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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, 2015**

FINANCIAL SUMMARY

- Contracted sales increased by 6.7% to RMB21.63 billion as compared with the same period of last year.
- Revenue increased by 5.3% to RMB16.79 billion as compared with the same period of last year, of which the rental income from the property investment business increased by 74.7% to RMB660 million.
- Profit attributable to shareholders was RMB3.84 billion. Excluding minority interest and revaluation gains, core profit increased by 4.3% to RMB2.23 billion. Core net profit margin attributable to shareholders was 13.3%.
- The net debt to equity ratio of the Group was 61.1%. Cash on hand was RMB17.02 billion.
- Total consolidated borrowings amounted to RMB49.45 billion. Average cost of borrowing decreased to 6.0% per annum. Average maturity period of loan was 4.75 years.
- Fully diluted earnings per share were RMB0.70. 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, 2015 with the comparative figures for the six months ended June 30, 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2015

		Six months ended	
		June 30,	
	NOTES	2015	2014
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	16,789,371	15,944,892
Cost of sales		(12,339,841)	(11,011,427)
Gross profit		4,449,530	4,933,465
Other income	4	208,916	187,568
Other gains and losses	5	37,506	(382,049)
Fair value gain upon transfer to investment properties		395,863	363,695
Change in fair value of investment properties		1,827,593	2,329,561
Selling and marketing expenses		(313,324)	(320,769)
Administrative expenses		(661,635)	(803,334)
Finance costs	6	(26,405)	(8,714)
Share of results of joint ventures		96,691	130,882
Profit before taxation		6,014,735	6,430,305
Income tax expense	7	(2,129,026)	(2,078,088)
Profit for the period	8	<u>3,885,709</u>	<u>4,352,217</u>
Attributable to:			
Owners of the Company		3,835,665	4,006,979
Non-controlling interests		<u>50,044</u>	<u>345,238</u>
		<u>3,885,709</u>	<u>4,352,217</u>

		Six months ended	
		June 30,	
	<i>NOTES</i>	2015	2014
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Earnings per share, in RMB cents			
Basic	10	<u>70.4</u>	<u>73.6</u>
Diluted	10	<u>70.0</u>	<u>73.3</u>
Profit for the period		<u>3,885,709</u>	<u>4,352,217</u>
Other comprehensive (expense) income:			
Items that may be reclassified			
subsequently to profit or loss:			
Net fair value (loss) gain on hedging			
instruments		(6,001)	198,075
Loss (gain) on hedging instruments			
reclassified to profit and loss		<u>4,780</u>	<u>(76,233)</u>
		<u>(1,221)</u>	<u>121,842</u>
Total comprehensive income for the period		<u>3,884,488</u>	<u>4,474,059</u>
Total comprehensive income attributable to:			
Owners of the Company		3,834,444	4,128,821
Non-controlling interests		<u>50,044</u>	<u>345,238</u>
		<u>3,884,488</u>	<u>4,474,059</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2015

	<i>NOTES</i>	At June 30, 2015 <i>RMB'000</i> <i>(unaudited)</i>	At December 31, 2014 <i>RMB'000</i> <i>(audited)</i>
NON-CURRENT ASSETS			
Investment properties		40,194,500	33,361,500
Property, plant and equipment		208,545	190,095
Prepaid lease payments		7,865,738	14,940,036
Interests in associates		18,789	8,499
Interests in joint ventures		2,215,052	3,295,220
Available-for-sale investments		8,600	8,600
Deposits paid for acquisition of land use rights		4,659,681	4,958,938
Derivative financial instruments		183,738	184,441
Deferred taxation assets		<u>1,284,736</u>	<u>1,271,972</u>
		<u>56,639,379</u>	<u>58,219,301</u>
CURRENT ASSETS			
Inventories		775,993	765,833
Properties under development for sales		72,896,335	68,090,667
Properties held for sales		10,536,320	10,265,598
Accounts, bills and other receivables, deposits and prepayments	11	5,724,631	5,667,815
Amounts due from joint ventures		5,376,538	2,872,828
Amounts due from an associate		2,179,170	—
Taxation recoverable		3,545,748	3,237,633
Pledged bank deposits		235,519	242,069
Bank balances and cash		<u>16,781,120</u>	<u>18,794,481</u>
		<u>118,051,374</u>	<u>109,936,924</u>

		At June 30, 2015 RMB'000 (unaudited)	At December 31, 2014 RMB'000 (audited)
	<i>NOTES</i>		
CURRENT LIABILITIES			
Accounts and bills payables, deposits received and accrued charges	12	58,131,251	54,490,142
Amounts due to joint ventures		1,348,018	2,322,529
Taxation payable		8,456,018	9,576,795
Bank and other borrowings - due within one year		<u>8,653,882</u>	<u>7,972,731</u>
		<u>76,589,169</u>	<u>74,362,197</u>
NET CURRENT ASSETS		<u>41,462,205</u>	<u>35,574,727</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>98,101,584</u>	<u>93,794,028</u>
CAPITAL AND RESERVES			
Share capital		507,220	505,814
Reserves		<u>49,445,899</u>	<u>47,258,111</u>
Equity attributable to owners of the Company		49,953,119	47,763,925
Non-controlling interests		<u>3,102,877</u>	<u>2,508,078</u>
TOTAL EQUITY		<u>53,055,996</u>	<u>50,272,003</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year		33,216,871	32,193,616
Senior notes		7,574,968	7,574,953
Derivative financial instruments		7,375	2,077
Deferred taxation liabilities		<u>4,246,374</u>	<u>3,751,379</u>
		<u>45,045,588</u>	<u>43,522,025</u>
		<u>98,101,584</u>	<u>93,794,028</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015**

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, 2015 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2014.

