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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, 2014**

FINANCIAL SUMMARY

- Contracted sales were RMB20.28 billion.
- Revenue was RMB15.94 billion, of which the rental income from the property investment business was RMB380 million.
- Profit attributable to shareholders was RMB4.01 billion. Excluding non-controlling interest and revaluation gains, core profit was RMB2.13 billion. Core net profit margin attributable to shareholders was 13.4%.
- The net debt to equity ratio was 66.2%. Cash on hand was RMB18.11 billion.
- Total consolidated borrowings amounted to RMB47.16 billion. Average cost of borrowing was 6.5%. Average debt period of loan was 4.5 years.
- Fully diluted earnings per share were RMB0.73. The Board resolved not to declare 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, 2014 with the comparative figures for the six months ended June 30, 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2014

		Six months ended June 30,	
	NOTES	2014	2013
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	15,944,892	15,230,762
Cost of sales		<u>(11,011,427)</u>	<u>(10,364,732)</u>
Gross profit		4,933,465	4,866,030
Other income	4	187,568	222,594
Other gains and losses	5	(382,049)	192,107
Fair value gain upon transfer to investment properties		363,695	71,362
Change in fair value of investment properties		2,329,561	1,476,398
Selling and marketing expenses		(320,769)	(290,681)
Administrative expenses		(803,334)	(353,575)
Finance costs	6	(8,714)	(27,594)
Share of results of joint ventures		<u>130,882</u>	<u>87,147</u>
Profit before taxation		6,430,305	6,243,788
Income tax expense	7	<u>(2,078,088)</u>	<u>(2,122,008)</u>
Profit for the period	8	<u><u>4,352,217</u></u>	<u><u>4,121,780</u></u>
Attributable to:			
Owners of the Company		4,006,979	3,845,671
Non-controlling interests		<u>345,238</u>	<u>276,109</u>
		<u><u>4,352,217</u></u>	<u><u>4,121,780</u></u>

		Six months ended	
		June 30,	
	<i>NOTES</i>	2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Earnings per share, in RMB cents			
Basic	10	<u>73.6</u>	<u>70.8</u>
Diluted	10	<u>73.3</u>	<u>70.0</u>
Profit for the period		<u>4,352,217</u>	<u>4,121,780</u>
Other comprehensive income (expense):			
Items that may be reclassified			
subsequently to profit or loss:			
Net fair value gain (loss) on hedging			
instruments		198,075	(16,924)
(Gain) loss on hedging instruments			
reclassified to profit and loss		<u>(76,233)</u>	<u>17,777</u>
		<u>121,842</u>	<u>853</u>
Total comprehensive income for the			
period		<u>4,474,059</u>	<u>4,122,633</u>
Total comprehensive income attributable			
to:			
Owners of the Company		4,128,821	3,846,524
Non-controlling interests		<u>345,238</u>	<u>276,109</u>
		<u>4,474,059</u>	<u>4,122,633</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2014

	<i>NOTES</i>	At June 30, 2014 <i>RMB'000</i> <i>(unaudited)</i>	At December 31, 2013 <i>RMB'000</i> <i>(audited)</i>
NON-CURRENT ASSETS			
Investment properties		31,198,400	23,813,400
Property, plant and equipment		179,378	184,831
Prepaid lease payments		11,822,039	11,602,243
Interests in associates		1	1
Interests in joint ventures		3,149,708	3,100,559
Available-for-sale investments		8,600	8,600
Deposits paid for acquisition of land use rights		5,270,422	5,653,024
Derivative financial instruments		53,776	—
Deferred taxation assets		<u>1,248,326</u>	<u>1,063,481</u>
		<u>52,930,650</u>	<u>45,426,139</u>
CURRENT ASSETS			
Inventories		829,974	760,649
Properties under development for sales		68,745,885	65,368,224
Properties held for sales		10,116,505	10,963,251
Accounts and other receivables, deposits and prepayments	11	5,439,048	4,343,422
Amounts due from joint ventures		2,618,207	7,431
Amount due from a joint venture partner		25,000	—
Taxation recoverable		3,060,119	2,626,762
Pledged bank deposits		351,887	276,914
Bank balances and cash		<u>17,761,669</u>	<u>14,399,175</u>
		<u>108,948,294</u>	<u>98,745,828</u>

