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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, 2016**

FINANCIAL SUMMARY

- Contracted sales increased by 78.4% to RMB 38.59 billion over the same period last year.
- Revenue increased by 9.4% to RMB 18.37 billion over the same period last year, of which the rental income from the property investment business increased by 33.9% to RMB 0.88 billion.
- Profit attributable to shareholders was RMB 3.73 billion. Excluding effects, such as minority interest and valuation gains, core profit increased by 7.7% to RMB 2.40 billion over the same period last year. Gross profit margin increased by 1.4% to 27.9% over the same period last year. Core net profit margin attributable to shareholders was 13.0%.
- The net debt to equity ratio (net debt divided by total equity) was 62.7%. Cash on hand was RMB 16.28 billion.
- Total consolidated borrowings amounted to RMB 56.77 billion. Average cost of borrowing decreased to 5.18% per annum. Average tenor period of loan was 5.84 years.
- Fully diluted earnings per share were RMB 0.64. The Board does not 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, 2016 with the comparative figures for the six months ended June 30, 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2016

		Six months ended June 30,	
	NOTES	2016	2015
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	18,368,539	16,789,371
Cost of sales		(13,249,045)	(12,339,841)
Gross profit		5,119,494	4,449,530
Other income	4	199,425	208,916
Other gains and losses	5	(40,820)	37,506
Fair value gain upon transfer to investment properties		47,154	395,863
Change in fair value of investment properties		1,725,074	1,827,593
Change in fair value of derivative financial instruments		7,955	—
Selling and marketing expenses		(411,173)	(313,324)
Administrative expenses		(685,510)	(661,635)
Finance costs	6	(36,556)	(26,405)
Share of results of associates		(21,619)	—
Share of results of joint ventures		(8,559)	96,691
Profit before taxation		5,894,865	6,014,735
Income tax expense	7	(1,998,869)	(2,129,026)
Profit for the period	8	<u>3,895,996</u>	<u>3,885,709</u>

		Six months ended	
		June 30,	
	<i>NOTES</i>	2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Attributable to:			
Owners of the Company		3,730,451	3,835,665
Non-controlling interests		<u>165,545</u>	<u>50,044</u>
		<u><u>3,895,996</u></u>	<u><u>3,885,709</u></u>
Earnings per share, in RMB cents			
Basic	10	<u>63.9</u>	<u>66.0</u>
Diluted	10	<u>63.7</u>	<u>65.6</u>
Profit for the period		<u>3,895,996</u>	<u>3,885,709</u>
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain (loss) on hedging instruments		162,516	(6,001)
(Gain) loss on retranslating hedging instruments reclassified to profit and loss		<u>(205,163)</u>	<u>4,780</u>
		<u>(42,647)</u>	<u>(1,221)</u>
Total comprehensive income for the period		<u><u>3,853,349</u></u>	<u><u>3,884,488</u></u>
Total comprehensive income attributable to:			
Owners of the Company		3,687,804	3,834,444
Non-controlling interests		<u>165,545</u>	<u>50,044</u>
		<u><u>3,853,349</u></u>	<u><u>3,884,488</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2016**

	<i>NOTES</i>	At June 30 2016 <i>RMB'000</i> <i>(unaudited)</i>	At December 31, 2015 <i>RMB'000</i> <i>(audited)</i>
NON-CURRENT ASSETS			
Investment properties		46,767,200	43,385,100
Property, plant and equipment		197,294	208,374
Prepaid lease payments		8,766,357	11,774,585
Interests in associates		334,174	355,793
Interests in joint ventures		1,207,879	882,285
Available-for-sale investments		180,021	130,920
Deposits paid for acquisition of land use rights		6,058,506	4,849,295
Derivative financial instruments		863,599	701,083
Deferred taxation assets		<u>1,568,323</u>	<u>1,623,857</u>
		<u>65,943,353</u>	<u>63,911,292</u>
CURRENT ASSETS			
Inventories		818,979	777,384
Properties under development for sales		81,627,923	70,829,748
Properties held for sales		10,078,128	10,428,963
Accounts and other receivables, deposits and prepayments	11	11,683,604	9,920,130
Amounts due from non-controlling interests		2,511,758	2,301,758
Amounts due from associates		912,383	2,695,676
Amounts due from joint ventures		2,133,226	1,772,453
Taxation recoverable		4,433,481	3,291,225
Derivate financial instruments		16,572	—
Pledged bank deposits		106,723	240,313
Bank balances and cash		<u>16,174,509</u>	<u>17,919,664</u>
		<u>130,497,286</u>	<u>120,177,314</u>
CURRENT LIABILITIES			
Accounts and bills payables, deposits received and accrued charges	12	56,369,941	52,942,119
Amounts due to non-controlling interests		923,247	—

	At June 30 2016 <i>RMB'000</i> <i>(unaudited)</i>	At December 31, 2015 <i>RMB'000</i> <i>(audited)</i>
Amounts due to associates	475,732	179,612
Amounts due to joint ventures	2,055,765	772,930
Amounts due to joint venture partners	255,728	—
Amount due to a controlling shareholder of an associate	—	669,363
Taxation payable	9,984,972	10,304,622
Bank and other borrowings - due within one year	<u>4,949,862</u>	<u>6,177,916</u>
	<u>75,015,247</u>	<u>71,046,562</u>
NET CURRENT ASSETS	<u>55,482,039</u>	<u>49,130,752</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>121,425,392</u>	<u>113,042,044</u>
CAPITAL AND RESERVES		
Share capital	508,028	507,823
Reserves	<u>56,270,801</u>	<u>54,616,826</u>
Equity attributable to owners of the Company	56,778,829	55,124,649
Non-controlling interests	<u>7,829,343</u>	<u>7,343,005</u>
TOTAL EQUITY	<u>64,608,172</u>	<u>62,467,654</u>
NON-CURRENT LIABILITIES		
Bank and other borrowings - due after one year	43,800,658	38,158,492
Senior notes	8,014,955	7,929,172
Other derivative financial instruments	95,870	—
Deferred taxation liabilities	<u>4,905,737</u>	<u>4,486,726</u>
	<u>56,817,220</u>	<u>50,574,390</u>
	<u>121,425,392</u>	<u>113,042,044</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

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, 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2015.

