LONGFOR
龙 湖

LONGFOR GROUP HOLDINGS LIMITED
龍 湖 集 團 控 股 有 限 公 司

(formerly known as 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, 2018

Financial Summary

- Contracted sales increased by 4.8% to RMB97.10 billion over the same period last year.
- Revenue increased by 45.9% to RMB27.12 billion over the same period last year, of which the rental income from the property investment business increased by 62.8% to RMB1.85 billion.
- Profit attributable to shareholders was RMB5.43 billion. Excluding effects, such as minority interests and valuation gains, core net profit increased by 31.4% to RMB3.73 billion over the same period last year. Gross profit increased by 48.2% to RMB10.07 billion over the same period last year and gross profit margin was 37.1%. Core net profit margin was 17.7%, and core net profit margin attributable to shareholders was 13.8%.
- The net debt to equity ratio (net debt divided by total equity) was 54.6%. Cash in hand was RMB42.13 billion.
- Consolidated total borrowings was RMB107.93 billion and average cost of borrowing was 4.5% per annum. Average maturity period of loan was 5.82 years.
- Basic earnings per share were RMB0.93. Excluding effects, such as valuation gains, core earnings per share were RMB0.64. The Board declared for the payment of an interim dividend of RMB0.3 per share, increased by 50% over the same period last year.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2018

	NOTES	Six months ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	3	27,120,815	18,594,189
Cost of sales		(17,050,830)	(11,800,798)
Gross profit		10,069,985	6,793,391
Other income	4	604,714	446,636
Other gains and losses	5	(188,405)	68,665
Fair value gain upon transfer to investment properties		406,298	190,226
Change in fair value of investment properties		2,188,990	2,147,581
Change in fair value of derivative financial instruments		(62,854)	(110,433)
Selling and marketing expenses		(871,313)	(519,176)
Administrative expenses		(1,777,854)	(905,262)
Finance costs	6	(41,737)	(21,859)
Share of results of associates		78,211	(44,284)
Share of results of joint ventures		371,989	(27,325)
Profit before taxation		10,778,024	8,018,160
Income tax expense	7	(4,085,305)	(3,129,897)
Profit for the period	8	6,692,719	4,888,263
Attributable to:			
Owners of the Company		5,429,650	4,404,890
Non-controlling interests		1,263,069	483,373
		6,692,719	4,888,263

	NOTES	Six months ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Earnings per share, in RMB cents			
Basic	10	92.9	76.0
Diluted	10	91.0	75.1
Profit for the period		6,692,719	4,888,263
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Fair value gain on investment in unlisted equity instruments at fair value through other comprehensive income		156,075	—
Item that may be reclassified subsequently to profit or loss:			
Net fair value gain (loss) on hedging instruments		185,613	(364,479)
(Gain) loss on hedging instruments reclassified to profit or loss		(332,879)	275,560
		(147,266)	(88,919)
Other comprehensive income (expense) for the period		8,809	(88,919)
Total comprehensive income for the period		6,701,528	4,799,344
Total comprehensive income attributable to:			
Owners of the Company		5,438,459	4,315,971
Non-controlling interests		1,263,069	483,373
		6,701,528	4,799,344

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2018

	NOTES	**At June 30, 2018** *RMB'000* *(unaudited)*	**At December 31, 2017** *RMB'000* *(audited)*
NON-CURRENT ASSETS			
Investment properties		75,420,389	68,094,745
Property, plant and equipment		2,212,139	862,903
Prepaid lease payments		22,746,507	37,139,443
Land use rights		419,729	434,607
Interests in associates		7,679,500	7,780,744
Interests in joint ventures		6,274,522	5,412,043
Available-for-sale investments		—	201,133
Equity instruments at fair value through other comprehensive income		557,735	—
Deposits paid for acquisition of land use rights		8,524,385	5,477,350
Derivative financial instruments		210,627	229,965
Deferred taxation assets		4,048,051	3,462,687
		128,093,584	129,095,620
CURRENT ASSETS			
Inventories		860,977	798,921
Properties under development for sales		206,268,902	151,421,146
Properties held for sales		15,081,119	10,779,489
Accounts and other receivables, deposits and prepayments	11	14,051,024	14,183,557
Amounts due from non-controlling interests		25,571,914	17,462,283
Amounts due from associates		2,955,636	2,541,177
Amounts due from joint ventures		9,476,032	6,057,689
Taxation recoverable		5,974,925	3,662,699
Pledged bank deposits		82,905	119,119
Bank balances and cash		42,044,652	26,642,154
		322,368,086	233,668,234