		At June 30, 2014 RMB'000 (unaudited)	At December 31, 2013 RMB'000 (audited)
CURRENT LIABILITIES			
Accounts payable, deposits received and accrued charges	12	56,997,635	53,664,636
Amounts due to joint ventures		2,402,134	1,343,571
Taxation payable		7,530,405	8,511,214
Derivative financial instruments		70,109	—
Bank and other borrowings - due within one year		<u>9,655,000</u>	<u>9,067,212</u>
		<u>76,655,283</u>	<u>72,586,633</u>
NET CURRENT ASSETS		<u>32,293,011</u>	<u>26,159,195</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>85,223,661</u>	<u>71,585,334</u>
CAPITAL AND RESERVES			
Share capital		476,828	476,822
Reserves		<u>39,442,535</u>	<u>36,506,823</u>
Equity attributable to owners of the Company		39,919,363	36,983,645
Non-controlling interests		<u>3,935,154</u>	<u>2,791,774</u>
TOTAL EQUITY		<u>43,854,517</u>	<u>39,775,419</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year		29,905,968	18,460,950
Senior notes		7,598,863	10,174,918
Derivative financial instruments		—	214,816
Deferred taxation liabilities		<u>3,864,313</u>	<u>2,959,231</u>
		<u>41,369,144</u>	<u>31,809,915</u>
		<u>85,223,661</u>	<u>71,585,334</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2014

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, 2014 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2013.

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 IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting financial assets and financial liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39 IFRIC 21	Novation of Derivatives and Continuation of Hedge Accounting Levies

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.

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

	Six months ended June 30,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue		
Segment revenue	16,000,536	15,256,902
Elimination of inter-segment revenue	<u>(55,644)</u>	<u>(26,140)</u>
Consolidated revenue	<u>15,944,892</u>	<u>15,230,762</u>
Profit		
Segment profit	4,302,685	4,575,347
Other income	187,568	222,594
Other gains and losses	(382,049)	192,107
Fair value gain upon transfer to investment properties	363,695	71,362
Change in fair value of investment properties	2,329,561	1,476,398
Finance costs	(8,714)	(27,594)
Share of results of joint ventures	130,882	87,147
Depreciation	(21,791)	(21,047)
Unallocated expenses	<u>(471,532)</u>	<u>(332,526)</u>
Consolidated profit before taxation	<u>6,430,305</u>	<u>6,243,788</u>

(c) **Segment assets**

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

	At	At
	June 30,	December 31,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Sales of properties	85,240,332	81,571,233
Leasing of properties (Note)	15,689,978	10,983,516
Provision of property management services	<u>30,966</u>	<u>24,274</u>
Total segment assets	<u>100,961,276</u>	<u>92,579,023</u>

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,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income	76,213	56,878
Dividend income from unlisted available-for-sale investments	600	1,108
Government subsidies (Note a)	39,115	100,029
Penalty income (Note b)	15,431	13,494
Sundry income	<u>56,209</u>	<u>51,085</u>
Total	<u>187,568</u>	<u>222,594</u>

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,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Gain on disposal of property, plant and equipment	8,907	37,500
Net exchange (loss) gain (Note)	(201,469)	172,384
Reclassification of fair value gain/(loss) of hedging instruments from hedging reserve	76,641	(17,777)
Loss on early redemption of Senior Notes	<u>(266,128)</u>	<u>—</u>
	<u>(382,049)</u>	<u>192,107</u>

Note:

It represents exchange difference arising from the translation of the balances of 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,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest on bank and other borrowings		
Wholly repayable within five years	(960,582)	(831,977)
Not wholly repayable within five years	(49,480)	(47,298)
Interest expense on senior notes	(356,021)	(412,276)
Less: Amount capitalised to properties under development for sale and investment properties under construction	<u>1,357,369</u>	<u>1,263,957</u>
	<u>(8,714)</u>	<u>(27,594)</u>

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 6.8% (six months ended June 30, 2013: 7.1%) per annum for the six months ended June 30, 2014 to expenditure on the qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current tax		
PRC Enterprise Income Tax (“EIT”)	(1,025,883)	(1,025,856)
Land appreciation tax (“LAT”)	<u>(492,862)</u>	<u>(744,258)</u>
	(1,518,745)	(1,770,114)
Overprovision in prior periods		
LAT*	<u>160,893</u>	<u>—</u>
	(1,357,852)	(1,770,114)
Deferred taxation		
Current period	<u>(720,236)</u>	<u>(351,894)</u>
	<u>(2,078,088)</u>	<u>(2,122,008)</u>

* The appreciation value of several property projects develop for sales had been finalised or adjusted in the six months ended June 30, 2014, which differed from the management’s estimated appreciation value made in prior periods, resulting in an overprovision of LAT reversed in current 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 2013 and 2014, 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,	
	2014	2013
	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	21,791	21,047
Gain on disposal of property, plant and equipment	(8,907)	(37,500)
Operating lease rentals	13,394	12,434
Impairment loss on properties held for sales	<u>310,010</u>	<u>—</u>

9. DIVIDEND

	Six months ended June 30,	
	2014	2013
	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Dividend recognised as distribution during the period:		
Final dividend paid in respect of 2013 of RMB0.228 (six months ended June 30, 2013: in respect of 2012 of RMB0.2) per share	<u>1,232,400</u>	<u>1,082,568</u>

No dividends were declared and proposed by the Company during the six months ended June 30, 2014 and 2013.