Application of amendments to International Financial Reporting Standards (“IFRS”)

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012 - 2014 Cycle
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

The amendments to IFRSs have been applied retrospectively or prospectively as required by the respective amendments. Except as described below, the application of the other amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

Amendments to IAS 1 *Disclosure Initiative*

The Group has applied the amendments to IAS 1 *Disclosure Initiative* for the first time in the current interim period. The amendments to IAS 1 clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The grouping and ordering of various notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position.

Annual Improvements to IFRSs 2012-2014 Cycle

The Group has applied the *Annual Improvements to IFRSs 2012-2014 Cycle* for the first time in the current interim period, which include a number of amendments to various IFRSs as summarised below.

The amendments to IAS 34 clarify the meaning of information contained 'elsewhere in the interim financial report'. The amendments state that various disclosures should be given either in the interim financial statements or be incorporated by cross-reference from the interim financial statements to some other statement (such as management discussion and analysis) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

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 to investment properties, change in fair value of derivative financial instruments 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, 2016 (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	16,902,559	883,213	582,767	18,368,539
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>82,180</u>	<u>82,180</u>
Segment revenue	<u>16,902,559</u>	<u>883,213</u>	<u>664,947</u>	<u>18,450,719</u>
Segment profit (Adjusted Earnings)	<u>3,881,067</u>	<u>637,876</u>	<u>189,378</u>	<u>4,708,321</u>

	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>

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, change in fair value of derivative financial instruments, 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,	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue		
Segment revenue	18,450,719	16,931,502
Elimination of inter-segment revenue	<u>(82,180)</u>	<u>(142,131)</u>
Consolidated revenue	<u>18,368,539</u>	<u>16,789,371</u>
Profit		
Segment profit	4,708,321	4,136,206
Other income	199,425	208,916
Other gains and losses	(40,820)	37,506
Fair value gain upon transfer to investment properties	47,154	395,863
Change in fair value of investment properties	1,725,074	1,827,593
Change in fair value of derivative financial instruments	7,955	—
Finance costs	(36,556)	(26,405)
Share of results of associates	(21,619)	—
Share of results of joint ventures	(8,559)	96,691
Depreciation	(20,034)	(23,027)
Unallocated expenses	<u>(665,476)</u>	<u>(638,608)</u>
Consolidated profit before taxation	<u>5,894,865</u>	<u>6,014,735</u>

(c) **Segment assets**

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

	At	At
	June 30,	December 31,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Sales of properties	104,240,601	91,710,136
Leasing of properties (Note)	26,697,596	25,048,193
Provision of property management services	<u>39,666</u>	<u>368,333</u>
Total segment assets	<u>130,977,863</u>	<u>117,126,662</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,	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	82,414	164,070
Dividend income from available-for-sale investments	—	626
Government subsidies (Note a)	47,491	300
Penalty income (Note b)	39,979	19,920
Sundry income	<u>29,541</u>	<u>24,000</u>
Total	<u>199,425</u>	<u>208,916</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 or from tenants who early terminate tenancy agreements.

5. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	7,466	746
Gain on disposal of a joint venture	—	49,447
Net exchange loss (Note)	(253,449)	(7,907)
Reclassification of fair value gain (loss) of hedging instruments from hedging reserve	<u>205,163</u>	<u>(4,780)</u>
	<u>(40,820)</u>	<u>37,506</u>

Note:

It represents exchange difference arising from bank balances, bank borrowings and senior notes, original currencies of which are either denominated in Hong Kong Dollar (“HKD”) or United States Dollar (“USD”).

6. FINANCE COSTS

	Six months ended	
	June 30,	
	2016	2015
	<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	(916,990)	(1,138,169)
Not wholly repayable within five years	(317,998)	(32,946)
Interest expense on senior notes	(273,458)	(259,751)
Less: Amount capitalised to properties under development for sales and investment properties under construction	<u>1,471,890</u>	<u>1,404,461</u>
	<u>(36,556)</u>	<u>(26,405)</u>

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 5.4% (six months ended June 30, 2015: 6.7%) per annum for the six months ended June 30, 2016 to expenditure on the qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended	
	June 30,	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current tax		
PRC Enterprise Income Tax (“EIT”)	(965,619)	(894,347)
Land Appreciation Tax (“LAT”)	<u>(596,193)</u>	<u>(811,324)</u>
	(1,561,812)	(1,705,671)
Overprovision in prior periods		
LAT*	<u>71,373</u>	<u>58,876</u>
	(1,490,439)	(1,646,795)
Deferred taxation		
Current period	<u>(508,430)</u>	<u>(482,231)</u>
	<u>(1,998,869)</u>	<u>(2,129,026)</u>

* The development plan for several property projects had been revised in which the revised estimated appreciation value was different with the appreciation value made in prior periods, resulting in an overprovision of LAT in respect of prior periods.

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% for both periods.

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 2016 (2015: 15%) subject to approval of the tax authority, if the annual income derived from the encouraged business is more than 70% of the annual total income.

8. PROFIT FOR THE PERIOD

	Six months ended	
	June 30,	
	2016	2015
	<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	20,034	23,027
Gain on disposal of property, plant and equipment	(7,466)	(746)
Operating lease rentals	<u>15,925</u>	<u>22,051</u>

9. DIVIDEND

	Six months ended	
	June 30,	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Dividend recognised as distribution during the period:		
Final dividend recognised in respect of 2015 of RMB0.357 (six months ended June 30, 2015: in respect of 2014 of RMB0.284) per share	<u>2,083,332</u>	<u>1,654,310</u>

No dividends were declared and proposed by the Company during the six months ended June 30, 2016 and 2015.

