 19.4% from 18.7% over last year.

REVIEW OF 2012

In 2012, the PRC real estate industry stepped out of the trough, with both average selling price and transaction volume stabilized starting from the second quarter. First-tier and core second-tier cities saw a general increase in sales towards the end of the year. The Group surpassed the annual sales target of RMB39 billion and managed to achieve a stable growth. On the backdrop of various austerity measures such as the home purchase restrictions and the mortgage restrictions, the Group proactively readjusted its product mix and geographic focus, launched more products targeting first-time homebuyers and first-time home upgraders. At the same time, the Group promptly reduced the proportion of large-size units and outer-suburbs housing products accordingly. As a result, the Group achieved a year-on-year growth of 27.2% in terms of contracted sales area as compared to 2011. Although we served a ever broader customer base, according to a third party survey, the Group's customer loyalty stood at 76% in 2012, the same level as in 2011, and property service satisfaction was as high as 92%. This demonstrated that our brands continued to be widely recognized by customers despite market volatility and product mix adjustment. The Group continued to win industry awards in both product design and construction quality. Our Beijing Summer Palace Splendor project was awarded the Best International Architectural Design from US Nationals. Our Chengdu Thousand Castles and Chongqing Hometown projects were awarded the "Golden Award for Outstanding Residential Project" of the 2012 Zhan Tianyou Civil Engineering Award.

With ample cash on hand and a relatively low net gearing ratio at the start of the year, the Group leveraged opportunities arising from a changing industry landscape to further consolidate its market share in existing regional markets, and to expand and diversify its geographic and business coverage, at relatively low costs to fuel a sustainable growth. In the year, the Group acquired 17 new parcels of land with a combined gross floor area of more than 8.91 million square meters, and the average premium paid relative to the auction reserve price was only 8.72%. We focused on replenishing landbank in the core districts of major cities such as Beijing, Hangzhou, Xi'an, Chengdu and Shenyang, while adding three cities with robust local economy and healthy property market dynamics, namely Xiamen, Quanzhou and Shaoxing.

While proactively replenishing our land bank, the Group enjoyed strong supports from prompt collection of sales proceeds as well as external financing. Thanks to the sound customer management and bank mortgage coordination, the cash collection rate of the Group reached 91% for the year. With respect of financing, during the year, the Group secured a HKD2.43 billion overseas syndicated loan, issued USD400 million senior notes denominated in the US dollar with a term of seven years and completed the first share placement in the amount of HKD3.09 billion since IPO. Our onshore loans also remained stable with more favorable interest rate conditions.

In terms of our commercial property segment, three new commercial projects successfully commenced operation as scheduled. Times Paradise Walk Phase I project is located in the heart of Daping District in Chongqing, with a gross floor area in operation of about 160,000 square meters, and achieved an occupancy rate of over 90% upon commencement of operation. It attracted over 500,000 customer flow during the first three days of the commencement of operation, set a new record in terms of the customer flow during the initial operation stage in Southwest China and laid a solid foundation for subsequent commercial development and residential sales.

In mid 2011, together with my resignation as the Group's CEO, the Group conducted an extensive adjustment of the core management on the headquarters level as well as the regional leadership. Several experienced regional general managers were promoted as executive directors of the Group, while a number of highly qualified deputy regional general managers with great potentials were promoted to become regional general managers. 2012 was the first full year that the new management team took full responsibility. While the new management team was adapting themselves in the new roles, they demonstrated strong entrepreneurship and competency, and are able to closely collaborate with each other. Undoubtedly, operating efficiency and quality of the management and leadership may be adversely affected during the initial adapting and transitional period, which in turn adding short-term pressure on the Group's profit margin and inventory level. However, I am pleased that the new CEO and the management team have been able to implement and execute the strategies laid out previously, and I firmly believe that the management transition from founder to professional management team is the only way for the development of every single modern enterprise. The current adaptation will lay a solid foundation for the long-term healthy growth of the Group.

