Longfor Properties Co. Ltd.
龍 湖 地 產 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 960

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2013

FINANCIAL SUMMARY

- Contract sales increased by 28.2% to RMB 22.39 billion as compared with that of same period last year.

- Revenue increased by 4.7% to RMB 15.23 billion as compared with that of same period last year, of which the rental income from the property investment business increased by 34.3% to RMB 304 million.

- Profit attributable to shareholders was RMB 3.85 billion. Excluding minority interest and revaluation gains, core profit was RMB 2.74 billion. Core net profit margin attributable to shareholders was 17.9%.

- As a majority of the Group's properties will be delivered in the second half of the year, the net debt to equity ratio of the Group was 64.1%. Cash on hand was RMB 13.17 billion.

- Total consolidated borrowings amounted to RMB 34.15 billion. Average cost of borrowing decreased from 6.72% to 6.35% per annum. Average maturity period of loan was extended from 4.1 years to 4.7 years.

- Fully diluted earnings per share were RMB 0.70. The Board does not recommend any interim dividend.

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, 2013 with the comparative figures for the six months ended June 30, 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2013

		Six months ended June 30,	
	NOTES	**2013**	**2012**
		RMB'000	*RMB'000*
		(unaudited)	*(unaudited)*
Revenue	3	15,230,762	14,551,699
Cost of sales		(10,364,732)	(7,842,850)
Gross profit		4,866,030	6,708,849
Other income	4	222,594	80,711
Other gains and losses	5	192,107	(65,662)
Fair value gain upon transfer to investment properties		71,362	167,573
Change in fair value of investment properties		1,476,398	501,607
Selling and marketing expenses		(290,681)	(219,277)
Administrative expenses		(353,575)	(293,557)
Finance costs	6	(27,594)	(40,897)
Share of results of joint ventures		87,147	72,003
Profit before taxation		6,243,788	6,911,350
Income tax expense	7	(2,122,008)	(2,789,685)
Profit for the period	8	4,121,780	4,121,665
Attributable to:			
Owners of the Company		3,845,671	3,810,157
Non-controlling interests		276,109	311,508
		4,121,780	4,121,665
Earnings per share, in RMB cents			
Basic	10	70.8	73.9
Diluted	10	70.0	73.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2013

	NOTES	**At June 30, 2013** *RMB'000* *(unaudited)*	**At December 31, 2012** *RMB'000* *(audited)*
NON-CURRENT ASSETS			
Investment properties	11	21,807,600	18,383,300
Property, plant and equipment		177,739	186,188
Prepaid lease payments		6,687,384	8,996,739
Interests in associates		1	1
Interests in joint ventures		2,155,635	2,068,488
Available-for-sale investments		8,600	8,600
Deposits paid for acquisition of land use rights		6,917,582	6,949,391
Deferred taxation assets		1,118,895	1,012,836
		38,873,436	37,605,543
CURRENT ASSETS			
Inventories		858,830	657,209
Properties under development for sale		68,436,343	57,727,061
Properties held for sale		5,278,906	4,477,039
Accounts and other receivables, deposits and prepayments	12	4,469,562	4,098,246
Amounts due from joint ventures		7,362	28,572
Taxation recoverable		2,994,539	2,222,095
Pledged bank deposits		246,201	227,212
Bank balances and cash		12,924,600	18,383,520
		95,216,343	87,820,954

	NOTES	At June 30, 2013 RMB'000 (unaudited)	At December 31, 2012 RMB'000 (audited)
CURRENT LIABILITIES			
Accounts payable, deposits received and accrued charges	13	52,716,440	48,515,001
Amounts due to joint ventures		1,335,232	1,051,697
Taxation payable		7,574,860	7,899,467
Bank and other borrowings - due within one year		5,415,050	5,108,752
		67,041,582	62,574,917
NET CURRENT ASSETS		28,174,761	25,246,037
TOTAL ASSETS LESS CURRENT LIABILITIES		67,048,197	62,851,580
CAPITAL AND RESERVES			
Share capital		476,794	475,802
Reserves		32,274,332	29,433,446
Equity attributable to owners of the Company		32,751,126	29,909,248
Non-controlling interests		2,541,583	2,668,164
TOTAL EQUITY		35,292,709	32,577,412
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year		18,437,072	20,475,034
Senior notes		10,297,386	7,252,980
Derivative financial instruments		131,076	114,152
Deferred taxation liabilities		2,889,954	2,432,002
		31,755,488	30,274,168
		67,048,197	62,851,580

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2013

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 and certain financial instruments, 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, 2013 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2012.

Application of amendments to International Financial Reporting Standards

In the current interim period, the Group has applied, for the first time, the following new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board:

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of IFRS 13 is broad, and 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, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

The directors of the Company have made an assessment on the impact of the adoption of IFRS 13 to the measurement and disclosures in the Group's condensed consolidated financial statements and concluded that except the disclosures as set out in note 26, the adoption of IFRS 13 has had no material impact on the Group's condensed consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for statement of comprehensive income.

Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. 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 additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to IAS 34 Interim Financial Reporting
(as part of the Annual Improvements to IFRSs 2009-2011 Cycle)

The Group has applied the amendments to IAS 34 *Interim Financial Reporting* as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle for the first time in the current interim period. The amendments to IAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total liabilities information as part of segment information.

Except as described above, the directors of the Company concluded that the application of other new and revised IFRSs in the current interim period has had no material effect on the amounts and disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the CODM (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 CODM 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 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 monitor 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 joint ventures.

The measure used for reporting segment profit is adjusted earnings before interest other gains and losses, taxes, depreciation, share of results of joint ventures, change in fair value of investment properties and upon transfer 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, 2013 (unaudited)			
	Property development	**Property investment**	**Property management and related services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	14,653,574	304,358	272,830	15,230,762
Inter-segment revenue	—	—	26,140	26,140
Segment revenue	14,653,574	304,358	298,970	15,256,902
Segment profit (Adjusted Earnings)	4,214,139	239,457	121,751	4,575,347

	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

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

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

	Six months ended June 30,	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue		
Segment revenue	15,256,902	14,581,486
Elimination of inter-segment revenue	(26,140)	(29,787)
Consolidated revenue	15,230,762	14,551,699
Profit		
Segment profit	4,575,347	6,489,572
Other income	222,594	80,711
Other gains and losses	192,107	(65,662)
Fair value gain upon transfer to investment properties	71,362	167,573
Change in fair value of investment properties	1,476,398	501,607
Finance costs	(27,594)	(40,897)
Share of results of joint ventures	87,147	72,003
Depreciation	(21,047)	(14,371)
Unallocated expenses	(332,526)	(279,186)
Consolidated profit before taxation	6,243,788	6,911,350

(c) **Segment assets**

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

	At June 30, 2013 *RMB'000* *(unaudited)*	At December 31, 2012 *RMB'000* *(audited)*
Sales of properties	79,167,651	67,084,344
Leasing of properties (Note)	11,354,182	9,491,397
Provision of property management services	28,719	22,553
Total segment assets	90,550,552	76,598,294

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

4. OTHER INCOME

	Six months ended June 30, 2013 *RMB'000* *(unaudited)*	2012 *RMB'000* *(unaudited)*
Interest income	56,878	56,822
Dividend income from unlisted available-for-sale investments	1,108	1,312
Government subsidies (Note a)	100,029	14,961
Penalty income (Note b)	13,494	4,052
Sundry income	51,085	3,564
Total	222,594	80,711

Notes:

(a) The amount represents the grants received from the relevant PRC government to encourage the investments in specific regions. The subsidies are unconditional and granted on a discretionary basis to the Group during the period.

(b) It represents penalty received from property buyers who do not execute sales and purchase agreement on property sales.

5. OTHER GAINS AND LOSSES

	Six months ended June 30, 2013	2012
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Gain on disposal of property, plant and equipment	37,500	75
Net exchange gain (loss) (Note)	154,607	(65,737)
	192,107	(65,662)

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, 2013	2012
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest on bank and other borrowings		
Wholly repayable within five years	(831,977)	(699,688)
Not wholly repayable within five years	(47,298)	(12,776)
Interest expense on senior notes	(412,276)	(233,824)
Less: Amount capitalised to properties under development for sale and investment properties under construction	1,263,957	905,391
	(27,594)	(40,897)

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 7.1% (six months ended June 30, 2012: 6.9%) per annum for the six months ended June 30, 2013 to expenditure on the qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended June 30, 2013	2012
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current tax		
PRC Enterprise Income Tax ("EIT")	(1,025,856)	(1,559,835)
Land appreciation tax ("LAT")	(744,258)	(1,382,166)
	(1,770,114)	(2,942,001)
Overprovision in prior periods		
LAT*	—	31,154
	(1,770,114)	(2,910,847)
Deferred taxation		
Current period	(351,894)	121,162
	(2,122,008)	(2,789,685)

* The actual appreciation value of a property project had been finalised in the six months ended June 30, 2012, which differed from the management's estimated appreciation value made in prior periods, resulting in an overprovision of LAT reversed in 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 Regulations 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 and 2013, 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, 2013	2012
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	21,047	14,371
Gain on disposal of property, plant and equipment	(37,500)	(75)
Operating lease rentals	12,434	9,945

9. DIVIDEND

	Six months ended June 30, 2013	2012
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Dividend recognised as distribution during the period:		
Final dividend paid in respect of 2012 of RMB0.2 (six months ended June 30, 2012: in respect of 2011 of RMB0.175) per share	1,082,568	902,980

No dividends were declared and proposed by the Company during the six months ended June 30, 2013 and 2012.