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,	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	<u>3,730,451</u>	<u>3,835,665</u>
	2016	2015
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	5,834,901	5,815,453
Effect of dilutive potential ordinary shares in respect of		
- Share options	<u>18,852</u>	<u>28,201</u>
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	<u>5,853,753</u>	<u>5,843,654</u>

For the six months ended June 30, 2016 and 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 2016 and 2015.

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, 2016	At December 31, 2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade receivables (Note a)	1,190,428	2,070,974
Other receivables, net of allowance for doubtful debts (Note b)	1,769,712	1,232,256
Advances to suppliers	412,454	377,303
Prepaid business tax and other taxes	2,017,263	1,883,814
Prepayments and utilities deposits (Note c)	<u>6,293,747</u>	<u>4,355,783</u>
	<u>11,683,604</u>	<u>9,920,130</u>

Notes:

- (a) The following is an aging analysis of trade receivables at the end of the reporting period based on invoice date:

	At June 30, 2016	At December 31, 2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Within 60 days	777,486	1,724,038
61 - 180 days	213,309	326,774
181 - 365 days	199,633	11,753
1 - 2 years	<u>—</u>	<u>8,409</u>
	<u>1,190,428</u>	<u>2,070,974</u>

- (b) Included in other receivables are rental deposits, receivable of refund of the deposit for land auction and deposits for construction work.
- (c) Included in the prepayments and utilities deposits, there are prepaid lease payments amounting to RMB6,274,490,000 (2015: RMB4,334,750,000) which are paid on behalf of certain companies which the Group potentially invests in them (“potential investees”). In the opinion of the directors, such payments are prepayment for property development projects for those potential investees.

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

	At June 30, 2016 <i>RMB'000</i> <i>(unaudited)</i>	At December 31, 2015 <i>RMB'000</i> <i>(audited)</i>
Trade payables and accrued expenditure on construction (Note a)	11,395,571	13,403,567
Bills payables (Note a)	421,925	673,153
Deposits received and receipt in advance from property sales	37,360,622	33,322,343
Other payables and accrued charges (Note b)	<u>7,191,823</u>	<u>5,543,056</u>
	<u>56,369,941</u>	<u>52,942,119</u>

Notes:

- (a) Trade payables and accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group.

The following is an aging analysis of trade and bills payables, based on the invoice date and issuance date of each bill, at the end of the reporting period:

	At June 30, 2016 <i>RMB'000</i> <i>(unaudited)</i>	At December 31, 2015 <i>RMB'000</i> <i>(audited)</i>
Within 60 days	3,973,468	7,057,469
61 - 180 days	2,954,089	4,109,307
181 - 365 days	1,532,605	458,234
1 - 2 years	1,691,403	693,811
2 - 3 years	404,843	280,129
Over 3 years	<u>21,358</u>	<u>7,319</u>
	<u>10,577,766</u>	<u>12,606,269</u>

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

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, 2016.

RESULTS

From January to June 2016, contracted sales of the Group increased by 78.4% to RMB38.59 billion over the same period last year. Revenue increased to RMB18.37 billion over the same period last year, of which rental income from property investment business grew by 33.9% to RMB0.88 billion (RMB 0.92 billion before deducting tax). Profit attributable to shareholders was RMB 3.73 billion. Excluding the effects, such as minority interests and valuation gains, core profit increased by 7.7% over the same period last year to RMB2.40 billion. Core net profit margin attributable to shareholders was 13.0%.

REVIEW OF THE FIRST HALF OF 2016

During the first half of 2016, “escalated recovery, increased differentiation” was the key theme in China’s property market. Benefitting from the easing policy stance and continuous improvement in supply and demand balance in 2015, both transaction volumes and prices rose in first tier cities during the first quarter and this trend has gradually spread to other cities. As the industry becomes more market oriented, differentiation among cities further intensified, inventory pressure remained high in less affluent lower tier cities, while there were signs of overheating in core cities which triggered policy actions. With increased strategic exposure in key first and second tier cities, and accurate product positioning driven by customer research, the Group achieved contracted sales of RMB38.59 billion during the first half of the year, representing a growth of 78.4% over the same period last year reaching a new milestone.

With rising transaction levels and a skew of strong sales performances to major developers, although supply of land was at historical low level, the “Lank Kings” frequently emerges in hotly contested markets. The scale and mix of land bank of the Group in major first and second tier cities has given the Group a competition edge, and the benefit of avoiding acquisitions amid rising prices, while capitalizing on opportunities with high potential value when available. The Group has successfully acquired 16 plots of high quality sites during the first half of the year, concentrated in 10 core target cities and high potential markets such as Tianjin and Jinan. These sites were purchased through a collaborative strategy and acquisition in the secondary market, which we have reasonable control over costs.

By capturing the domestic financing window, the Group has issued RMB8.1 billion corporate bonds during the period and further issued RMB3.7 billion in early July with coupon rates reaching historical new low levels among private real estate enterprises in China. The Group's consolidated cost of borrowings fell further from 5.74% at the end of last year to 5.18%, with a further extension of tenure to 5.84 years.

Progress in the commercial properties sector remains encouraging. Beijing Daxing Time Paradise Walk and Chongqing Time Paradise Walk Phase III were launched as scheduled, with both the leasing rate and occupancy rate were over 95%. As such, the Group's commercial properties under management now amounts to 1,770,000 square meters, laying a solid foundation for sustainable growth of rental income in the future.

While business operations was steady, the Group also performed its obligation as a "corporate citizen" persistently. At the beginning of the year, the "Longfor Annual Offer (龍湖年貨)" scheme, which has been six years in running, was upgraded again to explore a new charity model. This ranges from assistance to market support for poor and handicapped residents in rural areas in three aspects: reconstruction of hazardous buildings, providing support for start-up enterprises and provision of employment training.