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,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	<u>4,006,979</u>	<u>3,845,671</u>
	2014	2013
	<i>'000</i>	<i>'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	5,441,565	5,433,356
Effect of dilutive potential ordinary shares in respect of - Share options	<u>24,662</u>	<u>60,527</u>
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	<u>5,466,227</u>	<u>5,493,883</u>

For the six months ended June 30, 2014, 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 2014.

11. 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, 2014	At December 31, 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade receivables	789,842	362,725
Other receivables, net of allowance for doubtful debts	1,182,500	860,994
Advances to suppliers	838,186	596,035
Prepaid business tax and other taxes	2,487,526	2,385,688
Prepayments and utilities deposits	<u>140,994</u>	<u>137,980</u>
	<u>5,439,048</u>	<u>4,343,422</u>

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, 2014	At December 31, 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Within 60 days	700,455	327,436
61 - 180 days	89,387	31,025
181 - 365 days	<u>—</u>	<u>4,264</u>
	<u>789,842</u>	<u>362,725</u>

12. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At June 30, 2014	At December 31, 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade payables and accrued expenditure on construction	5,739,026	7,078,610
Bills payable	1,385,285	10,424
Deposits received and receipt in advance from property sales	46,805,603	43,185,922
Other payables and accrued charges	<u>3,067,721</u>	<u>3,389,680</u>
	<u>56,997,635</u>	<u>53,664,636</u>

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.

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

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, 2014	At December 31, 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Within 60 days	5,230,568	5,249,638
61 - 180 days	670,472	487,761
181 - 365 days	887,354	731,610
1 - 2 years	188,528	429,385
2 - 3 years	117,569	181,539
Over 3 years	<u>29,820</u>	<u>9,101</u>
	<u>7,124,311</u>	<u>7,089,034</u>

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the business review and outlook of the Group for the interim period ended June 30, 2014.

RESULTS

From January to June 2014, the Group achieved contracted sales of RMB20.28 billion, representing a 9.4% decline over the same period last year. Revenue was RMB 15.94 billion, representing a slight increase of 4.7% YoY, of which rental income from investment properties amounted to around RMB380 million, representing an increase of 24.1%. Excluding minority interest and revaluation gains, core profit attributable to shareholders was RMB2.13 billion. Core net profit margin attributable to shareholders was 13.4%.

REVIEW OF THE FIRST HALF OF 2014

Since the beginning of this year, there were increasing signs showing the real estate market of China had entered into a phase of correction. After more than ten years of robust growth, the structural imbalance of demand and supply in certain regions became apparent. Amid tighter liquidity and the wait-and-see attitude of buyers, the overall market's transaction level fell compared to the same period last year. The Company achieved contracted sales of RMB20.28 billion in the first half, which represents a slight decline compared with the same period last year. However we continued to rank top ten in six citiesⁱ in three main regions. Under such a challenging market environment, the Company has placed more focus on cash collection management, and maintained a high cash collection rate of 90%.

As transaction level moderates, the land market also started to cool down. As such, the Company has focused on acquiring premier land parcels in urban areas at reasonable price, in cities already with project track record and experienced teams such as Beijing, Chengdu and Hangzhou. Moreover, we also entered into new markets like Nanjing and Foshan through floor price acquisition and joint venture, respectively. These initiatives further expanded our network of high value-add cities, and increased our proportion of city core projects in the land bank.

The Company always strives to operate in a prudent manner. When we prepared for our 2014 budget in October 2013, we already felt the market turned chilling, and thus we opted to set an annual sales target and outlay based on sustainable growth expectation. We also wanted to ensure the Company can successfully capitalized on the windows of opportunity in the international capital market and secured a five year syndicated loan of HK\$3.4 billion in March, followed by the debut issue of overseas

Renminbi bond (dim-sum bond) in May. The four-year bond issue of RMB 2 billion broke the records in terms of both tenure and size. As at the end of the interim period, the Group's cash on hand amounted to RMB18.1 billion. Consolidated cost of borrowings remained at a low level of 6.5% with the average debt period kept as long as 4.5 years.

Given the fiercely competitive market, our commercial real estate portfolio maintained stable growth by capitalizing on our regional advantage and reputation as well as an experienced management team. In May, Chengdu North Paradise Walk, which commenced operation in December 2013, entered into cooperation with some e-commerce companies, and fulfilled O2O closed channel sales. As such the physical stores and online trading platform were seamlessly connected, and broke new records in terms of average daily traffic and sales performances. In June, Chengdu Jinnan Paradise Walk, planned to commence operation in 2015, successfully conducted its tenant promotion activity, and attracted around 1,000 potential tenants to the event. The pre-leasing ratio of Changying Paradise Walk that will commence operation this year has surpassed 75%.