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, 2013	2012
	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	3,845,671	3,810,157

	2013	2012
	'000	*'000*
	(unaudited)	*(unaudited)*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	5,433,356	5,156,395
Effect of dilutive potential ordinary shares in respect of - Share options	60,527	29,181
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	5,493,883	5,185,576

For the six months ended June 30, 2012, 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.

11. INVESTMENT PROPERTIES

	Completed investment properties	Investment properties under construction	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2013 (audited)	11,743,300	6,640,000	18,383,300
Additions	—	1,148,902	1,148,902
Transfer from prepaid lease payments	—	727,638	727,638
Fair value gain upon transfer of prepaid lease payments to investment properties	—	71,362	71,362
Net increase in fair value recognised in profit or loss	140,300	1,336,098	1,476,398
At June 30, 2013 (unaudited)	11,883,600	9,924,000	21,807,600

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, 2013 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 construction	—	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 is paid by tenants within two months in accordance with the terms in the tenancy agreement.

	At June 30, 2013 *RMB'000* *(unaudited)*	**At December 31, 2012** *RMB'000* *(audited)*
Trade receivables	270,003	334,977
Other receivables, net of allowance for doubtful debts (Note)	879,367	922,613
Advances to suppliers	633,285	543,975
Prepaid business tax and other taxes	2,665,054	2,280,980
Prepayments and utilities deposits	21,853	15,701
	4,469,562	4,098,246

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 aging analysis of trade receivables at the end of the reporting period based on invoice date:

	At June 30, 2013	At December 31, 2012
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 60 days	239,534	284,169
61 - 180 days	27,185	26,501
181 - 365 days	3,284	24,307
	270,003	334,977

13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At June 30, 2013	At December 31, 2012
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables and accrued expenditure on construction and bills payable	3,641,655	4,197,276
Deposits received and receipt in advance from property sales	45,873,571	40,845,115
Other payables and accrued charges (Note)	3,201,214	3,472,610
	52,716,440	48,515,001

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 aging analysis of trade payables and accrued expenditure on construction and bills payable at the end of the reporting period:

	At June 30, 2013 *RMB'000* *(unaudited)*	At December 31, 2012 *RMB'000* *(audited)*
Within 60 days	2,163,020	3,146,952
61 - 180 days	619,344	437,526
181 - 365 days	497,502	199,552
1 - 2 years	174,986	357,561
2 - 3 years	175,361	40,114
Over 3 years	11,442	15,571
	3,641,655	4,197,276

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the interim business review and outlook of Longfor Properties Co. Ltd. (the "Company"), together with its subsidiaries (the"Group"), for the six months ended June 30, 2013.

Results

From January to June 2013, the Group achieved contracted sales of RMB22.39 billion, representing 28.2% growth over the same period last year. Revenue was RMB15.23billion, representing an increase of 4.7% YoY, of which rental income from investment properties amounted to around RMB300 million, representing an increase of 34.3%. Profit attributable to shareholders was RMB3.85 billion. Excluding minority interest and revaluation gains, core profit attributable to shareholders was RMB2.74 billion. Core net profit margin attributable to shareholders was 17.9%.

Review of the first half of 2013

As of to-date in 2013, the real estate market continued to pick up the momentum of the recovery that began last year, with an overall rising trend in both volume and price. The Group's first half contracted sales amounted to close to 50% of the annual target, surpassing levels achieved in prior years. We are pleased to note that a number of projects that the Group acquired in 2012 by capturing the opportunities and adhering to our strategy of further broadening the regional framework, moving our investment focus closer to city cores and controlling the project size achieved remarkable sales results. For example, the Hangzhou Olympic venue acquired in August 2012 was launched in May this year, achieving sales of RMB1,800 million on the first day of project launch. The Chengdu Jinyang project acquired in September 2012 was launched in January this year, and had contributed to over RMB1,500 million in sales to date. The Beijing Sunhe project was acquired in last September and obtained pre-sale pricing approval in June this year. On the back of superior product quality and the precise market positioning, the first phase of the project recorded a 100% sell through rate upon launch. Despite our short operating history in new cities like Xiamen and Changsha, for which we just began our operations in 2012 and January 2013 respectively, we had launched projects for sale and they are bringing considerable contribution to our sales results.