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 2010 - 2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011 - 2013 Cycle
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions

The directors of the Company concluded that the application of 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 chief operating decision maker (“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 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 associates and joint ventures.

The measure used for reporting segment profit is adjusted earnings before interest, other gains and losses, taxes, depreciation, share of results of associates and 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, 2015 (unaudited)			
	Property development	Property investment	Property management and related services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	15,708,140	659,762	421,469	16,789,371
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>142,131</u>	<u>142,131</u>
Segment revenue	<u>15,708,140</u>	<u>659,762</u>	<u>563,600</u>	<u>16,931,502</u>
Segment profit (Adjusted Earnings)	<u>3,466,200</u>	<u>465,107</u>	<u>204,899</u>	<u>4,136,206</u>

	Six months ended June 30, 2014 (unaudited)			
	Property development	Property investment	Property management and related services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	15,187,306	377,587	379,999	15,944,892
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>55,644</u>	<u>55,644</u>
Segment revenue	<u>15,187,306</u>	<u>377,587</u>	<u>435,643</u>	<u>16,000,536</u>
Segment profit (Adjusted Earnings)	<u>3,908,865</u>	<u>288,888</u>	<u>104,932</u>	<u>4,302,685</u>

In addition to receiving segment information concerning segment profit, the CODM is provided with information concerning the Group's consolidated amount of interests 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 revenue and profit or loss**

	Six months ended	
	June 30,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue		
Segment revenue	16,931,502	16,000,536
Elimination of inter-segment revenue	<u>(142,131)</u>	<u>(55,644)</u>
Consolidated revenue	<u>16,789,371</u>	<u>15,944,892</u>
Profit		
Segment profit	4,136,206	4,302,685
Other income	208,916	187,568
Other gains and losses	37,506	(382,049)
Fair value gain upon transfer to investment properties	395,863	363,695
Change in fair value of investment properties	1,827,593	2,329,561
Finance costs	(26,405)	(8,714)
Share of results of joint ventures	96,691	130,882
Depreciation	(23,027)	(21,791)
Unallocated expenses	<u>(638,608)</u>	<u>(471,532)</u>
Consolidated profit before taxation	<u>6,014,735</u>	<u>6,430,305</u>

(c) **Segment assets**

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

	At	At
	June 30,	December 31,
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Sales of properties	90,048,384	84,865,137
Leasing of properties (Note)	22,486,321	17,863,378
Provision of property management services	<u>29,002</u>	<u>63,833</u>
Total segment assets	<u>112,563,707</u>	<u>102,792,348</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,	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	164,070	76,213
Dividend income from unlisted available-for-sale investments	626	600
Government subsidies (Note a)	300	39,115
Penalty income (Note b)	19,920	15,431
Sundry income	<u>24,000</u>	<u>56,209</u>
Total	<u><u>208,916</u></u>	<u><u>187,568</u></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,	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	746	8,907
Gain on disposal of a joint venture	49,447	—
Net exchange loss (Note)	(7,907)	(201,469)
Reclassification of fair value (loss) gain of hedging instruments from hedging reserve	(4,780)	76,641
Loss on early redemption of Senior Notes	<u>—</u>	<u>(266,128)</u>
	<u><u>37,506</u></u>	<u><u>(382,049)</u></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,	
	2015	2014
	<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	(1,138,169)	(960,582)
Not wholly repayable within five years	(32,946)	(49,480)
Interest expense on senior notes	(259,751)	(356,021)
Less: Amount capitalised to properties under development for sales and investment properties under construction	<u>1,404,461</u>	<u>1,357,369</u>
	<u>(26,405)</u>	<u>(8,714)</u>

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 6.7% (six months ended June 30, 2014: 6.8%) per annum for the six months ended June 30, 2015 to expenditure on the qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended	
	June 30,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current tax		
PRC Enterprise Income Tax (“EIT”)	(894,347)	(1,025,883)
Land Appreciation Tax (“LAT”)	<u>(811,324)</u>	<u>(492,862)</u>
	(1,705,671)	(1,518,745)
Overprovision in prior periods		
LAT*	<u>58,876</u>	<u>160,893</u>
	(1,646,795)	(1,357,852)
Deferred taxation		
Current period	<u>(482,231)</u>	<u>(720,236)</u>
	<u>(2,129,026)</u>	<u>(2,078,088)</u>

* The appreciation value of several property projects develop for sales had been finalised or adjusted in the six months ended June 30, 2015, 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 2014 and 2015, 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,	
	2015	2014
	<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	23,027	21,791
Gain on disposal of property, plant and equipment	(746)	(8,907)
Operating lease rentals	22,051	13,394
Impairment loss on properties held for sales	<u>—</u>	<u>310,010</u>

9. DIVIDEND

	Six months ended	
	June 30,	
	2015	2014
	<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 2014 of RMB0.284 (six months ended June 30, 2014: in respect of 2013 of RMB0.228) per share	<u>1,654,310</u>	<u>1,232,400</u>

No dividends were declared and proposed by the Company during the six months ended June 30, 2015 and 2014.