Longfor does not only provide splendid products and services to its customers, but also take pride in being a good corporate citizen and fulfill its social responsibilities. During the period, as the second real estate enterprise in China joining United Nation Global Compact, the Company submitted its first corporate social responsibility report. During the past years, the Company has been actively engaged in the construction of government-subsidized housing. To date, more than 15,000 units have been built with gross floor area of around 1,500,000 sq. m. In addition, the Company continues to organize poverty relief activities, with "Longfor Spring Festival Goods" becoming a welfare brand. As of the date, the Group had contributed more than RMB300 million to charity businesses.

OUTLOOK FOR THE SECOND HALF OF 2014

As discussed above, the moderation of the property market this time round can be attributed to the structural demand and supply imbalance of local markets. The new leadership has reduced administrative intervention and embraced a market-oriented policy approach. Under such circumstances, we believe the adjustment process may not be completed within a short period of time. However, this is also the essential course for the industry to head back on track to sound and normalized phase of development, in our view. We believe that in the second half of 2014, there will not be much adverse changes in the market barring any unforeseen circumstances if no outside force takes effect. Hence we believe we are unlikely to experience a free fall

in prices and volume. Divergent performance of regions, cities and enterprises will further intensify, and it will indeed be a challenging period for the Company. Therefore, keeping a well balanced management of supply, sales and inventory planning should be the top priority for the Company's operation.

During the second half of the year, the Company will have available for launch, more new projects locating in prime location with good market positioning. We will proactively manage our sales and focus on cash collection. Attention will continue to be placed on bringing down inventory level so as to increase cash on hand and remain at a prudent financial position. Although the land market seems to have cooled down, we believe the chance to pick up land at the bottom of the market is yet to come. Apart from prudently managing our business, the Company shall leverage on the comprehensive implementation of its "Customer Research System" and "City Map Guide", both developed in-house, to accurately guide our investments.

The scale of the real estate market in terms of transaction level, may have already reached a maximum at the current phase. However, with more family nuclearization, urbanization and upgrading demand, there are still strong driving forces for the long-term development of the real estate market. Industry divergence and consolidation may be regarded as risks as well as opportunities. With an esteem towards the market's ups and downs. Longfor has managed its business to develop operating ability and to weather the market cycles, not simply based on short-term metrics. We always emphasize the need to have a craftsman mentality, polishing our skills so we can fulfill the targeted needs of customers and not just simply replicating products and services. As real estate prices at what we believe are lofty levels, we shall further improve our ability to manage construction cost, in addition to maintaining our low financing cost. The Company will expand its equity cooperation model when deemed appropriate, to reduce investment risk and capital commitment, while still participating in the profit upside and broadening its brand equity and enhancing the level of return of equity.

Notwithstanding the enormous changes we are facing in our industry, we believe we are always placing our customers in the first place. We shall only do the right things, set our sail in the right direction and develop in a stable and sustainable manner. Longfor will be able to adapt to these cyclical changes and emerge as a winner.

i Chongqing, Hangzhou, Beijing, Chengdu, Changzhou, Wuxi.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

From January to June 2014, revenue from property development business of the Group was RMB15.19 billion, representing an increase of 3.6% over the same period last year. The Group delivered 1,383,301 square meters of property in GFA terms, of which 117,062 square meters were contributed from joint ventures. Gross profit margin of overall property development business was 30.2%, representing a decrease of 1.1% as compared with the same period last year. Recognized average selling price was RMB11,994 per square meter from January to June 2014.

Table 1: Breakdown of property development revenue by projects of the Group from January to June 2014

* After deducting sales tax

	City	Revenue		Total GFA	
		January to June 2014	January to June 2013	January to June 2014	January to June 2013
		RMB' 000	RMB' 000	Sqm	Sqm
Beijing Time Paradise Walk	Beijing	3,148,273		239,311	
Beijing Changying Paradise Walk	Beijing	1,648,311	1,513,967	59,899	58,901
Beijing Hill of Good Hope	Beijing	1,553,120		102,762	
Chongqing Hilltop's Garden	Chongqing	1,496,407		175,095	
Yantai Banyan Bay	Yantai	1,123,676		66,685	
Chengdu Time Paradise Walk	Chengdu	574,593	1,600,519	73,156	178,239
Chengdu North Paradise Walk	Chengdu	563,896	593,738	79,322	74,831
Chongqing Hometown	Chongqing	501,828	265,842	57,047	39,135
Xi'an Waft Yard	Xi'an	483,395		19,047	
Changzhou Hongzhuang Project	Changzhou	478,145	670,184	58,086	56,539
Chengdu Jinnan Paradise Walk	Chengdu	382,841		18,550	
Hangzhou Shaoxing Hometown	Hangzhou	379,776		21,078	
Chongqing Chunsen Land	Chongqing	352,611		54,118	