Alongside the recovery of the housing market, land prices continued the rising trend in the first half of 2013. The Group has maintained a calm and rational approach in landbank replenishment, acquiring 10 new sites for an average cost of only RMB3,065 per square meter. Most of the new sites acquired were located in close proximity to city cores of first-tier cities (Hangzhou,Shanghai), or in central business districts of major second-tier cities. The Group also successfully tapped into the new markets of Changsha, Kunming and Suzhou, in line with our strategic direction of investing in major economic and cultural centers where real estate markets have deep potentials. After being a first mover in the land market for the past 18 months, the Group has managed to expand its footprint from 14 cities in three major regions to 20 cities in five major regions. We have also gradually shifted our concentration on large-scale suburban projects to projects in close proximity to city core locations within affluent cities. We strongly believe that the future development of the Company will be more stable, balanced and sustainable by broadening our regional framework and rationalizing our landbank portfolio.

Precise execution of the Group's financing activities provided a strong support to the adjustment of our investment strategy. The Group successfully capitalized on the window of opportunity in the international capital markets at the beginning of the year and issued US$500 million of 10-year long term bond at a nominal interest rate of only 6.75%. We also raised a HK$7.7 billion of syndicated loan for a term of four years in July at an annual interest rate of HIBOR+3.1%. The financing cost of the Group has been further reduced to 6.35%, whilst the maturity extended from 4.1 years at the end of 2012 to 4.7 years at the end of June. The Group has continued to exercise stringent cash collection management, resulting in a record cash collection ratio of 100% in 1H. Although the net gearing ratio increased to 64% as at the end of interim period, the company is not encountering any financial strains. Moreover, Moody has upgraded the credit rating of the Group to Ba1, whilst the rating by Standard & Poor remained at BB+. We have maintained our status of having the highest credit rating among all the private property developers in China.

We are making steady progress with our long term strategy of expanding investment property exposure. Chengdu North Paradise Walk is scheduled to commence operation in 2013, and will mark the first large scale shopping mall project of the Group outside of Chongqing. Beijing Changying Paradise Walk, which is scheduled to commence operation next year, had successfully attracted 600 potential tenants during its first tenant promotion activity. We believe building up commercial property exposure in quality transportation hubs of major cities will become a sustainable and steady profit engine for the Group.

The Group has always been committed to be a good corporate citizen, fulfilling its social responsibilities. This is the fifth consecutive year that Longfor has provided New Year Gifts worth RMB5 million to support the poor. In March, the Group has formally joined the United Nations Global Compact, a global corporate citizenship organization. Being the second such property developer in China to join the organization, we will follow the ten fundamental principles of the Compact such as labor protection and environmental protection. The Company had responded swiftly to the call for supporting the earthquake victims in Lushan, Sichuan in May. In addition to donating RMB 5 million to the quake area, the Company also set up a special team to mobilize and coordinate our staff and property owners to contribute donations at their wishes.

Outlook for the second half of 2013

Amid liquidity concerns abroad and slower pace of economic growth in China, the real estate market will be subject to a broad array of uncertainties in the near future. But with the new government administration's push for market oriented reforms and focus on structural changes of the economy, we believe will present much longer term opportunities for the real estate industry. Despite near term market volatility, the long term fundamental factors that will support the growth of the Chinese real estate market remains unchanged. Large-scale migration of population continues to take place and demands for real estate, although increasingly more selective, continue to grow steadily. As such, the Group will strive to maintain its competitive edge and growth prospects through rational regional expansion, precise product positioning, and provision of high quality services.

We expect to see an active land market in the second half of 2013 where transactions will continue to be completed for high premiums. Having successfully made scale penetration into different regions, the company will maintain a calm and rational approach to new opportunities, adhering to strict investment principles. At the same time, we will continue to pro-actively drive our sales by maintaining launch momentum of our sellable resources and sell-through of unsold inventory so as to increase our cash in hand and secure a sound financial position. The Group also plans to set up a comprehensive "customer research system" with an aim to more thoroughly understand customers' needs and preferences on product specifications.

Since the end of 2011, we have taken several initiatives: broadening the regional framework, moving our investment focus closer to city cores, controlling the project size and building up our commercial property portfolio. Despite facing downward macro volatility, persistently policy challenges and team transitions, the management team has remained focused on our strategy, striking a balance of courage with modesty, and striving to make difficult yet correct decisions in challenging situations. The senior management team's strategic discipline and not opportunistic approach to running the business will ensure the long term healthy growth of the Group. We have moved beyond the most challenging transitional period of landbank reconfiguration and product re-positioning. Though we are still 2-3 years away from seeing through our footprint expansion to the target cities and 15 years away from completing our investment property portfolio build-out, we have a clear vision and all we need to do is to hold on to that conviction.

Management Discussion and Analysis

Property Development

From January to June in 2013, revenue from property development business of the Group was RMB14.65 billion, representing an increase of 3.7% over the same period last year. The Group delivered 1,502,770 square meters of property in GFA terms, of which 85,631 square meters were contributed from joint ventures. Gross profit margin of overall property development business decreased to 31.3% for the six months ended June 30, 2013 as compared with that of last year. The decrease was mainly attributable to the delivery of projects sold at the time of market volatility during the second half of 2011 and 2012. Recognized average selling price was RMB10,340 per square meter from January to June in 2013.