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,	
	2015	2014
	<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>3,835,665</u>	<u>4,006,979</u>
	2015	2014
	<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	5,449,108	5,441,565
Effect of dilutive potential ordinary shares in respect of - Share options	<u>28,201</u>	<u>24,662</u>
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	<u>5,477,309</u>	<u>5,466,227</u>

For the six months ended June 30, 2015, 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 2015.

11. ACCOUNTS, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade and bills 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, 2015 <i>RMB'000</i> <i>(unaudited)</i>	At December 31, 2014 <i>RMB'000</i> <i>(audited)</i>
Trade receivables	598,944	1,367,739
Bills receivables	8,153	21,204
Other receivables, net of allowance for doubtful debts	2,378,798	1,217,094
Advances to suppliers	638,719	943,336
Prepaid business tax and other taxes	2,078,885	1,979,031
Prepayments and utilities deposits	<u>21,132</u>	<u>139,411</u>
	<u>5,724,631</u>	<u>5,667,815</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 and bills receivables at the end of the reporting period based on invoice date:

	At June 30, 2015 <i>RMB'000</i> <i>(unaudited)</i>	At December 31, 2014 <i>RMB'000</i> <i>(audited)</i>
Within 60 days	458,946	947,965
61 - 180 days	145,990	435,416
181 - 365 days	401	1,520
1 - 2 years	<u>1,760</u>	<u>4,042</u>
	<u>607,097</u>	<u>1,388,943</u>

12. ACCOUNTS AND BILLS PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At June 30, 2015	At December 31, 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade payables and accrued expenditure on construction	12,020,192	12,140,210
Bills payables	879,578	1,922,210
Deposits received and receipt in advance from property sales	37,602,154	35,324,859
Other payables and accrued charges	<u>7,629,327</u>	<u>5,102,863</u>
	<u><u>58,131,251</u></u>	<u><u>54,490,142</u></u>

Trade payables and accrued expenditure on construction and bills payables 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 and bills payables and accrued expenditure on construction at the end of the reporting period:

	At June 30, 2015	At December 31, 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Within 60 days	7,250,243	7,133,598
61 - 180 days	4,308,773	5,176,944
181 - 365 days	817,810	813,162
1 - 2 years	204,621	575,339
2 - 3 years	281,215	335,245
Over 3 years	<u>37,108</u>	<u>28,132</u>
	<u><u>12,899,770</u></u>	<u><u>14,062,420</u></u>

Chairman’s Statement

I am pleased to present to the shareholders the business review and outlook of Longfor Properties Co. Ltd. (the “Company”), together with its subsidiaries (the “Group”), of the interim period for the six months ended June 30, 2015.

RESULTS

From January to June 2015, contract sales of the Group increased by 6.7% to RMB21.63 billion and revenue of the Group was slightly increased by 5.3% to RMB16.79 billion over the same period last year, of which rental income grew by 74.7% to RMB660 million. Excluding minority interests and revaluation gains, core profit attributable to shareholders increased by 4.3% to RMB2.23 billion. Core net profit margin attributable to shareholders was 13.3%.

REVIEW OF THE FIRST HALF OF 2015

Year to date, China’s real estate market saw signs of recovery, with rejuvenated transaction volumes and price stabilization on the back of both housing policy relaxation and continual credit/monetary easing. The demand and supply situation in the first tier and key second tier cities has, as a result seen significant structural improvements. Benefitting from the strategic exposure in key first and second tier cities, and accurate product positioning driven by customer research, the Company achieved contract sale of RMB21.63 billion in the first half of the year, representing a growth of 6.7% YoY. We are ranked top ten developers by sales in 9 cities, including our new market Nanjing with our debut project launch. Stringent management of account receivables has helped us maintain a very high level of cash collection of 90%.

However, as the overall property market in China is still weigh down by high overall inventory levels and developers have remained lukewarm on new land acquisitions, supply of land by the government has slowed down, and that has altered the supply demand dynamics of commodity housing. First and second tier cities became the primary targets of investment for major real estate developers, and commodity housing prices and transaction volumes have picked up most noticeably in these areas, and competition is fierce. With ample cash on hand, consistent strategic focus and our systematic ‘city map’ research approach, the Company has successfully acquired 7 premium sites in the first half of the year, 5 of which were located in first tier cities, Beijing and Shanghai. Land acquisition cost was kept in control through strategic cooperation arrangements.

By adhering to a prudent strategy and a positive credit image, Longfor attained unanimous AAA credit ratings from three main credit rating agencies in China, and successfully converted the ratings into encouraging low financing cost in the first half of the year. After securing a fixed 5-year syndicated loan of HK\$4.6 billion in April, the Company obtained approval in June to issue domestic corporate bonds of RMB8 billion. The Company has subsequently issued RMB6 billion bonds in July, of which RMB2 billion (5 years) with a coupon rate as low as 3.93%. As such, the consolidated average borrowing costs of the Group further decreased from 6.4% at the end of 2014 to 6 %. Debt duration extended to 4.8 years.

Since incorporating commercial properties into our long-term blueprint in 2011, the investment property portfolio is beginning to take shape after close to 5 years of systematic, strategic and disciplined investment, and is progressing on track to ‘harvest’. For the first half of the year, the rental income reached RMB660 million, representing a 75% growth YoY, and we have maintained 70% plus high gross profit margin. This is quite an achievement, in our view, under the prevailing business environment and present state of the economy.

