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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO PROPOSED ACQUISITION OF THE REMAINING
8.7% INTEREST IN A MAJOR SUBSIDIARY INVOLVING ISSUE OF
NEW SHARES UNDER SPECIFIC MANDATE**

Financial adviser to Longfor Properties Co. Ltd.



**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



THE PROPOSED ACQUISITION

The Board is pleased to announce that on November 3, 2014 (after trading hours), the Company and the Purchaser (being a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendors and the Warrantors, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares representing the entire issued share capital of Goodfar Holdings for the Consideration of HK\$3,185 million.

Both the Vendors and Goodfar Holdings are investment holding companies. Goodfar Holdings' principal asset is its indirect 8.7% equity interest in Chongqing Longhu Development that is held through various wholly-owned subsidiaries of Goodfar Holdings in the PRC. Chongqing Longhu Development's principal business and assets include property investment, development and management in the PRC. The remaining 91.3% interest in Chongqing Longhu Development is held by the Purchaser.

The Consideration, being HK\$3,185 million, has been arrived at after arm's length negotiations between the Company, the Purchaser and the Vendors, and represents 0.92x Adjusted Net Book Value of Chongqing Longhu Development of RMB31,936 million, further adjusted for the Vendors' 8.7% equity interest in Chongqing Longhu Development and the outstanding material liabilities of the Target Group at Completion which is expected to be not more than RMB20 million.

The Consideration shall be satisfied by the allotment and issue of the Consideration Shares to the First Vendor as to 230,797,101 Consideration Shares (or as it may direct) and to the Second Vendor as to 135,547,504 Consideration Shares (or as it may direct), credited as fully paid up and ranking pari passu in all respects with the Shares in issue at the time of such allotment and issue at Completion.

An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

DISCLOSEABLE AND CONNECTED TRANSACTION

As at the date of this announcement, each of the First Vendor and the Second Vendor is a Substantial Shareholder of the Company. As such, the First Vendor and the Second Vendor are both connected persons of the Company within the meaning of the Listing Rules. Therefore, the entering into of the Sale and Purchase Agreement by the Purchaser (being a wholly-owned subsidiary of the Company) shall constitute a connected transaction for the Company. Based on the Consideration and the number of Consideration Shares, certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5%, thus the Acquisition as a connected transaction is subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules. Further, as the applicable percentage ratio calculations under the Listing Rules for the Acquisition exceed 5% but are less than 25%, the Acquisition shall also constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

The Company proposes to convene the EGM to consider, and if thought fit, to approve the Acquisition and the allotment and issue of the Consideration Shares. Each of the First Vendor and the Second Vendor and their respective associates, being the connected persons of the Company and having material interests in the Acquisition, will abstain from voting at the EGM. The votes of the Independent Shareholders regarding the resolution for approval of the Sale and Purchase Agreement and the transactions contemplated thereunder will be taken by way of a poll at the EGM.

GENERAL

A circular containing, among other things, (i) further information on the Acquisition and the Target Group; (ii) the advice of the Independent Financial Adviser regarding the Acquisition; (iii) the recommendation of the Independent Board Committee regarding the Acquisition; (iv) the property valuation report in relation to the assets held by Chongqing Longhu Development; and (v) the notice convening the EGM and a proxy form will be despatched to the Shareholders on or before November 24, 2014.

(I) THE PROPOSED ACQUISITION

(A) The Sale and Purchase Agreement

Date November 3, 2014 (after trading hours)

Parties

- (1) The Company;
- (2) The Purchaser;
- (3) The First Vendor;
- (4) The Second Vendor; and
- (5) The Warrantors

Sale Shares

Being the entire issued share capital of Goodfar Holdings as at the date of this announcement of 100 ordinary shares of US\$1.00 each, registered in the name of and beneficially owned as to 63 Shares (63%) by the First Vendor and 37 Shares (37%) by the Second Vendor, and such additional shares as may have been issued by Goodfar Holdings to the First Vendor and/or the Second Vendor on or prior to Completion (if any).