Table 1: Breakdown of property development revenue by projects of the Group from January to June in 2013

* *After deducting sales tax*

	City	Revenue		Total GFA	
		January to June 2013	January to June 2012	January to June 2013	January to June 2012
		RMB'000	*RMB'000*	*Sqm*	*Sqm*
Chongqing Time Paradise Walk	Chongqing	1,834,903		122,062	
Hangzhou Rose & Gingko Town	Hangzhou	1,830,643	1,319,755	128,964	74,050
Chengdu Time Paradise Walk	Chengdu	1,600,519		178,239	
Beijing Changying Paradise Walk	Beijing	1,513,967		58,901	
Qingdao Rose & Gingko Coast	Qingdao	1,380,166	1,587,552	143,020	100,519
Xi'an Chianti	Xi'an	911,376		118,272	
Hangzhou Chianti Riverside	Hangzhou	693,006		39,820	
Shanghai Sunshine City	Shanghai	681,836	618,342	54,240	37,431
Changzhou Hongzhuang Project	Changzhou	670,184		56,539	
Chengdu North Paradise Walk	Chengdu	593,738	505,496	74,831	34,496
Shanghai Long Xing Lu	Shanghai	470,384		31,542	

	City	Revenue		Total GFA	
		January to June 2013	January to June 2012	January to June 2013	January to June 2012
		RMB'000	*RMB'000*	*Sqm*	*Sqm*
Chongqing U2	Chongqing	465,918		93,299	
Chengdu Peace Hill County	Chengdu	373,235		45,386	
Chongqing Peace Hill County	Chongqing	360,367	65,523	56,325	17,704
Chongqing Hometown	Chongqing	265,842		39,135	
Shanghai Rose and Ginkgo Villa	Shanghai	200,026	16,401	9,303	688
Beijing Chianti Riverside	Beijing	193,105	2,515,233	14,907	205,527
Beijing Summer Palace Splendor	Beijing	189,716	303,992	2,548	8,623
Wuxi Taike Garden	Wuxi	77,730	21,375	9,615	1,606
Changzhou Sunshine City	Changzhou	62,731	1,219,316	97,373	104,082
Xi'an Fairy Castle	Xi'an	57,951	193,209	8,103	27,830
Others		226,231	5,766,457	34,715	510,286
Total		**14,653,574**	**14,132,651**	**1,417,139**	**1,122,842**

The Group achieved contracted sales of RMB22.39 billion (including RMB1.43 billion from joint ventures) from January to June in 2013, representing an increase of 28.2% as compared to the same period last year. The Group sold 2,001,017 square meters in total GFA, representing an increase of 8.0% over the same period last year. Average selling price of GFA sold was RMB11,189 per square meter, representing an increase of 18.7% as compared to the same period last year. Contracted sales from regions of western China, Yangtze River Delta, Pan Bohai Rim, southern China and central China were RMB10.22 billion, RMB5.74 billion, RMB5.12 billion, RMB1.27 billion and RMB0.04 billion respectively, accounting for 45.6%, 25.6%, 22.9 %,5.7 % and 0.2% of the contracted sales of the Group, respectively.

Table 2: Details of contracted sales of the Group from January to June in 2013

* *Before deducting sales tax*

Project	**City**	**Contracted sales**	**Total GFA**
	RMB mn	*Sqm*	
Hangzhou Chunjiang Land	Hangzhou	1,935	83,373
Chengdu Jinnan Paradise Walk	Chengdu	1,503	144,637
Chongqing Time Paradise Walk	Chongqing	1,230	50,743
Chongqing Hometown	Chongqing	1,098	88,900
Xiamen Island in the City	Xiamen	1,078	117,413
Beijing Time Paradise Walk	Beijing	1,037	38,017
Hangzhou Rose & Gingko Town	Hangzhou	949	59,620
Chongqing Bamboo Grove	Chongqing	949	106,305
Chongqing U2	Chongqing	769	111,087
Beijing Changying Paradise Walk	Beijing	652	20,464
Chengdu Flamenco Spain	Chengdu	605	99,816
Chongqing Hilltop's Garden	Chongqing	556	61,818
Shaoxing Hometown	Shaoxing	538	50,958
Chengdu Century Peak View	Chengdu	485	44,530
Chongqing Toschna Villa	Chongqing	477	79,050
Changzhou Sunshine City	Changzhou	470	67,503
Beijing Sunhe	Beijing	457	10,688
Chengdu Time Paradise Walk	Chengdu	457	49,606
Ningbo Rose & Gingko Coast	Ningbo	432	46,278
Xi'an Chianti	Xi'an	421	56,057
Xi'an Waft Yard	Xi'an	413	27,989
Qingdao Original	Qingdao	407	38,701
Beijing Hill of Good Hope	Beijing	401	24,254
Yantai Banyan Bay	Yantai	346	22,218
Qingdao Peace Hill County	Qingdao	346	36,555
Chengdu North Paradise Walk	Chengdu	327	41,051
Changzhou Hongzhuang Project	Changzhou	315	41,258
Qingdao Rose & Gingko Coast	Qingdao	315	34,318
Shenyang Fairy Castle	Shenyang	310	39,858
Wuxi Fragrance Chianti	Wuxi	267	21,587
Xi'an Crystal Town	Xi'an	242	28,980
Hangzhou Chianti Riverside	Hangzhou	228	27,581
Wuxi Hilltop's Garden	Wuxi	216	17,279
Beijing Chianti Riverside	Beijing	209	15,163