As a corporate citizen, while growing its business, the Group has always been committed to fulfilling its social responsibilities. We have provided Longfor's New Year Gifts for four consecutive years to support the poor, and donated tens of millions of RMB for the renovation of dilapidated apartments for the handicapped and the construction of care centers for "left-behind children". We have invested RMB 30 million in total to participate in the "Greening Yangtze River" project for three consecutive years since 2010, to actively contribute to environmental protection and improvement as a responsible corporate citizen.

OUTLOOK FOR 2013

In 2013, the economy of China will usher in a new round of development opportunities. With the deepening of urbanization, differentiation and consolidation will be more apparent in the real estate industry. We believe the agglomeration of population in megacities and economically developed core cities will accelerate. Accordingly, we expect to see under-supply and inventory pressure to co-exist in different markets. Therefore, targeted and prudent regional focus will be particularly important.

In 2013, the Group will continue to proactively adjust its geographical and product mix. The Company has acquired a land parcel in Wangcheng, Changsha at the beginning of the year and strategically entered into the Central China market. As to product mix, the Group will continue to focus on the proportion of products targeting first-time homebuyers and first-time upgraders. Meanwhile, the Group will optimize middle and high end product lines in order to improve sale through rate and achieve stable profit margins. With an ample land reserve replenished in 2012, the Group has great flexibilities in terms of product supply. The management team, which has adapted itself for one full year and continues to improve, is expected to achieve better performance steadily in terms of quality decisions and execution efficiency.

The Group will continue to grow its commercial property segment steadily as a strategically important component to the Group's overall operation. The three major commercial brands, namely, Paradise Walk, Starry Street and MOCO, will be launched in more cities across the country. This year, Chengdu North Paradise Walk will commence operation, and Beijing Changying Paradise Walk and Hangzhou Jinsha Paradise Walk have also entered into the pre-leasing stage in full scale.

Since the end of the third quarter of 2012, with a rebound in both transaction volume and average selling price, and a new round of upsurge in financing by real estate enterprises, land markets in various regions saw increasingly intensified competition and, as a result, new transactions with high premiums relative to the auction reserve price. The Group will maintain its strict investment discipline and stay vigilant under a heated environment. It will focus on key land parcels in more mainstream cities and make selective acquisitions when opportunities arise. Meanwhile, the Group will continue to prudently manage its cash and balance sheet position to ensure financial safety.

Looking forward, while key elements supporting the long-term growth of the real estate industry are expected to remain unchanged, various issues leading to short-term market volatility and fluctuation will continue to emerge. We believe pure investment and speculation demand has been effectively curbed in China's real estate market with the several round of austerity measures in the past, and customers are becoming more sophisticated. The industry focus will gradually shift from pursuing rapid growth and expansion to establishing brand name, efficient operations and differentiation in market positions. The Group will, supported by its financial soundness, continue to strengthen its market leading position in high-value cities and regions, focus on the innovative research and development of suitable products, retain and optimize our team and culture, to achieve the long-term and steady growth.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

In 2012, revenue from property development business of the Group was RMB 26.95 billion, representing an increase of 15.3% over last year. The Group delivered 2,746,461 square meters of property in GFA terms, of which 234,430 square meters were contributed from jointly controlled entities. Gross profit margin of overall property development business decreased slightly to 39.7% in 2012 as compared with that of last year. The decrease was mainly attributable to the concentrated delivery of projects with high gross profit margin such as Summer Palace Splendor during last year. Recognized average selling price was RMB 10,727 per square meter in 2012.

Table 1: Breakdown of property development revenue by projects of the Group in 2012
* *After deducting sales tax*