As industry bifurcation deepens and competition intensifies, we firmly believe talent management and deepening institutionalization of organizational structure are key to sustainable growth. Despite new concepts and ideas emerging within the industry, Longfor remains undeterred in focusing on developing depth of talent and perfecting operational efficiency. For the last three years, our number of management trainee have grown substantially. Above 60% of PMOs (Project Management Offices) and middle to senior management promotions were made internally. With the establishment of the Group Leadership Training Centre and a number of incubation programs, our capability to develop talent internally has been further enhanced. Blending in high quality external recruits with the internal talent pool will be key to Longfor’s sustainable talent development program.

OUTLOOK FOR THE SECOND HALF OF 2015

The key priorities of the central government policy stance on real estate is “stabilizing consumption”, “stimulating demand”, “promoting the development of long-term policy mechanisms”. The policy responses at the local level government levels had become more flexible and proactive. We believe the monetary environment will remain stable with a loosening bias in the second half of the year. Real estate market transaction levels will continue to pick up, however at a slower pace, and we expect full year volume will be slightly higher than 2014. In the second half of the

year, the Company will launch more new products in prime location and proven success. The Company will continue to exercise stringent payment collection of its contracted sales proceeds, and bring down the inventory level in an effort to further boost cash availability and ensure financial stability.

With respect to land acquisition, the Company will conduct detail screening of its target cities, based on our proprietary “city map” and “customer segmentation” systems. Our priority will be accurate investment positioning. Meanwhile, we remain open to project acquisition and cooperation so as to enhance return to shareholders.

To date, the aggressive expansion and growth of China’s real estate market may have come to a bottleneck. Customer demand has evolved from requirement for living space alone to value-adding community services and lifestyle experience consumption. This has forced industry participants to rethink their strategy and be equipped for transformation and diversification.

We count ourselves lucky to have kept a clear mind and disciplined strategy over the years. After nearly 3 years of in-depth self-initiated adjustments, our management system, land bank structure, inventory level, financing capabilities and talent pool have improved to ensure our healthy and strategic initiatives. Longfor has a relatively flat organizational structure and delegation of power in its corporate culture. This has enabled the Company to consistently evolve and innovate.

Having adhered to a simple business philosophy for years, we believe that the key business principle has always been to create indispensable value for our customers. We are convinced that we can only maintain our leading position in the industry through persistent focus and professionalism. We will continue to focus on the three main businesses of residential housing, commercial property and property management service, and embracing newly emerged technologies such as the internet in order to enhance service efficiency and customer retention. We shall forge our service oriented DNA together with our brand reputation accumulated over the years and transform into the competency and capability to ride through industry cycles and emerge as winners!

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

From January to June 2015, revenue from property development business of the Group was RMB15.71 billion, representing an increase of 3.4% over the same period last year. The Group delivered 1,749,564 square meters of property in GFA terms, of which 102,293 square meters were contributed from joint ventures. Gross profit margin of overall property development business decreased by 5.2% to 25.0% as compared with the same period last year. Recognized average selling price was 9,536 per square meter from January to June 2015.

Table 1: Breakdown of property development revenue by projects of the Group from January to June 2015

** After deducting sales tax*

Project	City	Revenue			
		January to June 2015 RMB'000	January to June 2014 RMB'000	January to June 2015 Sq ^m	January to June 2014 Sq ^m
Hangzhou Rose and Ginkgo Villa	Hangzhou	1,921,596	48,629	137,081	5,678
Shanghai Fairy Castle	Shanghai	1,395,058	—	70,188	—
Chengdu Jinnan Paradise Walk	Chengdu	1,355,733	382,841	127,766	18,550
Beijing Time Paradise Walk	Beijing	845,813	3,148,273	48,191	239,311
Chongqing Hometown	Chongqing	830,152	501,828	93,722	57,047
Hangzhou Chunjiang Land	Hangzhou	795,950	—	44,004	—
Chongqing Ideal City	Chongqing	771,534	—	53,532	—
Chongqing U2	Chongqing	667,738	83,004	155,338	9,446
Quanzhou Ascension to the Throne	Quanzhou	660,053	—	95,589	—
Xi'an Chianti	Xi'an	648,787	28,785	95,914	4,353
Dalian Rose and Ginkgo Villa	Dalian	518,385	—	36,320	—
Qingdao Hometown	Qingdao	477,955	—	52,767	—
Chongqing Toschna Villa	Chongqing	447,298	80,477	87,171	9,407