	City	Revenue		Total GFA	
		January to June 2014	January to June 2013	January to June 2014	January to June 2013
		RMB' 000	RMB' 000	Sqm	Sqm
Xi'an Crystal Town	Xi'an	350,503		20,645	
Wuxi Fragrance Chianti	Wuxi	318,897		27,910	
Yantai Banyan Island	Yantai	296,050		13,771	
Qingdao Original	Qingdao	228,498		14,103	
Qingdao F Plot	Qingdao	146,069		18,394	
Changzhou Sunshine City	Changzhou	98,231	62,731	21,105	5,749
Xi'an MOCO	Xi'an	88,527		12,710	
Shanghai Azure Chianti	Shanghai	87,390		3,229	
Ningbo Rose & Ginkgo Coast	Ningbo	84,075		10,389	
Chongqing U2	Chongqing	83,004	465,918	9,446	93,299
Chongqing Toschna Villa	Chongqing	80,477		9,407	
Good Hope of Hill	Shanghai	79,179	470,384	2,956	31,542
Wuxi Rose & Ginkgo Villa II	Wuxi	72,304		8,927	
Chengdu Peace Hill County	Chengdu	68,317	373,235	9,962	45,386
Wuxi Rose and Ginkgo Villa	Wuxi	61,556	77,730	12,868	9,615
Qingdao Rose & Ginkgo Coast	Qingdao	50,399	1,380,166	4,236	143,020
Others		306,958	7,179,160	42,026	589,260
Total		15,187,306	14,653,574	1,266,240	1,325,516

The Group achieved contracted sales of RMB20.28 billion (including RMB2.33 billion from joint ventures) from January to June 2014, representing a decrease of 9.4% as compared to the same period last year. The Group sold 1,846,009 square meters in total GFA, representing a decrease of 7.7% over the same period last year. Average selling price of GFA sold was RMB10,984 per square meter, representing a decrease of 1.8% 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 RMB7.48 billion, RMB6.19 billion, RMB5.44 billion, RMB0.81 billion and RMB0.36 billion respectively, accounting for 36.9%, 30.5%, 26.9%, 4.0% and 1.7% of the contracted sales of the Group, respectively.

Table 2: Details of contracted sales of the Group from January to June 2014

* Before deducting sales tax

Project	City	Contracted	Total GFA
		sales RMB mn	Sqm
Beijing Sunhe	Beijing	1,407	40,472
Chongqing Ideal City	Chongqing	1,231	99,904
Hangzhou Chunjiang Land	Hangzhou	1,049	54,938
Beijing Rose & Ginkgo Mansion	Beijing	1,022	94,807
Suzhou Time Paradise Walk	Suzhou	974	59,416
Chongqing Bamboo Grove	Chongqing	824	87,465
Chengdu Jinnan Paradise Walk	Chengdu	725	49,322
Chongqing U2	Chongqing	698	126,651
Shanghai Fairy Castle	Shanghai	565	26,080
Hangzhou Rose & Ginkgo Town	Hangzhou	555	36,735
Beijing Time Paradise Walk	Beijing	512	27,006
Shanghai Azure Chianti (Bai Yin Lu)	Shanghai	506	26,283
Chengdu Century Peak View	Chengdu	481	40,821
Shanghai Long Xing Lu	Shanghai	479	22,685
Chongqing Hometown	Chongqing	445	68,370
Xiamen Island in the City	Xiamen	430	26,730
Chongqing La Defense	Chongqing	425	62,522
Chengdu Time Paradise Walk	Chengdu	413	55,665
Chongqing Hilltop's Garden	Chongqing	407	50,690
Xi'an Chianti	Xi'an	380	53,489
Dalian Dong Gang	Dalian	380	16,667
Xiamen Jinjiang	Xiamen	376	46,006
Chongqing Time Paradise Walk	Chongqing	371	19,894
Changsha Wang Cheng	Changsha	354	50,574
Hangzhou Ding Qiao	Hangzhou	325	22,941
Shaoxing Home Town	Shaoxing	320	49,545
Changzhou Hongzhuang Project	Changzhou	313	48,227
Beijing Changying Paradise Walk	Beijing	304	10,525
Beijing Hill of Good Hope	Beijing	297	16,459
Kunming Crystal Sunshine City	Kunming	261	29,274