Consideration

The Consideration, being HK\$3,185 million, has been arrived at after arm's length negotiations between the Company, the Purchaser and the Vendors, and represents 0.92x Adjusted Net Book Value of Chongqing Longhu Development of RMB31,936 million, further adjusted for the Vendors' 8.7% equity interest in Chongqing Longhu Development and the outstanding material liabilities of the Target Group at Completion, which is expected to be not more than RMB20 million. The Adjusted Net Book Value of Chongqing Longhu Development was derived from the unaudited consolidated equity attributable to the owners of Chongqing Longhu Development of RMB33,086 million as at June 30, 2014, less the dividend declared by Chongqing Longhu Development to its shareholders on October 9, 2014 in the amount of RMB1,150 million.

The Consideration shall be satisfied by the allotment and issue of the Consideration Shares to the First Vendor as to 230,797,101 Consideration Shares (or as it may direct) and to the Second Vendor as to 135,547,504 Consideration Shares (or as it may direct), credited as fully paid up and ranking *pari passu* in all respects with the Shares in issue at the time of such allotment and issue at Completion.

Conditions precedent

Completion is subject to, *inter alia*, the Conditions that:

- (1) the Independent Shareholders having approved by way of poll at the EGM of the Sale and Purchase Agreement and the transactions contemplated thereunder including but not limited to the Acquisition by the Company of the Sale Shares, the allotment and issue of the Consideration Shares to the First Vendor and the Second Vendor (or as directed by either of them) and, to the extent applicable, the transactions arising out of and in pursuance to the Sale and Purchase Agreement;

- (2) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares, either unconditionally or subject only to conditions which the Vendors, the Purchaser and the Company have no reasonable objection; and
- (3) a valuation report having been obtained in relation to the assets of Chongqing Longhu Development prepared by Savills, an independent valuer, and the Purchaser having been satisfied at its absolute discretion with the valuation report in all respects.

The Purchaser may waive the Conditions on or before the Long Stop Date, except Conditions (1) and (2) which are not capable of being waived in any event.

If the Conditions have not been fulfilled (or to the extent permitted, waived) by the Long Stop Date (or such other date as the parties to the Sale and Purchase Agreement may agree in writing), the Sale and Purchase Agreement shall thereupon become null and void.

Deed of Indemnity

On Completion, the Purchaser and the Warrantors will enter into the Deed of Indemnity. Subject to certain limitations as stated in the Deed of Indemnity, the Warrantors undertake to the Purchaser to indemnify and keep indemnified the Purchaser from and against any tax liabilities in relation to the business activities of the Target Group prior to Completion and other liabilities as specified in the Deed of Indemnity.

Completion

Completion will take place on or before the 15th Business Day after the Conditions have been fulfilled in accordance with the Sale and Purchase Agreement or such other date as the parties to the Sale and Purchase Agreement may agree.

(B) Lock Up Undertaking

Each of the Vendors has, individually and separately, entered into a deed of undertaking with the Company, pursuant to which the First Vendor and the Second Vendor have undertaken to the Company that, for a period of six (6) months after the Completion Date of the Sale and Purchase Agreement, it shall not:

- (a) sell, offer to sell, contract or agree to sell, lend, grant or sell any option, warrant, contract or right to purchase, purchase any option, warrant,

contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any of their respective Consideration Shares; or