Project	City	Revenue			
		January to June 2015 RMB'000	January to June 2014 RMB'000	January to June 2015 Sqm	January to June 2014 Sqm
Dalian Crystal Town	Dalian	442,224	—	20,950	—
Chengdu Flamenco Spain	Chengdu	412,233	34,134	80,664	7,445
Beijing Hill of Good Hope	Beijing	361,071	1,553,120	22,338	102,762
Chongqing Time Paradise Walk	Chongqing	333,071	25,173	26,193	3,523
Chengdu Time Paradise Walk	Chengdu	332,010	574,593	62,794	73,156
Beijing Sunhe Hometown	Beijing	329,323	—	19,813	—
Wuxi Fragrance Chianti	Wuxi	294,334	318,897	37,672	27,910
Ningbo Rose & Gingko Coast	Ningbo	247,588	84,075	34,110	10,389
Chongqing Hilltop's Garden	Chongqing	206,161	1,496,407	17,836	175,095
Yixing Hilltop's Garden	Yixing	124,560	—	14,823	—
Changzhou Hongzhuang Project	Changzhou	115,228	478,145	26,171	58,086
Hangzhou Chianti Riverside	Hangzhou	107,851	—	23,206	—
Qingdao Original	Qingdao	104,821	228,498	9,133	14,103
Changzhou Original	Changzhou	88,237	44,775	15,983	3,402
Chengdu Century Peak View	Chengdu	84,746	—	10,737	—
Shenyang Hua Qian Shu	Shenyang	79,347	—	9,623	—
Qingdao Rose & Gingko Coast	Qingdao	72,733	50,399	11,650	4,236
Shenyang Fairy Castle	Shenyang	65,621	33,922	7,462	2,619
Xiamen Island in the City	Xiamen	65,032	—	12,916	—
Yantai Banyan Bay	Yantai	63,139	1,123,676	6,188	66,685
Qingdao Peace Hill County	Qingdao	58,996	7,775	7,990	806
Xi'an Crystal Town	Xi'an	50,932	350,503	5,692	20,645
Changzhou Sunshine City	Changzhou	49,283	98,231	17,420	21,105
Chengdu North Paradise Walk	Chengdu	47,117	563,896	4,331	79,322
Ningbo Chianti	Ningbo	41,598	8,333	8,479	1,359
Shanghai Azure Chianti (Bai Yin Lu)	Shanghai	40,746	87,390	3,055	3,229
Qingdao F Plot	Qingdao	37,793	146,069	5,085	18,394
Beijing Elegance Loft	Beijing	26,460	813	5,756	177
Wuxi Peace Hill County	Wuxi	21,641	—	4,097	—
Chengdu Peace Hill County	Chengdu	18,860	68,317	2,047	9,962
Wuxi Rose & Gingko Castle	Wuxi	7,908	72,304	1,117	8,927
Xi'an Waft Yard	Xi'an	7,762	483,395	1,932	19,047
Chongqing Lijiang	Chongqing	7,750	4,038	4,058	827
Hangzhou Hometown	Hangzhou	7,662	—	666	—
Chongqing Peace Hill County	Chongqing	6,290	36,235	3,623	1,778
Wuxi Jiu Shu	Wuxi	5,707	35,229	556	3,344
Others		6,253	2,905,127	3,522	184,115
Total		15,708,140	15,187,306	1,647,271	1,266,240

The Group achieved contracted sales of RMB21.63 billion from January to June 2015 (including RMB1.24 billion of sales that were contributed from the joint ventures), representing an increase of 6.7% as compared to the same period last year. The Group sold 1,791,299 square meters in total GFA, representing a decrease of 3.0% as compared to the same period last year. Average selling price of GFA sold was RMB12,075 per square meter, representing an increase of 9.9% as compared to the same period last year. Contracted sales from regions of Yangtze River Delta, western China, Pan Bohai Rim, southern China and central China were RMB7.61 billion, RMB7.05 billion, RMB5.46 billion, RMB1.21 billion and RMB0.30 billion respectively, accounting for 35.2%, 32.6%, 25.2%, 5.6% and 1.4% of the contracted sales of the Group, respectively.

Table 2: Details of contracted sales of the Group from January to June 2015

** Before deducting sales tax*

Project	City	Contracted sales <i>RMB mn</i>	Total GFA <i>Sqm</i>
Hangzhou Chunjiang Central	Hangzhou	1,397	60,622
Nanjing Chungjiang Central	Nanjing	1,575	78,412
Chongqing Bamboo Grove	Chongqing	1,242	78,053
Beijing Jade Mansion	Beijing	1,054	14,962
Beijing Rose and Ginkgo Mansion	Beijing	886	32,941
Chongqing First Avenue	Chongqing	878	35,112
Suzhou Time Paradise Walk	Suzhou	831	37,557
Xiamen Island in the City	Xiamen	811	66,199
Shanghai Hongqiao Paradise Walk	Shanghai	634	14,493
Chongqing U2	Chongqing	571	83,707
Chongqing La Défense	Chongqing	518	97,648
Shenyang Tangning One	Shenyang	502	64,683
Hangzhou Direct Mansion	Hangzhou	493	13,973
Chengdu Hometown	Chengdu	489	39,007
Chengdu Century Peak View	Chengdu	461	34,189
Chongqing Ideal City	Chongqing	457	58,751
Hangzhou Ming Jing Tai	Hangzhou	446	36,051
Jinan Ming Jing Tai	Jinan	418	60,445
Dalian Crystal Town	Dalian	405	28,400

Project	City	Contracted sales <i>RMB mn</i>	Total GFA <i>Sqm</i>
Beijing Sunhe Hometown	Beijing	401	9,197
Ningbo Rose & Ginkgo Coast	Ningbo	388	59,354
Chongqing Time Paradise Walk	Chongqing	365	21,824
Changzhou Hongzhuang Project	Changzhou	348	54,636
Changsha Wang Cheng	Changsha	304	43,711
Kunming Crystal Town	Kunming	297	38,939
Chongqing Hilltop's Garden	Chongqing	294	36,783
Chengdu Time Paradise Walk	Chengdu	283	49,022
Hangzhou Chunjiang Land	Hangzhou	261	14,271
Qingdao An Le	Qingdao	259	28,833
Beijing Great Wall Chinoiseri	Beijing	255	14,723
Qingdao Peace Hill County	Qingdao	254	34,261
Shanghai Fairy Castle	Shanghai	236	10,923
Quanzhou Ascension to the Throne	Quanzhou	232	32,609
Chengdu Jinnan Walk Time	Chengdu	231	20,617
Beijing Hill of Good Hope	Beijing	208	12,491
Shenyang Fairy Castle	Shenyang	199	32,492
Xi'an Aerospace Town	Xi'an	193	27,566
Ningbo Ming Jing Tai	Ningbo	188	14,524
Shaoxing Hometown	Shaoxing	186	29,665
Chengdu Jinnan Paradise Walk	Chengdu	181	12,071
Foshan Chunjiang Land	Foshan	165	24,138
Yantai Banyan Bay	Yantai	157	15,238
Qingdao Original	Qingdao	137	14,776
Chongqing Hometown	Chongqing	133	15,989
Dalian Rose and Ginkgo Villa	Dalian	130	11,363
Wuxi Fragrance Chianti	Wuxi	125	14,442
Hangzhou Chianti Riverside	Hangzhou	116	17,558
Xi'an Chianti	Xi'an	112	19,425
Yixing Hilltop's Garden	Yixing	102	10,712
Others		822	113,941
Total		<u>21,630</u>	<u>1,791,299</u>