	City	Revenue		Total GFA	
		2012	2011	2012	2011
		RMB'000	*RMB'000*	*Sqm*	*Sqm*
Beijing Chianti Riverside	Beijing	2,879,190	582,437	229,264	42,334
Beijing Azure Chianti	Beijing	2,381,192		113,979	
Changzhou Sunshine City	Changzhou	2,163,631		196,413	
Chongqing U2	Chongqing	2,160,977		327,085	
Chongqing Hometown	Chongqing	1,944,486	1,129,459	251,584	106,079
Chongqing Time Paradise Walk	Chongqing	1,931,512		135,273	
Qingdao Rose & Gingko Coast	Qingdao	1,598,207		100,957	
Hangzhou Rose & Gingko Villa	Hangzhou	1,364,258		77,312	
Xi'an Fairy Castle	Xi'an	1,255,309	337,927	168,243	70,411
Chengdu North Paradise Walk	Chengdu	1,234,370	1,656,169	117,947	186,405
Chongqing Chunsen Land	Chongqing	1,174,257	990,938	118,507	140,586
Shanghai Long Xing Lu	Shanghai	1,042,252		66,227	
Wuxi Rose and Ginkgo Villa	Wuxi	949,776	1,610,813	101,035	128,995
Shanghai Sunshine City	Shanghai	892,510	1,918,888	65,550	112,419
Chengdu Flamenco Spain	Chengdu	889,462	270,411	144,972	37,111
Chongqing Toschna Villa	Chongqing	830,463	1,204,556	72,851	106,834
Wuxi Rose & Gingko Villa II	Wuxi	531,988		58,252	
Chengdu Bridge County	Chengdu	464,308	272,448	44,601	17,385
Beijing Summer Palace Splendor	Beijing	303,992	4,414,414	8,635	68,594
Beijing Tangning ONE	Beijing	298,451	5,683,712	15,858	195,089
Shanghai Rose and Ginkgo Villa	Shanghai	140,996		6,170	
Beijing Elegance Loft	Beijing	91,505	64,874	24,822	13,939
Chengdu Jade Town	Chengdu	78,973	458,495	4,016	19,549
Chongqing Peace Hill County	Chongqing	73,838	730,878	19,341	118,406
Shenyang Chianti	Shenyang	66,507	311,939	8,024	38,833
Others		203,719	1,737,654	35,113	275,191
Total		**26,946,129**	**23,376,012**	**2,512,031**	**1,678,160**

The Group achieved contract sales of RMB40.13 billion (including RMB 2.43 billion from jointly controlled entities) in 2012, representing an increase of 4.9% as compared to last year. The Group sold 4,179,622 square meters in total GFA, representing an increase of 27.2% over last year. Contract sales from regions of western China, Pan Bohai Rim, Yangtze River Delta and southern China were RMB18.73 billion, RMB11.00 billion, RMB10.32 billion and RMB0.08 billion respectively, accounting for 46.7%, 27.4%, 25.7% and 0.2% of the contract sales of the Group, respectively.

Table 2: Details of contract sales of the Group during 2012
** Before deducting sales tax*

Project	City	Contract Sales *RMB mn*	Total GFA *Sqm*
Beijing Changying Paradise Walk	Beijing	3,419	120,166
Beijing Time Paradise Walk	Beijing	2,552	181,821
Hangzhou Rose & Gingko Villa	Hangzhou	2,333	160,171
Chongqing Hometown	Chongqing	2,030	243,850
Chongqing Bamboo Grove	Chongqing	1,690	206,215
Chongqing Toschna Villa	Chongqing	1,678	233,353
Chengdu North Paradise Walk	Chengdu	1,632	195,056
Chongqing Hilltop's Gardon	Chongqing	1,627	195,227
Chongqing Time Paradise Walk	Chongqing	1,605	137,392
Chongqing U2	Chongqing	1,578	228,287
Changzhou Sunshine City	Changzhou	1,528	250,846
Xi'an Chianti	Xi'an	1,141	160,367
Chengdu Time Paradise Walk	Chengdu	1,066	135,160
Shanghai Azure Chianti (Bai Yin Lu)	Shanghai	1,021	63,908
Yantai Banyan Bay	Yantai	924	65,115
Changzhou Dongjing 120 Project	Changzhou	887	97,035
Chengdu Flamenco Spain	Chengdu	742	142,827
Chengdu Century Peak View	Chengdu	738	77,047
Shanghai Long Xing Lu	Shanghai	656	42,440
Hangzhou Chianti Riverside	Hangzhou	638	70,455
Xi'an Crystal Town	Xi'an	634	86,293
Changzhou Hongzhuang Project	Changzhou	630	72,560
Qingdao Original	Qingdao	621	43,245
Chengdu Peace Hill County	Chengdu	596	74,819
Ningbo Rose & Gingko Coast	Ningbo	592	56,000
Shaoxing Hometown	Shaoxing	552	44,325
Chongqing Chunsen Land	Chongqing	540	72,797
Wuxi Rose & Gingko Villa II	Wuxi	526	55,589
Qingdao F Plot	Qingdao	517	54,516
Qingdao Rose & Gingko Coast	Qingdao	473	60,610
Beijing Hill of Good Hope	Beijing	461	33,681
Xi'an Waft Yard	Xi'an	437	59,802
Shenyang Fairy Castle	Shenyang	418	65,583
Beijing Chianti Riverside	Beijing	349	21,510
Xi'an Fairy Castle	Xi'an	340	45,190
Shanghai Rose and Ginkgo Villa	Shanghai	294	12,684
Xi'an MOCO	Xi'an	250	35,013
Chengdu Bridge County	Chengdu	248	27,005
Wuxi Rose and Ginkgo Villa	Wuxi	241	36,251
Yantai Yangma Island	Yantai	240	10,718
Shenyang Chianti	Shenyang	231	49,874
Beijing Azure Chianti	Beijing	207	10,597
Beijing Tangning ONE	Beijing	200	6,580
Shanghai Sunshine City	Shanghai	186	19,862
Wuxi Peace Hill County	Wuxi	123	13,987
Qingdao Peace Hill County	Qingdao	107	9,908
Shenyang Rose and Ginkgo Villa	Shenyang	94	11,463
Others		538	82,422
		40,130	**4,179,622**