Project	City	Contracted sales <i>RMB mn</i>	Total GFA <i>Sqm</i>
Wuxi Jiu Shu	Wuxi	248	21,709
Qingdao An Le	Qingdao	206	25,354
Jinan Ming Jing Tai	Jinan	201	27,272
Qingdao F Plot	Qingdao	194	35,819
Shanghai Rose and Ginkgo Villa	Shanghai	169	7,648
Yantai Banyan Island	Yantai	154	9,780
Xi'an Crystal Town	Xi'an	152	16,207
Others		2,123	282,057
Total		20,276	1,846,009

As at June 30, 2014, the Group had RMB60.5 billion (derived from 5.50 million square meters) sold but unrecognized contracted sales which formed a solid basis for the Group's future sustainable and stable 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 at June 30, 2014, the Group has investment properties of 763,349 square meters (921,977 square meters in GFA with parking space included) which have commenced operation with an occupancy rate of 95.8%. Total rent reached about RMB400 million. Rental income, net of sales tax, was about RMB380 million, representing an increase of 24.1% as compared with the same period last year. The series of Paradise Walk, Starry Street and MOCO accounted for 82.2%, 13.9% and 3.9% of the total rent respectively, and recorded increases of 28.0%, 4.2% and 28.0% respectively.

Table 3: Breakdown of rental income of the Group from January to June 2014

* After deducting sales tax

	January to June 2014				January to June 2013			
	GFA	Rental	% of Occupancy	Rental	Rental	% of Occupancy	Change of	
		income	Rental	rate		income		rate
		RMB' 000			RMB' 000		income	
Chongqing North								
Paradise Walk	120,778	165,788	43.9%	97.9%	148,975	48.9%	99.8%	11.3%
Chongqing West								
Paradise Walk	76,031	58,019	15.4%	96.9%	50,696	16.7%	99.5%	14.4%
Chongqing Time								
Paradise Walk Phase I	160,343	66,490	17.6%	94.1%	42,935	14.1%	93.6%	54.9%
Chengdu North Paradise								
Walk	215,536	20,214	5.4%	81.4%				
Paradise Walk Subtotal	572,688	310,511	82.2%	95.8%	242,606	79.7%	98.7%	28.0%
Chongqing Crystal								
Castle	17,648	9,930	2.6%	100.0%	10,209	3.4%	100.0%	-2.7%
Chengdu Three								
Thousand Mall	38,043	9,724	2.6%	86.8%	11,895	3.9%	89.8%	-18.3%
Chongqing Starry Street	54,618	13,628	3.6%	88.3%	10,529	3.5%	97.2%	29.4%
Chongqing Fairy Castle	29,413	5,865	1.6%	100.0%	5,507	1.8%	100.0%	6.5%
Beijing Starry Street	6,320	6,766	1.8%	98.5%	5,212	1.7%	90.4%	29.8%
Chongqing University								
City	15,515	3,497	0.9%	98.2%	1,670	0.5%	89.8%	109.4%
Others		2,919	0.8%	N/A	5,212	1.7%	N/A	-44.0%
Starry Street Subtotal	161,557	52,329	13.9%	94.2%	50,234	16.5%	95.7%	4.2%
Chongqing MOCO	29,104	14,747	3.9%	100.0%	11,519	3.8%	99.8%	28.0%
MOCO Subtotal	29,104	14,747	3.9%	100.0%	11,519	3.8%	99.8%	28.0%
Total for projects that had commenced operation	763,349	377,587	100%	95.8%	304,359	100%	98.2%	24.1%

The Group has 10 shopping malls under construction with a total GFA of about 1,277,000 square meters. The total areas under construction of Paradise Walk series and Starry Street series are about 1,233,000 square meters and 44,000 square meters respectively.

Table 4: Breakdown of investment properties under construction of the Group in 2014 to 2017

	Estimated Commencement of Operation	Planned GFA
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
Beijing Time Paradise Walk	2016	197,897
Chengdu Jinnan Paradise Walk	2015	128,800
Shanghai Hongqiao Paradise Walk	2016	163,632
Chongqing Time Paradise Walk Phase III	2016	70,873
Chongqing Hometown Phase II	2017	78,986
Paradise Walk Subtotal		1,233,217
Xi'an Longfor Starry Street (Daxing Store)	2014	44,263
Starry Street Subtotal		44,263
Project under construction in total		1,277,480

Due to the construction and commencement of operation of new investment properties, the valuation gain of investment properties of the Group amounted to RMB2.69 billion from January to June 2014.

COST CONTROL

From January to June 2014, in order to support its business development, the Group established management teams and recruited key posts personnel for newly-entered cities, such as Suzhou, Jinan, Foshan and Nanjing, and also to propose accruals for accelerating the disposal of unsold inventory, the portion of the Group's general and administrative expenses to the total contract sales increased by 2.38% to 3.96% 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 contract sales only increased from 0.28% to 1.58% as compared with the same period last year.