	NOTES	At June 30, 2018 RMB'000 (unaudited)	At December 31, 2017 RMB'000 (audited)
CURRENT LIABILITIES			
Accounts and bills payables, deposits received and accrued charges	12	37,011,623	31,943,600
Contract liabilities		130,554,149	93,486,658
Amounts due to non-controlling interests		20,196,030	18,578,643
Amounts due to associates		5,982,154	6,488,710
Amounts due to joint ventures		5,722,095	6,196,936
Taxation payable		14,601,184	15,211,025
Bank and other borrowings - due within one year		12,788,387	3,610,754
Senior notes - due within one year		—	1,977,843
Other derivative financial instruments		247,465	—
		227,103,087	177,494,169
NET CURRENT ASSETS		95,264,999	56,174,065
TOTAL ASSETS LESS CURRENT LIABILITIES		223,358,583	185,269,685
CAPITAL AND RESERVES			
Share capital		516,066	514,209
Reserves		72,340,215	70,052,455
Equity attributable to owners of the Company		72,856,281	70,566,664
Non-controlling interests		47,568,422	35,612,011
TOTAL EQUITY		120,424,703	106,178,675
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year		86,843,341	65,527,956
Senior notes - due after one year		8,300,492	6,287,640
Other derivative financial instruments		483,523	657,746
Deferred taxation liabilities		7,306,524	6,617,668
		102,933,880	79,091,010
		223,358,583	185,269,685

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

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"). With effect from June 12, 2018, the name of the Company was changed from Longfor Properties Co. Ltd. to Longfor Group Holdings Limited.

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.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017.

Application of new and amendments to IFRSs

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

IFRS 9	Financial Instruments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 - 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

In addition, the Group applied the hedge accounting prospectively.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

	Available-for-sale investments	**Equity instruments at fair value through other comprehensive income**	**Investment revaluation reserve**
	RMB'000	*RMB'000*	*RMB'000*
At December 31, 2017 - IAS 39	201,133	—	—
Effect arising from initial application of IFRS 9:			
Reclassification			
From available-for-sale investments	(201,133)	201,133	—
Remeasurement			
From cost less impairment to fair value	—	23,114	(23,114)
At January 1, 2018 - IFRS 9	—	224,247	(23,114)

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 mainly comprises shopping malls and long-term rental apartments and are all located in the PRC.

- Property management and related services and others: this segment mainly represents the income generated from property management and related services and others. 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 profit, 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, 2018 (unaudited)			
	Property development	**Property investment**	**Property management and related services and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	24,037,291	1,851,424	1,232,100	27,120,815
Inter-segment revenue	—	—	60,578	60,578
Segment revenue	24,037,291	1,851,424	1,292,678	27,181,393
Segment profit (Adjusted Earnings)	7,498,093	1,387,264	313,315	9,198,672

	Six months ended June 30, 2017 (unaudited)			
	Property development	**Property investment**	**Property management and related services and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	16,589,751	1,137,281	867,157	18,594,189
Inter-segment revenue	—	—	88,364	88,364
Segment revenue	16,589,751	1,137,281	955,521	18,682,553
Segment profit (Adjusted Earnings)	5,230,907	825,974	217,334	6,274,215