OUTLOOK FOR THE SECOND HALF OF 2016

In our opinion, tightened policy stance in selective cities will not affect the overall policy tone of "promoting demand, reducing inventory". The city-based policies will be further refined and the monetary environment will remain in a relaxed to stable condition. We expect a natural retracement in transaction level in the third quarter, and maintain an optimistic view on fourth quarter, expect growth in both supply and demand for the full year. The Company will continue to launch more new projects in prime locations with suitable product positioning to capture market opportunities.

For land acquisitions, the Company will continue to leverage on our internally designed "city maps" and "customer segmentation" system in making investment decisions, with an emphasis on accuracy and focus on urban circles and core cities with good economic fundamentals and net population inflow. Meanwhile, we will maintain an open attitude towards cooperative investment opportunities.

The Group's "Paradise Walk" brand — Hongqiao Paradise Walk will be formally launched in Shanghai this year. As Paradise Walks in Beijing, Hangzhou and Shanghai have commenced operations one after the other, the city blueprint for the Group's commercial development has reached its initial scale and future increase in rental income. This high quality and stable source of cash flow will add more

earnings certainty and provide strong support to the Group's profitability. We firmly believe as consumption power in China continues to climb, great potential still exists in the commercial property sector. In addition, the Group will be actively exploring new business innovations in the industry. New featured brands, such as Champion Apartments (冠寓) which are apartments for long-term rental and One Extendable Space (一展空間) which is a type of joint office space, will be launched this year. These new businesses will offer convenient and fast access with rich social and lifestyle experience for enhancing customer loyalty, asset value, urban operation ability and discovering a new earnings channel.

While differentiation and integration will be on-going in the industry, the Group feels assured and firmly confident. This is backed by our healthy mix of existing projects and steady results, as well as our responsiveness to customer needs and vision. The Group will continue to focus on three key businesses areas of residential, commercial and property services. By continuously embracing professionalism, providing superior residential and lifestyle experience, and offering new and emerging technology and concepts to improve service efficiency and customer loyalty, we believe our solid fundamentals will help us navigate through business cycles and emerge as a winner!

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

From January to June 2016, revenue from property development business of the Group was RMB16.90 billion, representing an increase of 7.6% over the same period last year. The Group delivered 1,543,050 square meters of property in gross floor area (GFA) terms. Gross profit margin of overall property development business increased by 0.8% to 25.8% over the same period last year. Recognized average selling price was RMB10,954 per square meter from January to June 2016.

Table 1: Breakdown of property development revenue by projects of the Group from January to June 2016

* Amount excluding tax

Project	City	Revenue		Total GFA	
		January to June 2016 RMB'000	January to June 2015 RMB'000	January to June 2016 Sqm	January to June 2015 Sqm
Hangzhou Chunjiang Central	Hangzhou	4,077,653		198,974	
Xiamen Island in the City	Xiamen	1,268,659	65,032	95,368	12,916
Chongqing Ideal City	Chongqing	1,260,911	771,534	108,237	53,532
Beijing Great Wall Chinoiseri	Beijing	970,446		62,153	
Chengdu Jinnan Walk Time	Chengdu	830,183		73,781	
Chengdu Century Peak View	Chengdu	741,872	84,746	56,086	10,737
Chongqing U2	Chongqing	732,860	667,738	124,689	155,338
Ningbo Ming Jing Tai	Ningbo	703,714		56,756	
Changsha Glorious Mansion	Changsha	595,474		56,214	
Jinan Ming Jing Tai	Jinan	530,868		70,100	
Ningbo Rose & Gingko Coast	Ningbo	397,604	247,588	54,792	34,110
Wuxi Fragrance Chianti	Wuxi	373,885	294,334	43,388	37,672
Qingdao Peace Hill County	Qingdao	336,236	58,996	54,986	7,990
Quanzhou Ascension to the Throne	Quanzhou	312,650	660,053	50,985	95,589
Dalian Crystal Town	Dalian	310,159	442,224	21,939	20,950
Changzhou Dragon City	Changzhou	301,053	115,228	38,076	26,171
Qingdao Original	Qingdao	273,642	104,821	38,414	9,133
Xi'an Pittosporum Tobira	Xi'an	268,507		34,776	
Yixing Hilltop's Garden	Yixing	226,181	124,560	21,064	14,823
Chongqing La Défense	Chongqing	207,960		19,759	
Changzhou Original	Changzhou	180,712	88,237	16,318	15,983
Beijing Sunhe Hometown	Beijing	165,027	329,323	3,181	19,813
Chongqing Bamboo Grove	Chongqing	140,647		22,775	
Dalian Rose and Gingko Villa	Dalian	136,717	518,385	12,493	36,320
Shanghai Hongqiao Paradise Walk	Shanghai	125,039		3,448	
Qingdao Rose & Gingko Coast, F	Qingdao	119,351	37,793	15,774	5,085
Chongqing Hilltop's Garden	Chongqing	103,074	206,161	14,627	17,836
Qingdao Glorious Palace	Qingdao	88,578	477,955	12,215	52,767
Shenyang Hometown	Shenyang	71,707		19,278	
Xi'an Chianti International	Xi'an	65,153	648,787	13,081	95,914
Suzhou Time Paradise Walk	Suzhou	62,590		10,600	
Chongqing Hometown	Chongqing	60,650	830,152	17,944	93,722
Hangzhou Life Inspiration	Hangzhou	59,591		4,073	