SHARE OF RESULTS OF JOINT VENTURES

Contribution of joint ventures (JVs) from January to June 2014 mainly came from the Group's 49.6%-owned Bamboo Grove Project in Chongqing and 72.0%-owned Century Peak View Project in Chengdu. These two projects delivered approximately 117,062 square meters. The attributable profit after tax of the Group in JVs was RMB130 million.

INCOME TAX EXPENSE

Income tax expenses comprised of PRC enterprise income tax and land appreciation tax. The enterprise income tax and the land appreciation tax of the Group from January to June 2014 were RMB1.75 billion and RMB0.33 billion, respectively. The total income tax expenses for the period amounted to RMB2.08 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) decreased from 18.0% in the same period last year to 13.4%.

LAND BANK REPLENISHMENT

As at June 30, 2014, the Group's total land bank was 39.59 million square meters or 35.58 million square meters on an attributable basis. The average unit land cost was RMB2,259 per square meter, accounting for 20.6% 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 38.3%, 32.8%, 20.0%, 6.0% and 2.9% of the total land bank, respectively.

In 2014, the Group has acquired new land bank with total GFA of 1.92 million square meters, 56.2%, 19.3%, 19.1% and 5.4% of which are located in Yangtze River Delta, Pan Bohai Rim, southern China, and western China respectively. The average acquisition unit cost was RMB7,380 per square meter.

In 2014, the Group acquired presence in new cities, such as Foshan and Nanjing, which increased the number of cities covered by the Group from 21 at the end of last year to 23. The Group also strategically entered into southern 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	1,657,293	4.2%	1,241,011	3.5%	
	瀋陽 Shenyang	3,423,250	8.6%	3,299,603	9.3%	
	青島 Qingdao	1,360,545	3.4%	1,284,843	3.6%	
	煙台 Yantai	7,355,852	18.6%	6,776,458	19.0%	
	濟南 Jinan	349,730	0.9%	319,303	0.9%	
	大連 Dalian	1,064,894	2.7%	689,809	1.9%	
	小計 Subtotal	15,211,564	38.4%	13,611,027	38.3%	
	華中地區 Central China	長沙 Changsha	1,142,308	2.9%	1,042,928	2.9%
		小計 Subtotal	1,142,308	2.9%	1,042,928	2.9%
		中國西部地區 Western China	重慶 Chongqing	8,114,655	20.5%	6,968,975
成都 Chengdu	2,433,187		6.1%	2,194,825	6.2%	
西安 Xi'an	1,828,851		4.6%	1,674,096	4.7%	
玉溪 Yuxi	730,196		1.8%	666,669	1.9%	
昆明 Kunming	174,355		0.4%	159,186	0.4%	
小計 Subtotal	13,281,244		33.5%	11,663,751	32.8%	

Region	City	Total GFA Sqm	% of Total	Attributable GFA Sqm	% of Total	
長江三角洲地區 YangtzeRiverDelta	上海 Shanghai	912,504	2.3%	873,148	2.5%	
	無錫 Wuxi	890,261	2.2%	812,809	2.3%	
	常州 Changzhou	1,398,022	3.5%	1,367,755	3.8%	
	宜興 Yixing	308,122	0.8%	281,315	0.8%	
	杭州 Hangzhou	1,810,619	4.6%	1,708,849	4.8%	
	紹興 Shaoxing	303,668	0.8%	277,249	0.8%	
	寧波 Ningbo	775,629	2.0%	756,039	2.1%	
	蘇州 Suzhou	643,939	1.6%	643,939	1.8%	
	南京 Nanjin	447,542	1.1%	408,606	1.1%	
	小計 Subtotal	7,490,306	18.9%	7,129,709	20.0%	
	華南地區 Southern China	廈門 Xiamen	585,628	1.5%	546,742	1.5%
		泉州 Quanzhou	1,511,300	3.8%	1,379,817	3.9%
		佛山 Foshan	366,454	0.9%	208,312	0.6%
小計 Subtotal		2,463,382	6.2%	2,134,871	6.0%	
總計 Total		39,588,804	100.0%	35,582,286	100.0%	

Table 6: Breakdown of Land acquisition from January to June 2014

Region	Project	City	Attributable	Site Area	Total GFA
			Interest %		
環渤海地區 Pan Bohai Rim	Simatai	北京 Beijing	54.8%	239,403	229,818
	Xiju*	北京 Beijing	91.3%	70,055	140,501
	Subtotal			309,458	370,319
華南地區 Southern China	Chunjiang Land	佛山 Foshan	56.8%	71,332	366,454
	Subtotal			71,332	366,454
中國西部地區 Western China	Jinnan Walk Time	成都 Chengdu	94.2%	24,335	102,835
	Subtotal			24,335	102,835
長江三角洲地區 Yangtze River Delta	Chunjiang Central	杭州 Hangzhou	91.3%	128,383	556,235
	Ming Jing Tai	寧波 Ningbo	91.3%	30,660	75,440
	Gulou Plot	南京 Nanjin	91.3%	45,842	447,542
	Subtotal			204,885	1,079,217
Total			610,010	1,918,825	

* Beijing Gezhouba Longhu Zhiye Limited completed the change of equity interests in July 2014, and the attributable interest after the change was 45.7%.