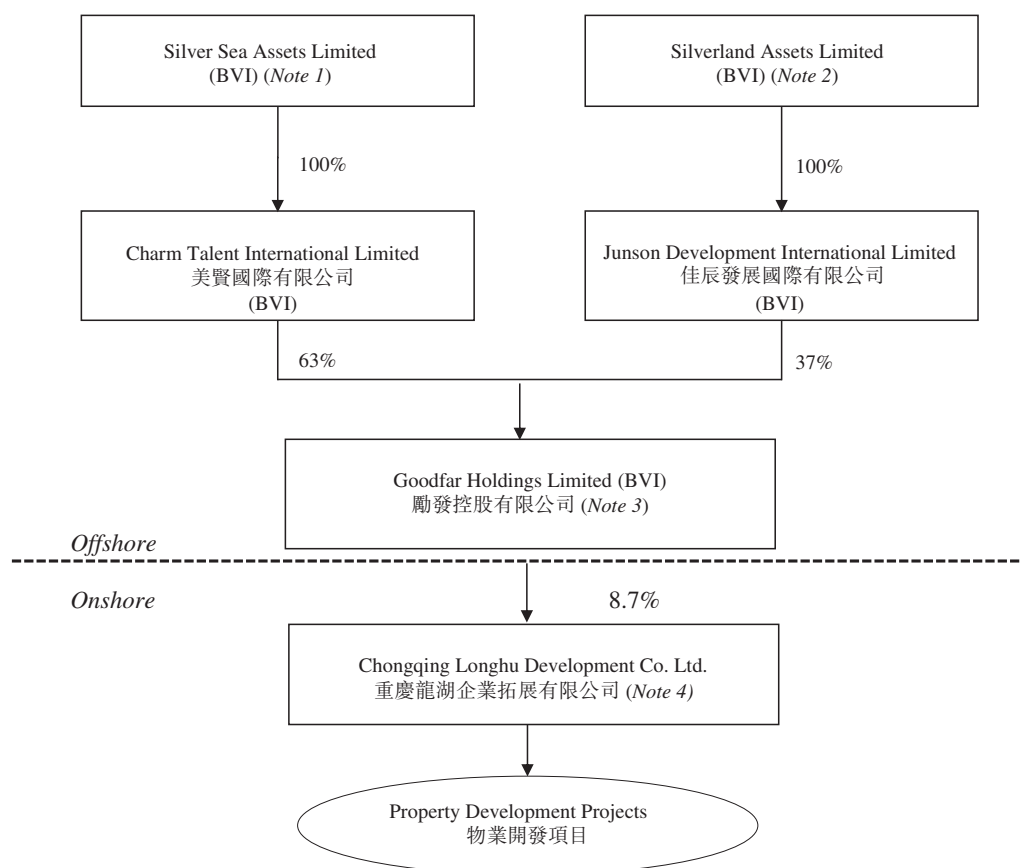
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of their respective Consideration Shares, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any of their respective Consideration Shares or any interest in the foregoing; or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of the Shares or any other equity securities of the Company, or in cash or otherwise.

(C) Information on the Target Group

Goodfar Holdings is an investment holding company and its principal asset is its 8.7% equity interest in Chongqing Longhu Development that is held through various wholly-owned subsidiaries of Goodfar Holdings in the PRC. Chongqing Longhu Development's principal business and assets include property investment, development and management in the PRC. The remaining 91.3% interest in Chongqing Longhu Development is held by the Purchaser. The First Vendor and the Second Vendor are indirectly owned by the discretionary trust founded by Madam Wu for certain of her family members and the discretionary family trust founded by Mr. Cai Kui for certain of his family members, respectively. Immediately prior to the listing of the Company on November 19, 2009, the 8.7% equity interest in Chongqing Longhu Development was indirectly held by Madam Wu and Mr. Cai Kui. Such interest subsequently became held indirectly through the First Vendor and the Second Vendor. The cumulative cost of the Vendors' investments in the 8.7% interest of Chongqing Longhu Development was approximately RMB120 million.

The following diagram illustrates the simplified shareholding structure of the Target Group as at the date of this announcement:



Notes:

- (1) The entire share capital of Silver Sea Assets Limited is wholly-owned by HSBC International Trustee Limited (“**HSBC International Trustee**”) as the trustee of the Wu Family Trust. The Wu Family Trust is a discretionary trust set up by Madam Wu as settlor and protector and HSBC International Trustee as trustee on June 11, 2008.
- (2) The entire share capital of Silverland Assets Limited is wholly-owned by HSBC International Trustee as the trustee of the Cai Family Trust. The Cai Family Trust is a discretionary trust set up by Mr. Cai as settlor and protector and HSBC International Trustee as trustee on June 11, 2008.
- (3) Principally engaged in investment holding.
- (4) The 8.7% equity interest is indirectly held by Goodfar Holdings through various wholly-owned subsidiaries in the PRC. The remaining 91.3% interest is held by the Purchaser.