Project	City	Contracted sales	Total GFA
	RMB mn	*Sqm*	
Shenyang Hua Qian Shu	Shenyang	202	24,164
Beijing Summer Palace Splendor	Beijing	201	2,548
Chengdu Peace Hill County	Chengdu	195	23,414
Xiamen Jinjiang	Xiamen	190	13,716
Chongqing Ideal City	Chongqing	182	12,666
Qingdao F Plot	Qingdao	110	11,460
Xi'an MOCO	Xi'an	101	14,303
Others		769	95,091
		22,390	**2,001,017**

As of June 30, 2013, the Group had RMB60.4 billion (derived from 5.68 million square meters) sold but unrecognized contracted 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 mid to high-end household and lifestyle shopping centers. As of June 30, 2013, 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 98.2%. Total rent reached about RMB0.32 billion. Rental income, net of sales tax, was about RMB0.3 billion, representing an increase of 34.3% as compared with the same period last year. The series of Paradise Walk, Starry Street and MOCO accounted for 79.7%, 16.5% and 3.8% of the total rental respectively, and recorded increases of 34.7%, 38.2% and 12.0% respectively.

Table 3: Breakdown of rental income of the Group during January to June in 2013

* *After deducting sales tax*

	GFA	January to June 2013			January to June 2012			Change of
		Rental income	% of Rental	Occupancy rate	Rental income	% of Rental	Occupancy rate	rental income
		RMB'000			*RMB'000*			
Chongqing North Paradise Walk	120,778	148,975	48.9%	99.8%	127,432	56.2%	98.8%	16.9%
Chongqing West Paradise Walk	76,031	50,696	16.7%	99.5%	52,656	23.2%	99.1%	-3.7%
Chongqing Time Paradise Walk Phase I	160,343	42,935	14.1%	93.6%				
Paradise Walk Subtotal	**357,152**	**242,606**	**79.7%**	**98.7%**	**180,088**	**79.4%**	**98.9%**	**34.7%**
Chongqing Crystal Castle	17,648	10,209	3.4%	100.0%	7,161	3.2%	96.1%	42.6%
Chengdu Three Thousand Mall	38,043	11,895	3.9%	89.8%	10,991	4.8%	97.9%	8.2%
Chongqing Starry Street	54,617	10,530	3.5%	97.2%	3,635	1.6%	93.3%	189.6%
Chongqing Fairy Castle	29,413	5,507	1.8%	100.0%	5,375	2.4%	100.0%	2.5%
Beijing Starry Street	6,320	5,212	1.7%	90.4%	5,250	2.3%	90.2%	-0.7%
Chongqing University City	15,516	1,670	0.5%	89.8%				
Others		5,211	1.7%	N/A	3,924	1.7%	N/A	32.8%
Starry Street Subtotal	**161,557**	**50,234**	**16.5%**	**95.7%**	**36,336**	**16.0%**	**96.5%**	**38.2%**
Chongqing MOCO	29,104	11,519	3.8%	99.8%	10,285	4.6%	99.7%	12.0%
MOCO Subtotal	**29,104**	**11,519**	**3.8%**	**99.8%**	**10,285**	**4.6%**	**99.7%**	**12.0%**
Total for projects that had commenced operation	**547,813**	**304,359**	**100.0%**	**98.2%**	**226,709**	**100.0%**	**98.6%**	**34.3%**

The Group has 7 shopping malls under construction with a total GFA of about 989,000 square meters. The total areas under construction of Paradise Walk series and Starry Street series are about 945,000 square meters and 44,000 square meters respectively.