As of December 31, 2012, the Group had RMB54.5 billion (derived from 5.18 million 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 property investment strategy. Currently, 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 middle and high end household and lifestyle shopping centers. As of the end of 2012, the Group has investment properties of 547,813 square meters (712,908 square meters in GFA with parking space included) which have commenced operation with an occupancy rate of 98.8%. Total rent reached about RMB510 million. Rental income, net of sales tax, was about RMB480 million, representing an increase of 20.2% as compared with last year. The series of Paradise Walk, Starry Street and MOCO accounted for 83.5%, 12.1% and 4.4% of the total rental respectively, and recorded increases of 16.1%, 47.7% and 43.3% respectively.

Table 3: Breakdown of rental income of the Group during 2012
** After deducting sales tax*

		2012			2011			
	GFA	**Rental Income**	**% of Revenue**	**Occupancy Rate**	**Rental Income**	**% of Revenue**	**Occupancy Rate**	**Change of rental income**
	Sqm	*RMB'000*			*RMB'000*			
Chongqing North Paradise Walk	120,778	271,296	56.1%	99.5%	240,967	59.9%	99.3%	12.6%
Chongqing West Paradise Walk	76,031	108,628	22.5%	99.5%	88,259	22.0%	99.1%	23.1%
Chengdu Three Thousand Mall	38,043	22,955	4.7%	96.8%	18,506	4.6%	95.4%	24.0%
Chongqing Time Paradise Walk Phase I	160,343	773	0.2%	94.7%				
Paradise Walk Subtotal	**395,195**	**403,652**	**83.5%**	**99.3%**	**347,732**	**86.5%**	**99.0%**	**16.1%**
Chongqing Crystal Castle	17,648	16,534	3.4%	100.0%	14,892	3.7%	100.0%	11.0%
Chongqing Starry Street	54,618	11,416	2.4%	91.8%				
Chongqing Fairy Castle	29,413	15,501	3.2%	100.0%	14,743	3.7%	100.0%	5.1%
Beijing Starry Street	6,319	10,633	2.2%	88.6%	6,397	1.6%	97.7%	66.2%
Chongqing University City	15,516	793	0.2%	87.7%				
Others		3,350	0.7%	N/A	3,399	0.8%	N/A	-1.4%
Starry Street Subtotal	**123,514**	**58,227**	**12.1%**	**96.1%**	**39,431**	**9.8%**	**99.6%**	**47.7%**
Chongqing MOCO	29,104	21,494	4.4%	97.3%	15,004	3.7%	100.0%	43.3%
MOCO Subtotal	**29,104**	**21,494**	**4.4%**	**97.3%**	**15,004**	**3.7%**	**100.0%**	**43.3%**
Total	**547,813**	**483,373**	**100.0%**	**98.8%**	**402,167**	**100.0%**	**99.1%**	**20.2%**

The Group has 4 shopping malls under construction with a total GFA of about 655,000 square meters. The total areas under construction of Paradise Walk series and MOCO series are about 611,000 square meters and 44,000 square meters respectively.