For the purposes of this announcement, set out below are certain unaudited financial information of Chongqing Longhu Development and of the 8.7% interest therein attributable to the Target Group for each of the two financial years ended December 31, 2013 and December 31, 2012:

	For the year ended December 31, 2013	For the year ended December 31, 2012
	<i>(Approximately HK\$ million)</i>	<i>(Approximately HK\$ million)</i>
Profit before taxation of Chongqing Longhu Development	13,657	13,843
Profit after taxation of Chongqing Longhu Development ¹	8,449	8,415
Profit before taxation of Chongqing Longhu Development attributable to the 8.7% interest held by the Target Group ²	1,008	1,017
Profit after taxation of Chongqing Longhu Development attributable to the 8.7% interest held by the Target Group ³	624	618

In addition to the financial impact associated with its 8.7% interest in Chongqing Longhu Development, Goodfar Holdings incurred immaterial net expenses of less than RMB50,000 since its establishment in 2013.

¹ Before subtracting profit after taxation attributable to non-controlling interests of Chongqing Longhu Development

² Assume the amount of profit before taxation attributable to non-controlling interests of Chongqing Longhu Development to represent the same percentage as profit after taxation attributable to non-controlling interests accounts for total profit after taxation

³ Subtracted profit after taxation attributable to non-controlling interests

(D) Basis of the Consideration

The Consideration, being HK\$3,185 million, has been arrived at after arm's length negotiations between the Company, the Purchaser and the Vendors, and represents 0.92x Adjusted Net Book Value of Chongqing Longhu Development of RMB31,936 million, further adjusted for the Vendors' 8.7% equity interest in Chongqing Longhu Development and the outstanding material liabilities of the Target Group at Completion, which is expected to be not more than RMB20 million. The Adjusted Net Book Value of Chongqing Longhu Development was derived from the unaudited consolidated equity attributable to the owners of Chongqing Longhu Development of RMB33,086 million as at June 30, 2014, less the dividend declared by Chongqing Longhu Development to its shareholders on October 9, 2014 in the amount of RMB1,150 million.

The Consideration, which represents 0.92x Adjusted Net Book Value, implies a 2.5% discount to the Company's current price-to-book multiple of 0.94x, which is calculated based on the unaudited consolidated equity attributable to the owners of the Company as at June 30, 2014 in an amount of RMB39,919 million, and the average closing price of the Shares for the last five (5) Trading Days, as stated in the daily quotation sheets of the Stock Exchange, immediately prior to the date of this announcement of HK\$8.69.

The Consideration also implies a 57.3% discount to the reassessed net asset value estimate of Chongqing Longhu Development of RMB68,467 million, which is before the adjustment of the outstanding material liabilities of the Target Group at the Completion Date which is expected to be not more than RMB20 million. The reassessed net asset value estimate of Chongqing Longhu Development was determined with reference to:

- (i) the equity attributable to owners of Chongqing Longhu Development as at June 30, 2014 based on the unaudited consolidated financial statements of Chongqing Longhu Development in an amount of RMB33,086 million;
- (ii) the appreciation of properties attributable to Chongqing Longhu Development based on a preliminary appraisal by Savills as at August 31, 2014 and post adjustment of the estimated amount of the relevant taxes payable by Chongqing Longhu Development; and
- (iii) the dividend declared by Chongqing Longhu Development to its shareholders on October 9, 2014 in the amount of RMB1,150 million.

The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) consider that the basis of the Consideration is fair and reasonable, and the settlement of the Consideration by the allotment and issue of the Consideration Shares is beneficial to the Company and the Shareholders as a whole.

The appraised value of the Property Projects as at August 31, 2014 is prepared by Savills, an independent property valuer (not being connected with the Company or any of its connected persons) based on the following methodology:

- (i) In relation to properties held for sale or owner occupation in the PRC, by direct comparison approach by making reference to comparable sales transactions as available in the relevant markets;
- (ii) In relation to properties held for investment in the PRC, by making reference to comparable market transactions as available in the market and where appropriate, valuing properties on the basis of capitalisation of incomes as shown on schedules provided with due allowance for reversionary income potential of the properties; and
- (iii) In relation to properties held under development or for future development in the PRC, by direct comparison approach on the basis that it will be developed and completed in accordance with the latest development proposal provided, taking into account the construction cost expended as at the valuation date.

A valuation report containing such information will be included in the circular to be despatched to the Shareholders according to the Listing Rules.