Project	City	Revenue		Total GFA	
		January to June 2016	January to June 2015	January to June 2016	January to June 2015
		RMB'000	RMB'000	Sqm	Sqm
Beijing Time Paradise Walk	Beijing	56,939	845,813	1,529	48,191
Chengdu Jinnan Paradise Walk	Chengdu	51,832	1,355,733	5,598	127,766
Shaoxing Hometown	Shaoxing	51,426		9,290	
Kunming Crystal Town	Kunming	48,365		3,754	
Beijing Changying Paradise Walk	Beijing	47,759		2,014	
Chengdu Jade Town	Chengdu	42,977		2,441	
Shenyang Rose and Ginkgo Villa	Shenyang	42,774		7,560	
Xi'an Fairy Starry Street	Xi'an	38,612	1,782	3,120	264
Shenyang Tangning ONE	Shenyang	35,714		4,529	
Chongqing Time Paradise Walk	Chongqing	34,824	333,071	1,619	26,193
Chengdu Time Paradise Walk	Chengdu	34,510	332,010	5,150	62,794
Qingdao Rose & Ginkgo Coast	Qingdao	33,761	72,733	3,571	11,650
Shenyang Chianti	Shenyang	31,179		6,578	
Wuxi Peace Hill County	Wuxi	29,686	21,641	4,585	4,097
Xi'an Crystal Town	Xi'an	28,397	50,932	1,268	5,692
Hangzhou Rose and Ginkgo Villa	Hangzhou	26,107	1,921,596	3,299	137,081
Shanghai Fairy Bay	Shanghai	20,981		1,425	
Ningbo Chianti	Ningbo	17,153	41,598	3,316	8,479
Beijing Elegance Loft	Beijing	17,057	26,460	3,000	5,756
Shanghai Fairy Castle	Shanghai	16,769	1,395,058	4,084	70,188
Changzhou Sunshine City	Changzhou	15,443	49,283	1,698	17,420
Yantai Banyan Bay	Yantai	12,743	63,139	2,355	6,188
Wuxi Jiu Shu	Wuxi	11,461	5,707	875	556
Others		<u>56,737</u>	<u>2,417,937</u>	<u>14,048</u>	<u>298,555</u>
Total		<u>16,902,559</u>	<u>15,708,140</u>	<u>1,543,050</u>	<u>1,647,271</u>

From January to June 2016, the Group achieved contracted sales of RMB38.59 billion, representing an increase of 78.4% over the same period last year. The Group sold 2,556,922 square meters in total GFA, representing an increase of 42.7% over the same period last year. Average selling price of GFA sold was RMB15,091 per square meter, representing an increase of 25.0% over the same period last year. Contracted sales from Yangtze River Delta, western China, Pan Bohai Rim, southern China and central China were RMB18.85 billion, RMB7.88 billion, RMB6.89 billion, RMB4.51 billion and RMB0.46 billion respectively, accounting for 48.8%, 20.4%, 17.9%, 11.7% and 1.2% of the contracted sales of the Group, respectively.

Table 2: Details of contracted sales of the Group from January to June 2016

* Amount including tax

Project	City	Contracted sales <i>RMB mn</i>	Total GFA <i>Sqm</i>
Suzhou Longfor Mansion	Suzhou	2,930	89,267
Nanjing Chunjiang Central	Nanjing	2,504	89,601
Hanzhou The Honor of City	Hanzhou	1,966	87,317
Beijing Jade Mansion	Beijing	1,899	23,598
Guangzhou Longfor Mansion	Guangzhou	1,584	49,353
Shanghai North Paradise Walk	Shanghai	1,441	64,976
Shanghai Glorious City	Shanghai	1,400	59,900
Xiamen Chunjiang Central	Xiamen	1,206	57,310
Chengdu Jasper Sky	Chengdu	1,161	109,637
Beijing Emerald Legend	Beijing	1,116	19,187
Chongqing Ideal City	Chongqing	1,042	113,067
Hangzhou Central Courtyard	Hangzhou	1,027	66,182
Hangzhou Chunjiang City	Hangzhou	745	42,442
Xiamen Chunjiang Land	Xiamen	679	20,199
Shanghai Hongqiao Paradise Walk	Shanghai	670	11,059
Xi'an Chianti International	Xi'an	668	85,726
Beijing Great Wall Chinoiserie	Beijing	658	35,708
Hangzhou Life Inspiration	Hangzhou	598	50,270
Shenyang Tangning ONE	Shenyang	576	68,889
Qingdao Glorious Palace	Qingdao	554	52,475
Chongqing Bamboo Grove	Chongqing	537	77,204
Xi'an Hometown	Xi'an	510	68,709
Chengdu Century Peak View	Chengdu	510	36,019
Chongqing Glory Villa	Chongqing	500	33,357
Hangzhou Chunjiang Central	Hangzhou	491	20,349
Changsha Glorious Mansion	Changsha	464	58,087
Xiamen Island in the City	Xiamen	454	31,576
Chongqing For Colourful Life	Chongqing	415	32,480
Ningbo Rose & Ginkgo Coast	Ningbo	385	44,340
Wuxi Fragrance Chianti	Wuxi	374	42,234
Suzhou Time Paradise Walk	Suzhou	355	26,999
Qingdao Peace Hill County	Qingdao	344	39,319
Quanzhou Ascension to the Throne	Quanzhou	338	46,843
Chongqing La Défense	Chongqing	338	45,728
Chengdu Time Paradise Walk	Chengdu	332	57,632
Hangzhou Direct Mansion	Hangzhou	308	9,380