Table 4: Breakdown of investment properties under construction of the Group in 2013 to 2016

	Estimated Commencement of Operation	Planned GFA
Chengdu North Paradise Walk	2013	223,455
Chongqing Time Paradise Walk Phase II Section I	2014	156,888
Beijing Changying Paradise Walk	2014	224,165
Hangzhou Time Paradise Walk	2015	148,831
Chengdu Time Paradise Walk Phase I	2014	63,145
Changzhou Longcheng Paradise Walk	2016	128,033
Paradise Walk Subtotal		**944,517**
Xi'an Longfor Starry Street (Daxing Store)	2014	44,263
Starry Street Subtotal		**44,263**
Project under construction in total		**988,780**

Attributable to the construction and commencement of operation of new investment properties, the valuation gain of investment properties of the Group amounted to RMB1.55 billion in January to June in 2013.

Cost Control

During January to June in 2013, the general and administrative expenses of the Group to the total contracted sales decreased by 0.1% to 1.58% as compared with the same period 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 contracted sales only increased by 0.04% to 1.30% as compared with the same period last year.

Share of Results of Joint Ventures

Contribution of joint ventures(JVs) during January to June in 2013 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 85,631 square meters. The attributable profit after tax of the Group in JVs was about RMB90 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 January to June in 2013 were RMB1.38 billion and RMB0.74 billion, respectively. The total income tax expenses for the period amounted to RMB2.12 billion.

Profit Ability

The core net profit margin of the Group (the ratio of profit attributable to equity shareholders excluding minority interest and revaluation gain to revenue) decreased from last year's 23.0% to 17.9%, which was mainly attributable to the fall in gross profit margin.

Land Bank Replenishment

As of June 30, 2013, the Group's total land bank was 41.44 million square meters or 37.80 million square meters on an attributable basis. The average unit land cost was RMB2,028 per square meter, accounting for 18.1% of unit price of current contracted sales. In terms of regional breakdown, land bank in Pan Bohai Rim, western China, Yangtze River Delta, southern China and central China accounted for 36.9%, 36.1%, 20.8%, 5.0% and 1.2% of the total land bank, respectively.

In January to June 2013, the Group has acquired new land bank with total GFA of 3.52 million square meters, 35.2%, 34.6%, 16.6% and 13.6% of which are located in western China, Yangtze River Delta, Pan Bohai Rim, and central China respectively. The average acquisition unit cost was RMB3,065 per square meter.

In January to June 2013, the Group acquired presence in three cities successively, namely Kunming, Changsha and Suzhou, which increased the number of cities covered by the Group from 17 at the end of last year to 20. The Group also strategically penetrated into central China region. At the same time, moving the investment focus closer to city cores and controlling the project size laid a well foundation for improving the turnover cycle of the Group's properties available for sale.

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**
環渤海地區 PanBohaiRim	北京 Beijing	1,554,850	3.8%	1,419,578	3.8%
	瀋陽 Shenyang	3,330,411	8.0%	3,208,100	8.5%
	青島 Qingdao	1,571,083	3.8%	1,492,823	3.9%
	煙臺 Yantai	7,692,461	18.6%	7,083,781	18.7%
	大連 Dalian	1,124,405	2.7%	744,099	2.0%
	小計 Subtotal	**15,273,210**	**36.9%**	**13,948,381**	**36.9%**
華中地區 Central China	長沙 Changsha	478,900	1.2%	437,236	1.2%
	小計 Subtotal	**478,900**	**1.2%**	**437,236**	**1.2%**
中國西部地區 Western China	重慶 Chongqing	8,850,984	21.3%	7,813,567	20.7%
	成都 Chengdu	3,464,927	8.3%	3,027,407	8.0%
	西安 Xi'an	2,052,568	5.0%	1,884,437	5.0%
	玉溪 Yuxi	827,741	2.0%	755,728	2.0%
	昆明 Kunming	172,465	0.4%	157,461	0.4%
	小計 Subtotal	**15,368,685**	**37.0%**	**13,638,600**	**36.1%**

Region	City	Total GFA	% of Total	Attributable GFA	% of Total
		Sqm		*Sqm*	
長江三角洲地區 YangtzeRiverDelta	上海 Shanghai	1,202,452	2.9%	1,146,463	3.0%
	無錫 Wuxi	1,514,418	3.7%	1,382,664	3.7%
	常州 Changzhou	2,188,955	5.3%	2,136,109	5.7%
	杭州 Hangzhou	1,269,329	3.1%	1,212,669	3.2%
	紹興 Shaoxing	505,873	1.2%	461,862	1.2%
	寧波 Ningbo	1,022,497	2.5%	989,971	2.6%
	蘇州 Suzhou	536,700	1.3%	536,700	1.4%
	小計 Subtotal	**8,240,224**	**19.9%**	**7,866,438**	**20.8%**
華南地區 Southern China	廈門 Xiamen	589,358	1.4%	550,224	1.4%
	泉州 Quanzhou	1,485,518	3.6%	1,356,278	3.6%
	小計 Subtotal	**2,074,876**	**5.0%**	**1,906,502**	**5.0%**
總計 Total		**41,435,895**	**100.0%**	**37,797,157**	**100.0%**