(E) Consideration Shares

At Completion, the Consideration Shares will be allotted and issued as to 230,797,101 Consideration Shares to the First Vendor (or as it may direct) and as to 135,547,504 Consideration Shares to the Second Vendor (or as it may direct), representing approximately 63% and 37% of the Consideration Shares respectively.

The Consideration Shares will be issued at the Issue Price of HK\$8.69 per Share, which represents the average closing price of the Shares for the last five (5) Trading Days, as stated in the daily quotation sheets of the Stock Exchange, immediately prior to the date of this announcement.

The Consideration Shares represent approximately:

- (a) 6.7% of the existing issued share capital of the Company; and
- (b) 6.3% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares, when issued, will be credited as fully paid up, free from all encumbrances and rank pari passu in all respects with the Shares in issue at the time of allotment and issue of the Consideration Shares. Given that the Acquisition constitutes a connected transaction for the Company of which Independent Shareholders' approval is required, specific mandate for the allotment and issue of the Consideration Shares will be sought from the Independent Shareholders. An application will be made to the Listing Committee of the Stock Exchange for granting the listing of and permission to deal in the Consideration Shares.

The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) consider that the terms of the Consideration Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(F) **Effect of the Acquisition on the Shareholding Structure**

Assuming there is no change in the issued share capital of, and the shareholding in, the Company from the date of this announcement and up to Completion pursuant to the Sale and Purchase Agreement, and assuming the Consideration Shares are issued for the Acquisition, the shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately after Completion and including issue of the Consideration Shares will be as follows:

Name of Shareholders	As at the date of this announcement		Immediately after Completion (inclusive of the Consideration Shares, assuming the Consideration Shares are issued to the Vendors)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
First Vendor (Note 1)	2,343,736,600	43.068%	2,574,533,701	44.325%
Second Vendor (Note 2)	1,559,394,400	28.655%	1,694,941,904	29.181%
Mr. Cai Kui (Note 3)	1,562,494,400	28.712%	1,698,041,904	29.235%
Other Directors:				
Mr. Shao Mingxiao (Note 4)	9,220,000	0.169%	9,220,000	0.159%
Mr. Zhou Dekang (Note 5)	3,912,000	0.072%	3,912,000	0.0674%
Mr. Feng Jinyi (Note 6)	1,750,000	0.032%	1,750,000	0.0301%
Mr. Wei Huaning (Note 7)	413,000	0.008%	413,000	0.007%
Mr. Frederick Peter Churchouse (Note 8)	50,000	0.0009%	50,000	0.0009%
Mr. Chan Chi On, Derek (Note 9)	—	—	—	—
Dr. Xiang Bing (Note 10)	50,000	0.0009%	50,000	0.0009%
Dr. Zeng Ming (Note 11)	160,000	0.0029%	160,000	0.0028%
Public Shareholders	<u>1,520,146,500</u>	<u>27.934%</u>	<u>1,520,146,500</u>	<u>26.172%</u>
Total	<u>5,441,932,500</u>	<u>100.000%</u>	<u>5,808,277,105</u>	<u>100.000%</u>

1. The 2,343,736,600 Shares are held by the First Vendor as registered holder. The entire issued share capital of the First Vendor is wholly-owned by Silver Sea Assets Limited, the entire issued share capital of which is in turn wholly-owned by HSBC International Trustee Limited as trustee of the Wu Family Trust. Madam Wu as founder of the Wu Family Trust is taken to be interested in the 2,343,736,600 Shares held by the First Vendor pursuant to Part XV of the SFO. Madam Wu is the Chairperson of the Board, an executive Director and Controlling Shareholder of the Company.