FINANCIAL POSITION

As at June 30, 2014, the Group's consolidated borrowings amounted to RMB47.16 billion. The net debt to equity ratio (net debt divided by total equity) of the Group was 66.2%. Cash in hand reached RMB18.11 billion. The credit rating of the Group was BB+ by Standard & Poor and Ba1 by Moodys, with the outlook maintained as "stable".

Approximately 69.3% of the Group's total borrowings were denominated in RMB, while 30.7% were denominated in foreign currencies.

The Group's consolidated borrowings were approximately RMB14.0 billion, with fixed rates ranging from 5.8% per annum to 6.875% per annum, depending on the tenors of the loans, and other loans were quoted at floating rates. As at June 30, 2014, the proportion of fixed interest debt was 30% of the total debt. The Group's average cost of borrowing was 6.5% per annum. The average term of loan was 4.5 years. The proportion of unsecured debt was 48% of the total debt.

In the first half of 2014, the Group early redeemed 9.5% of US\$750 million senior notes denominated in US dollar and completed two financing transactions in the international capital market, which effectively reduced the cost of financing. In March 2014, the Group entered into a lending agreement with a syndicate of 8 banks, and obtained 5-year syndicated loans of HK\$2,450 million and US\$125 million in a total of approximately HK\$3,425 million at an interest rate of Hibor plus 3.1%. The Group entered into the dim sum bonds market for the first time after the successful issue of three senior notes denominated in US dollar, which further broadened the financing channels of the Company. In May, the Group successfully issued 4-year bonds of RMB2 billion at a nominal interest rate of 6.75%, which was the first 4-year high yield dim sum bonds in the global capital market.

EMPLOYEES AND COMPENSATION POLICY

As at June 30, 2014, the Group had 13,229 full-time employees in China and Hong Kong. 3,264 of these employees worked in the property development division, 1,371 in the property investment division, and 8,594 in the property management division. Average age of our employees is 31.6 years old. In the property development and investment divisions, approximately 67.5% of the employees have bachelor degrees and 11.3% 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. 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

In the second half of 2014, the real estate market in China will continue to fluctuate and adjust. The diverse development and competition within the industry will become more intense. In view of a sustainable growth in future, the Group will persist in further broadening the framework on regional basis, developing close to urban area, controlling over scale, and considering commercial feasibility in basic strategies. The Group will continue to pro-actively drive our sales by upholding our saleable resources in the pipeline and accelerating the disposal of unsold inventory. In the meantime, cost control measures will be reiterated and further developed.

The Group now has 59 key projects for sale, among which 11 are brand new projects and 19 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 1,420,000 square meters of properties from January to June 2014. In 2014, the Group plans to complete construction of approximately 6,850,000 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, the construction of Chengdu Jinnan Paradise Walk, Shanghai Hongqiao Paradise Walk, Beijing Time Paradise Walk, Chongqing Hometown and Chongqing Time Paradise Walk Phase III had began during the year. Chongqing Time Paradise Walk Phase II, Beijing Changying Paradise Walk, Chengdu Time Paradise Walk Phase I and Xi'an Starry Street will commence operation by the end of this year. Hangzhou Time Paradise Walk and Chengdu Jinnan Paradise Walk are expected to complete and commence operation in 2015. 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 reasonably plan and arrange investment and operating expenses in accordance with its cash inflow, in order to persistently implement a prudent cost control strategy in respect of financial management. Whilst ensuring a sound financial position and healthy debt ratio for the Company, external cooperation will also be enhanced. It is expected that the Company can further capitalize on more opportunities in the market and achieve a win-win situation.

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 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 identify 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 the establishment of Nomination Committee.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "Policy") since August 19, 2013 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including but not limited to professional experience, culture and education background, skill and knowledge, gender, age and length of service.

The Board will review the Policy from time to time to ensure its continued effectiveness. At present, the Board has not set measurable objectives to implement the Policy. The Policy is available on the Company's website (www.longfor.com).

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, 2014 were reviewed by the members of the Audit Committee before submission to the Board for approval.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by directors. All directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2014.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.longfor.com) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report 2014 of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, August 4, 2014

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