Project	City	Contracted sales <i>RMB mn</i>	Total GFA <i>Sqm</i>
Chongqing Chunsen Land	Chongqing	259	33,086
Qingdao Rose & Ginkgo Coast F	Qingdao	257	35,651
Chongqing First Avenue	Chongqing	247	10,300
Foshan Chunjiang Land	Foshan	246	33,217
Shaoxing Hometown	Shaoxing	243	36,193
Changzhou Original	Changzhou	239	20,508
Yixing Hilltop's Garden	Yixing	232	21,139
Beijing Rose & Ginkgo Mansion	Beijing	229	9,123
Chongqing U2	Chongqing	214	31,885
Jinan Ming Jing Tai	Jinan	213	28,770
Chengdu Hometown	Chengdu	201	16,768
Dalian Crystal Town	Dalian	200	14,755
Chengdu Jinnan Walk Time	Chengdu	194	13,428
Changzhou Dragon City	Changzhou	191	33,676
Yantai Banyan Bay	Yantai	188	18,033
Chongqing the Glorious City	Chongqing	167	11,594
Xi'an Pittosporum Tobira	Xi'an	160	25,687
Shanghai The Mansion	Shanghai	159	6,631
Ningbo Celebrity Life	Ningbo	153	11,435
Dalian Rose and Ginkgo Villa	Dalian	132	11,591
Chongqing Hilltop's Garden	Chongqing	128	20,040
Xi'an Tuscan Courtyard	Xi'an	128	14,564
Hangzhou Rose & Ginkgo Villa	Hangzhou	123	12,453
Nanjing Chunjiang Center	Nanjing	118	3,780
Qingdao Original	Qingdao	113	12,072
Beijing Sunhe Hometown	Beijing	107	2,100
Shenyang Fairy Castle	Shenyang	103	15,378
Chongqing Hometown	Chongqing	84	19,937
Ningbo Chianti	Ningbo	75	16,816
Shenyang Rose & Ginkgo Villa	Shenyang	67	11,294
Chengdu Jade Town	Chengdu	60	3,728
Others		<u>2,276</u>	<u>134,871</u>
Total		<u>38,586</u>	<u>2,556,922</u>

As at June 30, 2016, the Group had RMB75.8 billion (derived from 5.01 million square meters) sold but unrecognized contracted sales which formed a solid basis for the Group's future sustainable and stable growth in profit attributable to shareholders.

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, 2016, the Group has investment properties of 1,549,629 square meters (1,937,732 square meters in GFA with parking space included) which have commenced operation with an occupancy rate of 96.0%. Total rent reached about RMB0.92 billion. Rental income, net of tax, was RMB0.88 billion, representing an increase of 33.9% over the same period last year. The series of Paradise Walk, Starry Street and MOCO accounted for 85.2%, 13.0% and 1.8% of the total rent respectively, and recorded increases of 34.3%, 37.4% and 0.9% respectively.

Table 3: Breakdown of rental income of the Group from January to June 2016

* Amount excluding tax

	January to June 2016				January to June 2015			Change of rental income
	GFA Sqm	Rental income RMB' 000	% of Rental	Occupancy rate	Rental income RMB' 000	% of Rental	Occupancy rate	
Chongqing North								
Paradise Walk	120,778	198,678	22.5%	100.0%	191,173	29.0%	97.2%	3.9%
Chongqing West								
Paradise Walk	76,031	76,193	8.6%	99.4%	76,437	11.6%	97.1%	-0.3%
Chongqing Time								
Paradise Walk								
Phase I	160,168	119,590	13.5%	95.8%	114,775	17.4%	90.9%	4.2%
Chongqing Time								
Paradise Walk								
Phase II	154,460	57,476	6.5%	95.4%	34,677	5.3%	78.8%	65.7%
Chengdu North								
Paradise Walk	215,536	54,151	6.1%	84.6%	45,406	6.9%	80.2%	19.3%
Chengdu Time								
Paradise Walk								
Phase I	61,989	13,637	1.5%	93.4%	9,277	1.4%	84.8%	47.0%
Beijing Changying								
Paradise Walk	221,286	112,765	12.8%	96.0%	89,915	13.6%	92.3%	25.4%
Hangzhou Jinsha								
Paradise Walk	151,135	78,110	8.8%	99.0%	—	—	—	
Chengdu Jinnan								
Paradise Walk	91,638	43,714	4.9%	94.3%	—	—	—	
Paradise Walk								
Subtotal	1,253,021	754,314	85.2%	96.9%	561,660	85.1%	92.4%	34.3%

	January to June 2016				January to June 2015			Change of rental income
	GFA Sqm	Rental income <i>RMB' 000</i>	% of Rental	Occupancy rate	Rental income <i>RMB' 000</i>	% of Rental	Occupancy rate	
Chongqing Crystal Castle	16,161	9,168	1.0%	100.0%	10,222	1.5%	91.4%	-10.3%
Chengdu Three Thousand Mall	38,043	15,238	1.7%	92.3%	14,713	2.2%	95.7%	3.6%
Chongqing Chunsen Starry Street	54,618	13,661	1.5%	72.6%	14,811	2.2%	79.6%	-7.8%
Chongqing Fairy Castle	29,413	5,824	0.7%	100.0%	5,705	0.9%	96.9%	2.1%
Beijing Summer Palace Starry Street	6,320	9,374	1.1%	100.0%	9,113	1.4%	100.0%	2.9%
Chongqing University City	15,516	7,015	0.8%	91.6%	6,236	0.9%	93.8%	12.5%
Xi'an Daxing Starry Street	44,227	18,318	2.1%	87.0%	17,567	2.7%	87.8%	4.3%
Xi'an Qujiang Starry Street	63,206	19,141	2.2%	89.7%	—	—	—	—
Others	—	14,838	1.9%	N/A	3,563	0.5%	N/A	316.5%
Starry Street Subtotal	267,504	112,577	13.0%	91.2%	81,930	12.4%	91.2%	37.4%
Chongqing MOCO	29,104	16,323	1.8%	99.9%	16,172	2.5%	99.7%	0.9%
MOCO Subtotal	29,104	16,323	1.8%	99.9%	16,172	2.5%	99.7%	0.9%
Total for projects that had commenced operation	<u>1,549,629</u>	<u>883,214</u>	<u>100.0%</u>	<u>96.0%</u>	<u>659,762</u>	<u>100.0%</u>	<u>92.4%</u>	<u>33.9%</u>

The Group has 7 shopping malls under construction with a total GFA of about 920,000 square meters. From January to June 2016, we had newly completed 2 shopping malls, Beijing Daxing Paradise Walk and Chongqing Time Paradise Walk Phase III, which covered an area of 220,000 square meters and had commenced operation in July 2016.