2. The 1,559,394,400 Shares are held by the Second Vendor as registered holder. The entire issued share capital of the Second Vendor is wholly-owned by Silverland Assets Limited, the entire issued share capital of which is in turn wholly-owned by HSBC International Trustee Limited as trustee of the Cai Family Trust. Mr. Cai Kui as founder of the Cai Family Trust is taken to be interested in the 1,559,394,400 shares held by the Second Vendor pursuant to Part XV of the SFO.
3. Mr. Cai Kui is deemed to be interested in the 1,559,394,400 Shares held by the Second Vendor as founder of the Cai Family Trust. He is also beneficially interested in 3,100,000 Shares.
4. The personal interests of Mr. Shao Mingxiao comprise 9,220,000 ordinary shares and 31,600,000 outstanding share options. For the purposes of this announcement, only 9,220,000 ordinary shares have been included in the calculation above.
5. The personal interests of Mr. Zhou Dekang comprise of 3,912,000 ordinary shares and 5,200,000 outstanding share options. He is also deemed to be interested in 8,088,000 outstanding pre-IPO share options, which were granted pursuant to the pre-IPO option scheme adopted by the Company on November 30, 2007 and is currently held by the Long Faith trust, a discretionary trust of which HSBC (HK) Trustee is the trustee and Mr. Zhou Dekang is one of the discretionary objects (such 8,088,000 outstanding pre-IPO share options duplicate with the interests of Mr. Feng Jingyi and Mr. Wei Huaning in the same block of Shares referred to in Notes 6 and 7 below). For the purposes of this announcement, only 3,912,000 ordinary shares have been included in the calculation above.
6. The personal interests of Mr. Feng Jinyi comprise of 1,750,000 ordinary shares and 9,800,000 outstanding share options. Mr. Feng Jinyi is also deemed to be interested in: i) 250,000 outstanding pre-IPO shares, which are held by Fit All Investments Limited and the entire issued share capital of which is wholly-owned by HSBC Trustee International (the “**Fit All Trust**”). The beneficiary objects of the Fit All Trust are certain selected employees and directors of the Group as participants of the pre-IPO share option scheme adopted by the Company, including Mr. Feng Jinyi; and ii) 8,088,000 outstanding pre-IPO share options currently held by Long Faith trust under which Mr. Feng Jinyi is one of the discretionary objects (such 8,088,000 outstanding pre-IPO share options duplicate with the interests of Mr. Zhou Dekang and Mr. Wei Huaning in the same block of Shares referred to in Notes 5 and 7 above and below). For the purposes of this announcement, only 1,750,000 ordinary shares have been included in the calculation above.
7. The personal interests of Mr. Wei Huaning comprise of 413,000 ordinary shares and 10,600,000 outstanding share options. Madam Zhang Yan, the spouse of Mr. Wei Huaning, has a personal interest of 428,500 shares. Under the post-IPO share option scheme of the Company, Madam Zhang Yan has been granted 3,000,000 options since the adoption of such scheme and up to the date of this announcement. Mr. Wei Huaning is deemed to be interested in the 3,428,500 shares of Madam Zhang Yan. Further, Mr. Wei Huaning is also deemed to be interested in 8,088,000 outstanding pre-IPO share options, which is currently

held by Long Faith trust and Mr. Wei Huaning is one of the discretionary objects (such as 8,088,000 outstanding pre-IPO share options duplicate with the interests of Mr. Zhou Dekang and Mr. Feng Jinyi in the same block of Shares referred to in Notes 5 and 6 above). For the purposes of this announcement, only 413,000 ordinary shares have been included in the calculation above.

8. The personal interests of Mr. Frederick Peter Churchouse comprise 50,000 ordinary shares and 550,000 outstanding share options. For the purposes of this announcement, only 50,000 ordinary shares have been included in the calculation above.
9. The personal interests of Mr. Chan Chi On, Derek comprise 600,000 outstanding share options. For the purposes of this announcement, the 600,000 outstanding share options have not been included in the calculation above.
10. The personal interests of Dr. Xiang Bing comprise 50,000 ordinary shares and 450,000 outstanding share options. For the purposes of this announcement, only 50,000 ordinary shares have been included in the calculation above.
11. The personal interests of Dr. Zeng Ming comprise 160,000 ordinary shares and 240,000 outstanding share options. For the purposes of this announcement, only 160,000 ordinary shares have been included in the calculation above.

(G) Reasons for and Benefits of the Acquisition

The Group is principally engaged in property investment, development and management in the PRC.

The principal business activity of the Vendors and the Target Group is investment holding and the principal business activity of Chongqing Longhu Development is property investment, development and management in the PRC.