As at June 30, 2015, the Group had RMB56.1 billion (derived from 4,860,000 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, 2015, the Group has investment properties of 1,245,137 square meters (1,588,437 square meters in GFA with parking space included) which have commenced operation with a total occupancy rate of 92.4%. Total rent reached RMB700 million. Rental income, net of sales tax, was RMB660 million, representing an increase of 74.7% as compared with the same period last year. The series of Paradise Walk, Starry Street and MOCO accounted for 85.1%, 12.4% and 2.5% of the total rent respectively, and recorded increases of 80.9%, 56.6% and 9.7% respectively.

Table 3: Breakdown of rental income of the Group from January to June 2015

* After deducting sales tax

	January to June 2015				January to June 2014				Change of rental income
	GFA RMB' 000	Rental income RMB' 000	% of Rental income	Occupancy rate	Rental income RMB' 000	% of Rental income	Occupancy rate	of rental income	
Chongqing North Paradise Walk	120,778	191,173	29.0%	97.2%	165,788	43.9%	97.9%	15.3%	
Chongqing West Paradise Walk	76,031	76,437	11.6%	97.1%	58,019	15.4%	96.9%	31.7%	
Chongqing Time Paradise Walk Phase 1	160,168	114,775	17.4%	90.9%	66,490	17.6%	94.1%	72.6%	
Chongqing Time Paradise Walk Phase 2	154,460	34,677	5.3%	78.8%	—	—	—	—	
Chengdu North Paradise Walk	215,536	45,406	6.9%	80.2%	20,214	5.4%	81.4%	124.6%	
Chengdu Time Paradise Walk Phase 1	61,989	9,277	1.4%	84.8%	—	—	—	—	
Beijing Changying Paradise Walk	221,286	89,915	13.6%	92.3%	—	—	—	—	
Paradise Walk Subtotal	1,010,248	561,660	85.1%	92.4%	310,511	82.2%	95.8%	80.9%	
Chongqing Crystal Castle	17,648	10,222	1.5%	91.4%	9,930	2.6%	100.0%	2.9%	
Chengdu Three Thousand Mall	38,043	14,713	2.2%	95.7%	9,724	2.6%	86.8%	51.3%	
Chongqing Chunsen Starry Street	54,618	14,811	2.2%	79.6%	13,628	3.6%	88.3%	8.7%	
Chongqing Fairy Castle	29,413	5,705	0.9%	96.9%	5,865	1.6%	100.0%	-2.7%	
Beijing Summer Palace Starry Street	6,320	9,113	1.4%	100.0%	6,766	1.8%	98.5%	34.7%	
Chongqing University City	15,516	6,236	0.9%	93.8%	3,497	0.9%	98.2%	78.3%	
Xi'an Daxing Starry Street	44,227	17,567	2.7%	87.8%	—	—	—	—	
Others	—	3,563	0.5%	N/A	2,919	0.8%	N/A	22.0%	
Starry Street Subtotal	205,785	81,930	12.4%	91.2%	52,329	13.9%	94.2%	56.6%	
Chongqing MOCO	29,104	16,172	2.5%	99.7%	14,747	3.9%	100.0%	9.7%	
MOCO Subtotal	29,104	16,172	2.5%	99.7%	14,747	3.9%	100.0%	9.7%	
Total for projects that had commenced operation	1,245,137	659,762	100%	92.4%	377,587	100.0%	95.8%	74.7%	

The Group has 11 shopping malls under construction with a total GFA of about 1,410,000 square meters.

Table 4: Breakdown of investment properties under construction of the Group in 2015 to 2018

	Estimated Commencement of Operation	Planned GFA
Hangzhou Jinsha Paradise Walk	2015	151,135
Chengdu Jinnan Paradise Walk	2015	92,192
Beijing Time Paradise Walk	2016	154,037
Shanghai Hongqiao Paradise Walk	2016	172,645
Chongqing Time Paradise Walk Phase III	2016	74,112
Chongqing Hometown Phase II	2016	103,499
Suzhou Time Paradise Walk	2017	190,553
Hangzhou Binjiang Paradise Walk	2017	158,067
Chongqing U2 Phase II	2017	101,885
Changzhou Longcheng Paradise Walk	2017	115,916
Shanghai North Paradise Walk	2018	<u>96,803</u>
Projects under construction in total		<u>1,410,844</u>

Due to the commencement of construction of new investment properties, the valuation gain of investment properties of the Group amounted to RMB2.22 billion from January to June 2015.