Table 4: Breakdown of investment properties under construction of the Group in 2016 to 2018

	Estimated Commencement of Operation	Planned GFA (Sqm)
Shanghai Hongqiao Paradise Walk	2016	170,450
Chongqing Hometown Paradise Walk	2017	93,343
Suzhou Shishan Paradise Walk	2017	190,553
Hangzhou Binjiang Paradise Walk	2017	158,067
Chongqing U-City Paradise Walk	2017	102,365
Shanghai Baoshan Paradise Walk	2018	96,803
Changzhou Longcheng Paradise Walk	2018	<u>108,741</u>
Projects under construction in total		<u>920,322</u>

Due to the rental increase of shopping malls in operation as well as continuous investments in projects under construction, the valuation gain of investment properties of the Group amounted to RMB1.77 billion from January to June 2016.

COST CONTROL

From January to June 2016, due to the excellent performance of sales and group's strategy to acquire projects in first and second tier cities, which diluted fixed expenses such as staff compensation. As a result, the Group's general and administrative expenses to the total contracted sales decreased by 1.28% to 1.78% over the same period last year. Meanwhile, as the newly launched sales of several projects such as Suzhou Longfor Mansion and Nanjing Chunjiang Central was strong in the first half of 2016, the selling expenses to the total contracted sales decreased by 0.38% to 1.07% over the same period last year.

SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES

From January to June 2016, except for the Group's 34.0%-owned Beijing Rose and Ginkgo Mansion which delivered a small part of the properties, other projects of joint ventures and associates have not reached the delivery time. The attributable loss after tax of the Group in joint ventures and associates was RMB30 million.

INCOME TAX EXPENSE

Income tax expenses comprised of PRC enterprise income tax and land appreciation tax. From January to June 2016, the enterprise income tax and the land appreciation tax of the Group were RMB1.47 billion and RMB530 million, respectively. The total income tax expenses for the period amounted to RMB2.0 billion.

PROFITABILITY

The core net profit margin of the Group (the ratio of profit attributable to equity shareholders excluding the effects, such as minority interest and valuation gains, to revenue) decreased from 13.3% of the same period last year to 13.0%, which was mainly attributable to the decreased share of results of joint ventures and associates in this period.

LAND BANK REPLENISHMENT

As at June 30, 2016, the Group's total land bank was 39 million square meters or 32.65 million square meters on an attributable basis. The average unit land cost was RMB3,507 per square meter, accounting for 23.2% 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 40.9%, 31.5%, 18.3% , 7.2% and 2.1% of the total land bank, respectively.

From January to June 2016, the Group has acquired new land bank with total GFA of 5.74 million square meters, 60.8%, 29.2% and 10.0% of which are located in Pan Bohai Rim , western China and Yangtze River Delta respectively. The average acquisition unit cost was RMB5,316 per square meter.

From January to June 2016, there were 25 cities covered by the Group. The locations of the projects were moving closer to city cores. The project size was 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	GFA (Sqm)	% of Total	Attributable GFA (Sqm)	% of Total
Pan Bohai Rim	Beijing	1,929,180	5.0%	805,312	2.5%
	Shenyang	2,068,671	5.3%	1,993,725	6.1%
	Qingdao	1,683,124	4.3%	958,255	2.9%
	Yantai	7,216,902	18.5%	7,216,902	22.1%
	Jinan	1,964,263	5.0%	1,401,844	4.3%
	Dalian	878,720	2.3%	543,858	1.7%
	Tianjin	204,512	0.5%	134,977	0.4%
	Subtotal	15,945,372	40.9%	13,054,873	40.0%
Central China	Changsha	812,246	2.1%	812,246	2.5%
	Subtotal	812,246	2.1%	812,246	2.5%
Western China	Chongqing	7,510,405	19.3%	6,396,758	19.6%
	Chengdu	2,584,453	6.6%	2,258,340	6.9%
	Xi'an	1,395,804	3.6%	1,395,804	4.3%
	Yuxi	790,407	2.0%	790,407	2.4%
	Subtotal	12,281,069	31.5%	10,841,309	33.2%
Yangtze River Delta	Shanghai	1,208,108	3.1%	1,063,695	3.3%
	Wuxi	832,622	2.1%	832,622	2.6%
	Changzhou	962,815	2.5%	962,815	2.9%
	Hangzhou	1,872,376	4.8%	1,278,535	3.9%
	Ningbo	566,276	1.4%	530,533	1.6%
	Suzhou	782,195	2.0%	396,754	1.2%
	Nanjing	923,840	2.4%	681,287	2.1%
	Subtotal	7,148,232	18.3%	5,746,241	17.6%
Southern China	Xiamen	899,459	2.3%	519,804	1.6%
	Quanzhou	1,218,045	3.1%	1,218,046	3.7%
	Guangzhou	330,568	0.9%	165,284	0.5%
	Foshan	366,699	0.9%	293,432	0.9%
	Subtotal	2,814,771	7.2%	2,196,566	6.7%
	Total	39,001,690	100.0%	32,651,235	100.0%

Table 6: Land acquisition from January to June 2016

Region	Project	City	Attributable		
			Interest %	Site Area (Sqm)	Total GFA (Sqm)
Pan Bohai Rim	The Orient Original	Beijing	25.0%	121,096	208,973
	Huanbaoyuan Plot	Beijing	100.0%	13,327	58,362
	Chunjiang Central	Jinan	51.0%	266,412	865,327
	Hancang Plot	Jinan	100.0%	203,151	558,233
	Tangye Plot	Jinan	51.0%	96,449	282,466
	Chunjiang Central	Shenyang	60.0%	39,738	187,366
	Gaoxin Yuanqu Plot	Dalian	100.0%	39,000	154,500
	Haihe Park Plot	Tianjin	66.0%	127,322	204,512
	Chunjiang Central	Qingdao	25.1%	223,812	967,782
	Subtotal			1,130,307	3,487,521
Western China	Zhaomushan	Chongqing	70.0%	224,940	414,126
	Lijia II Plot	Chongqing	70.0%	292,569	748,804
	Yurenxi Road Plot	Chengdu	100.0%	88,463	513,810
	Subtotal			605,972	1,676,740
Yangtze River Delta	Xingyi III Plot	Hangzhou	100.0%	36,065	129,684
	Beigandong Plot	Hangzhou	100.0%	47,441	189,407
	Xianghu Plot	Hangzhou	26.0%	57,416	143,540
	Panhua II Plot	Ningbo	100.0%	47,836	113,683
	Subtotal			188,758	576,314
Total			1,925,037	5,740,575	