The Acquisition will increase the Company's interest in Chongqing Longhu Development to 100%, thereby maximizing the total profit contribution from Chongqing Longhu Development to the Company. At the time of the Announcement, the Consideration implies a discount to the Company's public valuation, which can result in potential accretion to the Company's per share book value and earnings, and allow minority shareholders to benefit from the attractive valuation of the assets acquired.

The Vendors' decision to accept the Consideration Shares and, individually and separately, submit to a six(6)-month lock up undertaking demonstrates their continued support for Longfor's equity story in the current market environment. It also aligns the Vendors' interest with that of minority investors and reinforces their willingness to support Longfor's continued success.

Furthermore, the Acquisition will allow the Company to benefit from a more streamlined and transparent corporate structure, which will in turn enhance the Company's efficiency in developing strategies and implementing business decisions for its PRC property business, while minimizing potential conflict of interests and optimizing governance.

In addition, through increasing its effective interest in Chongqing Longhu Development to 100% and issuing the Consideration Shares, the Company will be able to reduce the amount of minority interests in its subsidiaries and increase the equity attributable to Shareholders on the Company's balance sheet. As a result, the Company will enjoy a more optimal capital structure.

The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares by the Company as settlement of the Consideration) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(II) DISCLOSEABLE AND CONNECTED TRANSACTION

As at the date of this announcement, each of the First Vendor and the Second Vendor is a Substantial Shareholder of the Company. As such, the First Vendor and the Second Vendor are both connected persons of the Company within the meaning of the Listing Rules. Therefore, the entering into of the Sale and Purchase Agreement by the Purchaser (being a wholly-owned subsidiary of the Company) shall constitute a connected transaction for the Company. Based on the Consideration and the number of Consideration Shares, certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5%, thus the Acquisition as a connected transaction is subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules. Further, as the applicable percentage ratio calculations under the Listing Rules for the Acquisition exceed 5% but are less than 25%, the Acquisition shall also constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

Since Madam Wu is the founder of the discretionary trust which beneficially owns Charm Talent, Madam Wu is considered to have a material interest in the Acquisition and the transactions contemplated by it. Madam Wu has therefore abstained from voting in the relevant resolutions of the Board meeting approving the Acquisition and the transactions contemplated thereunder.

Save for Madam Wu, no other directors of the Company have any material interest in the Acquisition and none of them was required to abstain from voting in the relevant resolutions of the Board meeting approving the Acquisition and the transactions contemplated thereunder.

The Company proposes to convene the EGM to consider, and if thought fit, to approve the Acquisition and the allotment and issue of the Consideration Shares. Each of the First Vendor and the Second Vendor and their respective associates, being the connected persons of the Company and having material interests in the Acquisition (which are different from those of the Independent Shareholders), will abstain from voting at the EGM. The votes of the Independent Shareholders regarding the resolution for approval of the Sale and Purchase Agreement and the transactions contemplated thereunder will be taken by way of a poll at the EGM.

(III) GENERAL

A circular containing, among other things, (i) further information on the Acquisition and the Target Group; (ii) the advice of the Independent Financial Adviser regarding the Acquisition; (iii) the recommendation of the Independent Board Committee regarding the Acquisition; (iv) the property valuation report on the Property Projects; and (v) the notice convening the EGM and a proxy form will be despatched to the Shareholders on or before November 24, 2014.

DEFINITIONS

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement
“Adjusted Net Book Value”	The adjusted net book value of Chongqing Longhu Development, derived from the unaudited consolidated equity attributable to the owners of Chongqing Longhu Development of RMB 33,086 million as at June 30, 2014, less the dividend declared by Chongqing Longhu Development to its shareholders on October 9, 2014 in the amount of RMB1,150 million.
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business (excluding a Saturday and a Sunday)
“BVI”	the British Virgin Islands
“Cai Family Trust”	the discretionary trust set up on June 11, 2008 by Mr. Cai Kui as settlor and protector, under which HSBC International Trustee Limited acts as trustee of the discretionary trust and the beneficiary objects include certain family members of Mr. Cai Kui
“Chongqing Longhu Development”	Chongqing Longhu Development Co. Ltd., (重慶龍湖企業拓展有限公司), a sino-foreign equity joint venture established in the PRC with limited liability and owned as to 91.3% directly by the Purchaser and 8.7% indirectly by the Vendors as at the date of this announcement
“Company”	Longfor Properties Co. Ltd. (龍湖地產有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement

“Completion Date”	the day on which Completion takes place in accordance with the terms of the Sale and Purchase Agreement
“Conditions”	the conditions precedent for Completion
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	means HK\$3,185 million, which represents 0.92x Adjusted Net Book Value of Chongqing Longhu Development of RMB31,936 million, further adjusted for Vendors’ 8.7% equity interest in Chongqing Longhu Development and the outstanding material liabilities of the Target Group at Completion which is expected to be not more than RMB20 million
“Controlling Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Consideration Shares”	the 366,344,605 new Shares of the Company to be allotted and issued to the Vendors (or as directed by either of them) on Completion based on the Issue Price and Consideration
“Deed of Indemnity”	the deed of indemnity to be entered into between the Warrantors and the Purchaser on Completion in relation to the tax liabilities of the Target Group prior to Completion and other liabilities as specified therein
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder
“First Vendor”	Charm Talent International Limited, a company incorporated in the BVI with limited liability and whose entire issued share capital is beneficially held by certain family members of Madam Wu under the Wu Family Trust.

“Goodfar Holdings”	Goodfar Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendors as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed by all the independent non-executive Directors to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to, among other things, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	means i) the Shareholders other than those who are connected with or interested or involved in (including their respective associates), or those who will receive a benefit not available to the other Shareholders in relation to, the Acquisition or the transactions contemplated by it; and/or ii) the Shareholders (other than the Vendors and their respective associates) who are not required to abstain from voting at the EGM
“Issue Price”	the issue price of the Consideration Shares of HK\$8.69 per Share, which represents the average closing price of the Shares for the last five (5) Trading Days, as stated in the daily quotation sheets of the Stock Exchange, immediately prior to the date of this announcement.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	means March 31, 2015, or such later date as may be agreed by the parties to the Sale and Purchase Agreement
“Madam Wu”	Madam Wu Yajun (吳亞軍), chairperson of the Board, an executive Director and Controlling Shareholder of the Company
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Property Projects”	the property investment, development and management projects of Chongqing Longhu Development
“Purchaser”	Juntion Development Hong Kong (Holding) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated November 3, 2014 entered into between the Company, the Purchaser, the Vendors and the Warrantors in respect of the sale and purchase of the Sale Shares
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the provisions of the Sale and Purchase Agreement
“Sale Shares”	100 ordinary shares of US\$1.00 each, representing the entire issued share capital of Goodfar Holdings as at the date of this announcement, which is registered in the name of and beneficially owned by First Vendor as to 63 shares (63%) and the Second Vendor as to 37 shares (37%), and any additional shares to be issued by Goodfar Holdings to the Vendors on or prior to Completion (if any)
“Savills”	Savills Valuation and Professional Services Limited

“Second Vendor”	Junson Development International Limited, a company incorporated in the BVI with limited liability of which the entire issued share capital is beneficially owned by certain family members of Mr. Cai Kui (a Substantial Shareholder of the Company) under the Cai Family Trust
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Group”	Goodfar Holdings and its wholly-owned subsidiaries excluding, solely for the purposes of this definition, Chongqing Longhu Development
“Trading Day(s)”	the day on which the Shares are traded on the Stock Exchange
“US” or “United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“Vendors”	the First Vendor and the Second Vendor
“Warrantors”	(a) Madam Wu; and (b) Mr. Cai Kui (蔡奎)
“Wu Family Trust”	the discretionary trust set up on June 11, 2008 by Madam Wu as settlor and protector, under which HSBC International Trustee acts as trustee of the discretionary trust and the beneficiary objects include certain family members of Madam Wu
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong from time to time

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC from time to time
“US\$”	United States dollars, the lawful currency of the United States from time to time
“%”	per cent

By order of the Board
Longfor Properties Co. Ltd.
WU Yajun
Chairperson

Hong Kong, November 3, 2014

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

For the purposes of this announcement and illustration only, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.0000 to HK\$1.2618 per the median exchange rate announced by the People’s Bank of China as at October 31, 2014. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or at any other rates.