COST CONTROL

From January to June 2015, in order to support its business development, the Group established management teams and recruited key posts personnel for newly-entered cities, such as Guangzhou and Nanjing; provisions are recognised for individual projects during the same period last year in order to promote inventory sales, the Group's general and administrative expenses to the total contract sales decreased by 0.90% to 3.06% as compared with the same period last year. Meanwhile, as the status of sales had been good for the projects first launched during the first half of the year, such as Nanjing Chunjiang Central and Beijing Jade Mansion, the sales expenses to the total contract sales decreased by 0.13% to 1.45% as compared with the same period last year.

SHARE OF RESULTS OF JOINT VENTURES

Contribution of joint ventures (“JVs”) from January to June 2015 mainly came from the Group’s 50.0%-owned Bamboo Grove Project in Chongqing. The JV project delivered approximately 102,293 square meters. The attributable profit after tax of the Group in JVs was RMB100 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 2015 were RMB1.38 billion and RMB750 million, respectively. The total income tax expenses for the period amounted to RMB2.13 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 13.4% of the same period last year to 13.3%, which was mainly attributable to the fluctuation in the market resulting in the lower selling prices of projects.

LAND BANK REPLENISHMENT

As at June 30, 2015, the Group’s total land bank was 33.52 million square meters or 31.13 million square meters on an attributable basis. The average unit land cost was RMB2,490 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 37.5%, 32.5%, 18.3%, 8.3% and 3.4% of the total land bank, respectively.

From January to June 2015, the Group has acquired new land bank with total GFA of 0.79 million square meters, 45.0%, 23.4%, 17.9% and 13.7% of which are located in southern China, Pan Bohai Rim, Yangtze River Delta, and western China respectively. The average acquisition unit cost was RMB8,000 per square meter.

As at June 30, 2015, there were 24 cities covered by the Group. The location of the projects were moving closer to city cores. The project size were controlled at an appropriate level, which 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
Pan Bohai Rim	Beijing	1,276,233	3.80%	729,508	2.30%
	Shenyang	1,771,868	5.30%	1,771,868	5.70%
	Qingdao	990,741	3.00%	990,741	3.20%
	Yantai	7,278,091	21.70%	7,278,091	23.40%
	Jinan	349,111	1.00%	349,111	1.10%
	Dalian	888,716	2.70%	553,854	1.80%
	Subtotal		12,554,760	37.50%	11,673,173
Central China	Changsha	1,140,649	3.40%	1,140,649	3.70%
	Subtotal	1,140,649	3.40%	1,140,649	3.70%
Western China	Chongqing	6,657,071	19.90%	6,258,170	20.10%
	Chengdu	1,932,679	5.70%	1,932,679	6.10%
	Xi'an	1,491,379	4.50%	1,491,379	4.80%
	Yuxi	790,407	2.40%	790,407	2.50%
	Subtotal	10,871,536	32.50%	10,472,635	33.50%
Yangtze River Delta	Shanghai	1,069,393	3.10%	931,084	3.00%
	Wuxi	916,083	2.70%	916,083	2.90%
	Changzhou	955,698	2.90%	955,698	3.10%
	Hangzhou	1,215,972	3.60%	1,107,972	3.60%
	Shaoxing	374,726	1.10%	374,726	1.20%
	Ningbo	565,205	1.70%	565,205	1.80%
	Suzhou	645,819	1.90%	329,368	1.10%
	Nanjing	429,609	1.30%	429,609	1.40%
Subtotal	6,172,505	18.30%	5,609,745	18.10%	
Southern China	Xiamen	738,864	2.20%	556,577	1.80%
	Quanzhou	1,330,369	4.00%	1,330,369	4.30%
	Guangzhou	349,097	1.00%	174,549	0.60%
	Foshan	366,304	1.10%	168,720	0.50%
	Subtotal	2,784,634	8.30%	2,230,215	7.20%
	Total	33,524,084	100%	31,126,417	100%

Table 6: Land acquisition from January to June 2015

Region	Project	City	Attributable Interest %	Site Area Total Sqm	GFA Sqm
Yangtze River Delta	Yongfeng 30-02 Plot	Shanghai	28.00%	18,932	32,422
	Cheting Road Plot	Shanghai	30.00%	<u>79,896</u>	<u>109,197</u>
	Subtotal			<u>98,828</u>	<u>141,619</u>
Pan Bohai Rim	Dongba Plot	Beijing	50.00%	46,486	54,149
	Mentougou Newtown Plot	Beijing	17.00%	27,641	113,563
	Taipingzhuang Plot	Beijing	25.00%	<u>5,379</u>	<u>18,004</u>
	Subtotal			<u>79,506</u>	<u>185,716</u>
Western China	Guanyinqiao D Plot	Chongqing	100.00%	<u>16,478</u>	<u>108,487</u>
	Subtotal			<u>16,478</u>	<u>108,487</u>
Southern China	Jimei Plot	Xiamen	49.00%	<u>70,109</u>	<u>357,425</u>
	Subtotal			<u>70,109</u>	<u>357,425</u>
	Total			<u>264,921</u>	<u>793,247</u>

Subsequent to the end of the reporting period, the Group successfully acquired Beijing Daxing Plot with an expected gross floor area of approximately 153,000 square meter (attributable area amounted to 76,000 square meter), Chongqing Dazhulin Plot with an expected gross floor area of approximately 640,000 square meter (attributable area amounted to 320,000 square meter), Hangzhou Dingqiao Plot with an expected gross floor area of approximately 183,000 square meter (attributable area amounted to 183,000 square meter), Nanjing Xiaolongwan Plot with an expected gross floor area of approximately 377,000 square meter (attributable area amounted to 377,000 square meter).