Table 6: Breakdown of Land acquisition from January to June in 2013

Region	Project	City	Attributable Interest	Site Area	Total GFA
			%	*Sqm*	*Sqm*
環渤海地區 Pan Bohai Rim	Wuchaying	大連 Dalian	91.3%	196,300	233,173
	Changbai Island	瀋陽 Shenyang	100.0%	117,100	351,000
	Subtotal			**313,400**	**584,173**
華中地區 Central China	Gushan	長沙 Changsha	91.3%	307,000	478,900
	Subtotal			**307,000**	**478,900**
中國西部地區 Western China	Weidianyuan	重慶 Chongqing	100.0%	234,024	1,062,921
	Minda	昆明 Kunming	91.3%	34,300	172,465
	Subtotal			**268,324**	**1,235,386**
長江三角洲地區 Yangtze River Delta	Dingqiao	杭州 Hangzhou	91.3%	99,300	218,445
	Fairy Castle	上海 Shanghai	91.3%	36,900	92,400
	Liuhang	上海 Shanghai	100.0%	81,600	338,809
	Qingpu	上海 Shanghai	91.3%	14,000	32,280
	Chunlan	蘇州 Suzhou	100.0%	114,200	536,700
	Subtotal			**346,000**	**1,218,634**
Total				**1,234,724**	**3,517,093**

Financial Position

As of June 30, 2013, the Group's consolidated borrowings amounted to RMB34.15 billion (December 31, 2012: RMB32.84 billion). As a majority of the Group's properties will be delivered in the second half of the year, the net debt to equity ratio of the Group was 64.1% (December 31, 2012: 47.6%). Cash in hand reached RMB13.17 billion (December 31, 2012: RMB18.61 billion). The credit rating of the Group was BB+ by Standard & Poor and Ba1 by Moodys, with the outlook maintained as "stable".

Approximately 59.9% of the Group's total borrowings were denominated in RMB, while 40.1% were denominated in foreign currencies.

Approximately RMB15.82 billion of the Group's consolidated borrowings were quoted at fixed rates ranging from 4.3% 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 35.8% at December 31, 2012 to 46.3%. As of June 30, 2013, the Group's average cost of borrowing was 6.35% per annum. The average term of loan was extended from 4.1 years to 4.7 years. The ratio of unsecured debt to total debt was 48.8%.

Since the beginning of 2013, the Group successfully completed two financing transactions in the international capital market, which effectively extended the term of indebtedness of the Group and reduced the cost of financing. In January 2013, the Group successfully issued 10-year bonds of US$500 million at a nominal interest rate of 6.75%. The interest rate was lower than the 7-year bond issued in October last year at a nominal interest rate of 6.875%. In July, the Group entered into a lending agreement with a syndicate of 13 banks, and obtained 4-year transferrable fixed term loan financing of HK$6,385 million and US$165 million in a total of approximately HK$7,672 million at an interest rate of Hibor+3.10%.

Employees and Compensation Policy

As of June 30, 2013, the Group had 10,372 full-time employees in China and Hong Kong. 2,723 of these employees worked in the property development division, 282 in the property investment division, and 7,367 in the property management division. Average age of our employees is 30.5 years old. In the property development and investment divisions, approximately 84.4% of the employees have bachelor degrees and 13.5% 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. The gross amount of such bonus is determined from, amongst other things, the ranking of the Group's budget fulfillment ratio and loyalties of customers, which is then assessed and allocated to individual subsidiaries according to the results of a balanced scorecard and profitability.

Prospects

Towards a sustainable future, the Group will continue to improve the turnover rate of saleable recourses at a high level by further broadening the regional framework, moving our investment focus closer to city cores and controlling the project size. During the second half of 2013, the real estate market in China will hold upon the steady conditions persisting in the first half of the year. However, the development within the industry will become more diverse. The Group will continue to pro-actively drive our sales by maintaining launch momentum of our sellable resources and strengthening the sell-through of unsold inventory. In 2013, the Group will have 54 key projects for sale, among which 6 are brand new projects and 13 will launch new phases and new products in the second half of the year. 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 joint ventures) has completed the construction of about 1.6 million square meters of properties in January to June 2013. In 2013, the Group plans to complete construction of approximately 5.72 million 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, the construction of Hangzhou Time Paradise Walk, Chengdu Time Paradise Walk Phase I and Changzhou Longcheng Paradise Walk had began in the current period. Chengdu North Paradise Walk will commence operation in the second half of 2013. Beijing Time Paradise Walk, Shanghai Hongqiao Paradise Walk and Chengdu Jinnan Paradise Walk are expected to begin construction in the coming year. 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 position 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.

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 Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except the following deviation:

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, 2013 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 19, 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 Mr. Zeng Ming who are independent non-executive Director.