Table 4: Breakdown of investment properties under construction of the Group in 2013 to 2015

	Estimated Commencement of Operation	Planned GFA *Sqm*
Chengdu North Paradise Walk	2013	223,455
Chongqing Time Paradise Walk Phase II Section I	2014	163,597
Beijing Changying Paradise Walk	2015	224,165
Paradise Walk Subtotal		**611,217**
Xi'an MOCO	2013	44,263
MOCO Subtotal		**44,263**
Projects under construction Total		**655,480**

Attributable to the construction and commencement of operation of new investment properties, the valuation gain of investment properties of the Group amounted to RMB1.31 billion in 2012.

COST CONTROL

During 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, Xiamen and Changsha, the portion of general and administrative expenses to the total contract sales increased by 0.32% to 2.17% as compared with last year. With the sales team focusing on the effectiveness and preciseness of the sales strategy and their further efforts committed to the routine control of the efficiency of marketing costs, the portion of sales expenses to the total contract sales only increased by 0.04% to 1.72% as compared with last year.

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

Contribution of jointly controlled entities (JCEs) during 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 234,430 square meters. The attributable profit after tax of the Group in JCEs was RMB250 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 in 2012 were RMB2.33 billion and RMB2.11 billion, respectively. The total income tax expenses for the period amounted to RMB4.44 billion.

PROFITABILITY

The core net profit margin of the Group (the ratio of profit attributable to equity shareholders excluding minority interest and revaluation gain to revenue) increased from last year's 18.7% to 19.4%.

In 2012, Return on Equity (ROE) of the Group reached 24.3% with core Earnings Per Share (EPS) of RMB103 cents (2011: RMB87 cents), providing stable returns for shareholders despite the volatile market.

LAND BANK REPLENISHMENT

As of December 31, 2012, the Group's total land bank was 39.52 million square meters or 35.82 million square meters on an attributable basis. The average unit acquisition cost of our land bank was RMB 1,964 per square meter, accounting for 20.5% 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 38.6%, 37.1%, 19.0% and 5.3% of the total land bank, respectively.

In 2012, the Group has acquired new land bank with total GFA of 8.91 million square meters, 40.8%, 23.3%, 18.6% and 17.3% of which are located in western China, southern China, Yangtze River Delta, and Pan Bohai Rim, respectively. The average acquisition unit cost was RMB2,479 per square meter.

The locations of the projects acquired by the Group in 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 and the subsequent acquisition of the Jinjiang Plot.

After the reporting period, the Group successfully acquired the land plot in the New Town in Qingpu District, Shanghai, the land plot in the sports-theme park in Wangcheng District, Changsha, the land plot in Minda, Yunnan, the land plot in Changbai Island, Shenyang, and the land plot in Dingqiao, Hangzhou, with a planned GFA of about 90,000, 480,000, 140,000, 350,000 and 120,000 square meters, respectively.