The Group (including joint ventures) has completed and delivered about 1,820,000 square meters GFA of properties from January to June 2015. In 2015, the Group plans to complete construction of approximately 5,810,000 square meters of properties, most of which will be completed in the second half of the year. The current construction project progress and sales growth are on track.

FINANCIAL POSITION

As of June 30, 2015, the Group's consolidated borrowings amounted to RMB49.45 billion. The net debt to equity ratio (net debt divided by total equity) of the Group was 61.1%. Cash in hand reached RMB17.02 billion. The credit rating of the Group was BB+ by Standard & Poor, Ba1 by Moodys, and AAA by Dagong International, CCXR*, Shanghai Brilliance* with the outlook maintained as stable.

Approximately 70.0% of the Group's total borrowings were denominated in RMB, while 30.0% were denominated in foreign currencies. As Renminbi is potentially facing the trend of depreciation, the Group is reducing its proportion of borrowings in foreign currencies with a certain amount of exchange rate swap so as to reduce the exchange loss in future periods.

Approximately RMB12 billion of the Group's consolidated borrowings were with fixed rates ranging from 5.1% per annum to 6.875% per annum, depending on the tenors of the loans, and the other loans were quoted at floating rates. As at June 30, 2015, the proportion of fixed interest debt was 24% (December 31, 2014: 28%) of the total debt. Prior to the time that interest rate began to fall, certain borrowings with fixed rate were converted into borrowings quoted at floating rates. Hence, the Group's average cost of borrowing further decreased to 6.01% per annum. The average tenor of loan was 4.75 years. The proportion of unsecured debt was 47.3% of the total debt.

From January to June 2015, the Group obtained new syndicated loans from overseas of HK\$4.64 billion and successfully issued two tranches of corporate bond denominated in Renminbi in Mainland China in July 2015, which raised a total of RMB6 billion. Interest rate ranged from 3.93% to 4.6% per annum, which effectively reduced the capital costs.

* *The ratings conducted by CCXR and Shanghai Brilliance were reviewed on Chongqing Longhu Development Co., Ltd., a major subsidiary of the Company in Mainland.*

EMPLOYEES AND COMPENSATION POLICY

As at June 30, 2015, the Group had 14,943 full-time employees in China and Hong Kong. 3,324 of these employees worked in the property development division, 1,852 in the property investment division, and 9,767 in the property management division. Average age of our employees is 31.5 years old. In the property development and investment divisions, approximately 64.1% of the employees have bachelor degrees and 11.5% 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

In the second half of 2015, we expect to see the gradual recovery of the Chinese real estate market. There were signs of improved transaction volumes in first and second tier cities, and the policy effort to lower inventory is seeing results, but the performance divergence across regional markets is likely to persist in the long term. After a year of sell through and pent-up demand, the overall outlook for 2015 is likely to improve from last year, albeit at a slower pace. Differentiated development across regions and segments will become more apparent and competition will intensify. This will provide a further test of the company's brand power, product development and ability to deliver prudent and sustainable growth.

Under these circumstances, the Group will place an even higher emphasis in executing our strategy in a persistent manner to ensure the sustainable development for our business. The Group will continue to expand through deepening its existing footprint, moving closer to city core locations, controlling the scale of projects and continue to build up its investment property portfolio, while seeking to gain a better understanding of different city maps and our customer segmentation, in order to make the right investment decisions. Operation efficiency will be enhanced through emphasis on sales and inventory management to capitalize on market opportunities, and further strengthen our development cost controls.

The Group has 62 key projects for sale, among which 9 are brand new projects and 17 are new phases or new products of existing projects. The products will cater for different customer groups, including first-time home buyers, upgraders and business operators, while the proportion of different product types will be adjusted in response to changes in market demand, thus enabling the Group to have precise product positioning to capture opportunities in the market recovery.

The Group (including joint ventures) has completed and delivered about 1,820,000 square meters GFA of properties from January to June 2015. In 2015, the Group plans to complete construction of approximately 5,810,000 square meters of properties, most of which will be completed in the second half of the year. The current construction and sales progress are on track.

In our investment properties portfolio, the construction of Suzhou Time Paradise Walk, Shanghai North Paradise Walk, Hangzhou Binjiang Paradise Walk, Chongqing U-City II has all commenced during the period. Hangzhou Jinsha Paradise Walk and Chengdu Jinnan Paradise Walk will commence operation in the second half of 2015. These projects will lay a solid foundation for future rental income growth of the Group.

Amid the ever-changing market environment, the Group will maintain a prudent and rational financial management strategy, and plan our investment and operating expenses in accordance to our cash inflow, so as to preserve financial health and maintain a reasonable net gearing level. We will look to increase joint investments with external parties, with the aim to control land cost outlay and reduce any funding pressure. At the same time, we will be exploring new funding channels, extend our average debt maturity and lower effective funding cost, in view of a weakening Renminbi, in order to optimize the financial structure of the company with prime objective to remain safe and healthy.

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

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 six months ended June 30, 2015.

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 the 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 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, 2015 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, 2015.

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 2015 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
Chairperson

Hong Kong, August 21, 2015

As at the date of this announcement, the Board comprises eight members: Madam Wu Yajun, Mr. Shao Mingxiao, Mr. Yan Jianguo and Mr. Zhao Yi 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.