Subsequent to the end of the reporting period, the Group successfully acquired Qingdao Zhongcun II Plot with an expected gross floor area of approximately 99,000 square meters (attributable area amounted to 99,000 square meters), Hangzhou Qianjiang Century City Plot with an expected gross floor area of approximately 172,000 square meters (attributable area amounted to 172,000 square meters) and Chongqing Zhaomushan II Plot with an expected gross floor area of approximately 88,000 square meters (attributable area amounted to 61,000 square meters).

FINANCIAL POSITION

As at June 30, 2016, the Group's consolidated borrowings amounted to RMB56.77 billion. The net debt to equity ratio (net debt divided by total equity) of the Group was 62.7%. Cash in hand reached RMB16.28 billion. The credit rating of the Group was BB+ by Standard & Poor, Ba1 by Moody's, BBB- by Fitch, and AAA by Dagong International*, CCXR and Shanghai Brilliance. Standard & Poor has a positive outlook and the others have stable outlook toward the Company.

Approximately 77.7% of the Group's total borrowings were denominated in RMB, while 22.3% were denominated in foreign currencies. The Group is reducing its proportion of borrowings in foreign currencies with a certain amount of exchange rate swap so as to reduce the risk in exchange losses.

Approximately RMB30.2 billion of the Group's consolidated borrowings were with fixed rates ranging from 3.19% per annum to 6.875% per annum, depending on the terms of the loans, and the other loans were quoted at floating rates. As of June 30, 2016, the proportion of fixed interest debt was 53% (December 31, 2015: 42%) of the total debt.

In 2016, the Group obtained new bank loans from overseas of RMB5.17 billion in exchange for foreign currency borrowings to further decrease exposure to liabilities. In the first half of 2016, the Group issued corporate bonds of RMB8.1 billion with fixed rates ranging from 3.19% to 3.75% per annum and terms ranged from five to ten years. Hence, the Group's average cost of borrowing further decreased to 5.18% per annum. The average tenor of loan was extended to 5.84 years. The proportion of unsecured debt was increased to 67%.

Subsequent to the end of the reporting period, the Group successfully issued domestic corporate bonds denominated in Renminbi and raised a total of RMB3.7 billion in July 2016 with fixed rates ranged from 3.06% to 3.68% per annum and terms ranged from five to seven years.

* *The rating conducted by Dagong International was reviewed on Chongqing Longhu Development Co., Ltd., a major subsidiary of the Company in Mainland.*

EMPLOYEES AND COMPENSATION POLICY

As at June 30, 2016, the Group had 15,915 full-time employees in mainland China and Hong Kong. Of these employees, 3,881 worked in the property development division, 1,918 in the property investment division, and 10,116 in the property management division. Average age of our employees is 31.8 years old. In the property development and investment divisions, approximately 61.5% of the employees have bachelor degrees and approximately 12.4% 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 first half of 2016, a recovery trend was seen in the Chinese real estate market. Transaction volumes improved remarkably in the first and second tier cities, and the inventory digestion interval (ratio of inventory to sales) reduced obviously, showing positive results of the policy to destocking. In the second half of 2016, macro-economic policy and monetary environment will remain in a loosening condition, but differentiated development across companies, regions and segments will become more apparent. Inventory digestion is expected to accelerate in first tier and leading second tier cities, but inventory pressure will remain relatively high in low capacity and lower tier cities. At the same time, consideration should be given to anticipated divergence in the policies of different cities. This will provide a further test of the Group's brand power, investment, product development ability and financial strength.

Under these circumstances, the Group will place an even higher emphasis in executing our strategy in persistent manner to ensure the sustainable development for our business. Meanwhile, we will continue to implement our strategies in a persistent manner and refine the targets of our investments. Operational efficiency will be enhanced through emphasis on sales and inventory management to capitalize on market opportunities.

The Group has 72 key projects for sale currently in the second half of the year, among which 13 are brand new projects and 14 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 and features 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 and associates) has completed properties of approximately 1,710,000 square meters in GFA during January to June in 2016. The total GFA of properties planned to complete construction in 2016 will reach approximately 5,910,000 square meters, 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, Beijing Daxing Paradise Walk and Chongqing Time Paradise Walk Phase III have commenced operation in July 2016, Shanghai Hongqiao Paradise Walk is also expected to be completed and commence operation during the second half of 2016. These projects will lay a solid foundation for future growth of rental income from investment properties of the Group.

Amid the rapid changing market environment, the Group will continue to maintain a prudent and rational financial management strategy. While preserving stable and healthy financial position and gearing ratio, we will control land cost and relieve funding pressure through external co-operations and acquisitions in the secondary market. At the same time, we will optimize the debt structure, explore new funding channels, extend debt maturity tenor and lower effective funding cost, in view of a depreciating trend of Renminbi, leading to a safer and healthier financial position of the company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Apart from the repurchase of a total of principal amount of USD2,000,000 and RMB33,000,000 of the 2013 USD500,000,000 Senior Notes and the 2014 RMB2,000,000,000 Senior Notes respectively, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended June 30, 2016.

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.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, Mr. Chan Chi On, Derek, Mr. Frederick Peter Churchouse, and Mr. 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, 2016 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, 2016.

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 2016 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 17, 2016

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, Mr. Xiang Bing and Mr. Zeng Ming who are independent non-executive Directors.