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

Table 5: Breakdown of land bank of the Group

Region	**City**	**Total GFA** *Sqm*	**% of Total**	**Attributable GFA** *Sqm*	**% of Total**
Pan Bohai Rim	Beijing	1,570,919	4.0%	1,434,249	4.0%
	Shenyang	3,262,418	8.2%	3,126,122	8.7%
	Qingdao	1,720,491	4.3%	1,636,752	4.6%
	Yantai	7,692,461	19.5%	7,083,781	19.8%
	Dalian	897,425	2.3%	537,002	1.5%
	Subtotal	**15,143,714**	**38.3%**	**13,817,906**	**38.6%**
Yangtze River Delta	Shanghai	624,184	1.6%	585,661	1.6%
	Wuxi	1,492,361	3.8%	1,362,525	3.8%
	Changzhou	2,160,430	5.4%	2,107,828	5.9%
	Hangzhou	1,338,896	3.4%	1,297,149	3.6%
	Shaoxing	505,683	1.3%	461,689	1.3%
	Ningbo	1,026,443	2.6%	993,574	2.8%
	Subtotal	**7,147,997**	**18.1%**	**6,808,426**	**19.0%**
Southern China	Xiamen	611,917	1.5%	571,286	1.6%
	Quanzhou	1,459,864	3.7%	1,332,856	3.7%
	Subtotal	**2,071,781**	**5.2%**	**1,904,142**	**5.3%**
Western China	Chongqing	8,251,548	20.9%	7,140,520	19.9%
	Chengdu	3,869,412	9.8%	3,371,421	9.4%
	Xi’an	2,217,073	5.6%	2,034,551	5.7%
	Yuxi	819,181	2.1%	747,912	2.1%
	Subtotal	**15,157,214**	**38.4%**	**13,294,404**	**37.1%**
Total		**39,520,706**	**100.0%**	**35,824,878**	**100.0%**

Table 6: Breakdown of Land acquisition from January to December in 2012

Region	Project	City	Attributable Interest	Site Area	Total GFA
			%	*Sqm*	*Sqm*
Pan Bohai Rim	Sunhe	Beijing	91.3%	66,300	96,858
	Ceramics City	Shenyang	91.3%	113,543	342,012
	Tiexi	Shenyang	91.3%	81,000	200,447
	East Port CBD	Dalian	93.5%	62,800	227,702
	Zhongcun	Qingdao	91.3%	210,500	342,623
	Anlecun	Qingdao	91.3%	271,900	333,200
	Subtotal			**806,043**	**1,542,842**
Yangtze River Delta	Keqiao	Shaoxing	91.3%	167,000	505,683
	Ao'ti Project	Hangzhou	95.7%	77,300	303,247
	Chianti	Ningbo	91.3%	298,266	377,807
	Dongjiu	Wuxi	91.3%	309,000	308,676
	Xidong	Wuxi	91.3%	123,900	159,886
	Subtotal			**975,466**	**1,655,299**
Southern China	Jimei Guankou	Xiamen	93.4%	270,200	611,917
	Jinjiang	Quanzhou	91.3%	461,400	1,459,864
	Subtotal			**731,600**	**2,071,781**
Western China	Jinyang Project	Chengdu	94.2%	96,700	494,127
	Crystal Town	Xi'an	94.2%	45,206	178,146
	Waft Yard	Xi'an	91.3%	36,300	155,191
	Lijia	Chongqing	83.1%	879,300	2,808,273
	Subtotal			**1,057,506**	**3,635,737**
Total				**3,570,615**	**8,905,659**

FINANCIAL POSITION

As of December 31, 2012, the Group's consolidated borrowings amounted to RMB32.84 billion (December 31, 2011: RMB23.97 billion). The net debt to equity ratio of the Group was 47.6% (December 31, 2011: 43.0%). Cash in hand reached RMB18.61 billion (December 31, 2011: RMB14.53 billion). The credit rating of the Group was BB+ by Standard & Poor and Ba2 by Moodys, with the outlook maintained as "stable".

Approximately 63.9% of the Group's total borrowings were denominated in RMB, while 36.1% were denominated in foreign currencies.

Approximately RMB11.76 billion of the Group's consolidated borrowings were quoted at fixed rates ranging from 4.21% per annum to 9.5% per annum depending on the tenors of the loans, and the rest were quoted at floating rates. Ratio of fixed interest debt to total debt increased from 35.5% at December 31, 2011 to 35.8%. As of December 31, 2012, the Group's average cost of borrowing was 6.72% per annum. The average term of loan was extended from 4.0 years to 4.1 years. The ratio of unsecured debt to total debt was 49.4%.

In April, 2012, the Group completed the overseas issuance of syndicated loans of equivalent HKD2.43 billion at HIBOR plus 400 basis points with a tenor of 3 years. In September, 2012, the Group completed its first share placement after listing, raising an amount of RMB 2.52 billion. In October, 2012, the Group completed the overseas issuance of debentures of USD400 million at 6.875% with a tenor of 7 years. In January, 2013, the Group completed the overseas issuance of debentures of USD500 million at 6.75% with a tenor of 10 years, all of which had extended the average term of the corporate borrowings while reducing the average cost of the same.

EMPLOYEES AND COMPENSATION POLICY

As of December 31, 2012, the Group had 9,288 full-time employees in China and Hong Kong. 2,480 of these employees worked in the property development division, 228 in the property investment division, and 6,580 in the property management division. Average age of our employees is 30.2 years old. In the property development and investment divisions, approximately 83.8% of the employees have bachelor degrees and 13.3% 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 major part of senior employees' cash compensation which is a function of, amongst other things, the net profit , the net profit margin, results of a balanced scorecard and operating cash inflow of the individual subsidiaries.

PROSPECTS

In 2013, affected continuously by the macroeconomic control measures, the real estate market in China will continue its steady trend in 2012. However, industry differentiation will intensify. To achieve continued growth in the future, the Group will continue to extend its regional coverage and increase the weight of its investment in urban areas. Following establishing a presence in Xiamen in 2012, the Group will officially enter Changsha, Hunan in 2013 and increased its investment in the two major areas, southern China and central China, on the basis of the three major areas, the Pan Bohai Rim, the Yangtze River Delta and western China. In 2013, the Group will have 52 key projects for sale, among which 13 are brand new projects and 23 will launch new phases and new products. The products of the Group will cater for different groups of customers, including first-time home buyers, upgraders and business operators, while the proportion of different product types will be adjusted in response to market changes, thus enabling the Group to grasp the demand and opportunities in the complicated and volatile market.

The Group (including jointly controlled entities) has completed the construction of about 3,150,000 square meters of properties in 2012. In 2013, the Group plans to complete construction of approximately 6,020,000 square meters of properties, most of which will be completed in the second half of the year. The construction and sales of projects maintain smooth progress.

For investment properties, Chongqing Time Paradise Walk Phase I, Chongqing Chunsen Starry Street II and Chongqing University City Fashion Hall commenced operation and received rental income during the year. The construction of Beijing Changying Paradise Walk has been started during the year. Chengdu North Paradise Walk and Xi'an MOCO will commence operation, while the construction of Hangzhou Jinsha Paradise Walk, Chengdu Time Paradise Walk Phase I, Chongqing Time Paradise Walk Phase II Section II, Chongqing Hometown Phase II, Beijing Time Paradise Walk, Shanghai Hongqiao Paradise Walk and Changzhou Longcheng Paradise Walk are expected to be started in 2013. These projects lay a solid foundation for the future growth in rental income from investment properties of the Group.

Amid the ever-changing market environment, the Group will continue to implement a prudent cost control strategy in respect of financial management and will reasonably plan and arrange investment and operating expenses in accordance with its cash inflow to ensure healthy and sound financial condition and gearing ratio of the Company.

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.

FINAL DIVIDEND

The Board proposed the payment of a finial dividend of RMB0.20 per share for the year ended December 31, 2012 to shareholders whose names appear on the register of members of the Company on May 24, 2013. The proposed final dividend will be paid on or about June 4, 2013 after approval by shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM").

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average middle rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from May 14, 2013 to May 16, 2013.

ANNUAL GENERAL MEETING

The AGM is to be held on May 16, 2013 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 Monday, May 13, 2013 to Thursday, May 16, 2013, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Thursday, May 16, 2013, all share transfer documents 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, May 10, 2013.

The register of members of the Company will be closed from Thursday, May 23, 2013 to Friday, May 24, 2013 (both days inclusive) during which period no transfer of shares will be effected. To qualify for the proposed final dividend, all transfers documents 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 4:30 p.m. on Wednesday, May 22, 2013.

AUDIT COMMITTEE

The Audit Committee of the Company comprises of 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, 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

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. According to the situation of the Company, the Board is of view that Chairman responsible for the nomination directorship is more appropriate than establishment Nomination Committee at current period.

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, 2012.

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, 2012.

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, 2012 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 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 Mr. Zeng Ming who are independent non-executive Directors.

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

Hong Kong, March 15, 2013

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 and 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 Directors.