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, 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,	
	2018	**2017**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue		
Segment revenue	27,181,393	18,682,553
Elimination of inter-segment revenue	(60,578)	(88,364)
Consolidated revenue	27,120,815	18,594,189
Profit		
Segment profit	9,198,672	6,274,215
Other income	604,714	446,636
Other gains and losses	(188,405)	68,665
Fair value gain upon transfer to investment properties	406,298	190,226
Change in fair value of investment properties	2,188,990	2,147,581
Change in fair value of derivative financial instruments	(62,854)	(110,433)
Finance costs	(41,737)	(21,859)
Share of results of associates	78,211	(44,284)
Share of results of joint ventures	371,989	(27,325)
Depreciation	(43,566)	(17,573)
Unallocated expenses	(1,734,288)	(887,689)
Consolidated profit before taxation	10,778,024	8,018,160

(c) **Segment assets**

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

	At June 30,	At December 31,
	2018	**2017**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Sales of properties	233,477,856	177,179,367
Leasing of properties (Note)	51,576,449	43,015,829
Provision of property management services and others	880,521	1,015,736
Total segment assets	285,934,826	221,210,932

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, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Interest income	153,091	105,743
Government subsidies (Note a)	29,829	140,620
Penalty income (Note b)	44,273	28,693
Consultancy income (Note c)	347,607	118,742
Sundry income	29,914	52,838
Total	604,714	446,636

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 agreements on property sales or from tenants who early terminate tenancy agreements.

(c) The amount represents the consultancy services provided to the Group's joint ventures and associates in relation to the property development projects.

5. OTHER GAINS AND LOSSES

	Six months ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Gain on disposal of property, plant and equipment	313	3,279
Net exchange (loss) gain (Note)	(410,806)	340,946
Reclassification of fair value gain (loss) of hedging instruments from hedging reserve	332,879	(275,560)
Loss on early redemption of senior notes	(110,791)	—
	(188,405)	68,665

Note:

It represents exchange difference arising from translation of 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, 2018	2017
	2018	**2017**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest on bank and other borrowings		
Wholly repayable within five years	(1,418,392)	(1,020,220)
Not wholly repayable within five years	(579,398)	(366,406)
Interest expense on senior notes	(202,130)	(184,601)
	(2,199,920)	(1,571,227)
Less: Amount capitalised to properties under development for sales and investment properties under development	2,158,183	1,549,368
	(41,737)	(21,859)

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 4.81% (six months ended June 30, 2017: 4.65%) per annum for the six months ended June 30, 2018 to expenditure on the qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended June 30, 2018	2017
	2018	**2017**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current tax		
PRC Enterprise Income Tax ("EIT")	(2,238,823)	(1,621,655)
Land Appreciation Tax ("LAT")	(1,917,953)	(1,246,852)
	(4,156,776)	(2,868,507)
Overprovision (underprovision) in prior periods		
LAT*	174,963	(40,003)
	(3,981,813)	(2,908,510)
Deferred taxation		
Current period	(103,492)	(221,387)
	(4,085,305)	(3,129,897)

* The actual appreciation value of several property projects had been finalised and 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 (six months ended June 30, 2017: underprovision) 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 exemption from PRC EIT for both periods.

8. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2018	**2017**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	43,566	17,573
Gain on disposal of property, plant and equipment	(313)	(3,279)
Operating lease rentals	62,165	26,759

9. DIVIDENDS

	Six months ended June 30,	
	2018	**2017**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Dividends recognised as distribution during the period:		
Final dividend recognised in respect of 2017 of RMB0.473 (six months ended June 30, 2017: Final dividend recognised in respect of 2016 of RMB0.466) per share	2,802,418	2,739,175
Special dividend recognised in respect of 2017 of RMB0.085 (six months ended June 30, 2017: nil) per share	506,710	—
	3,309,128	2,739,175

Subsequent to the end of the reporting period, the Board declared the payment of an interim dividend of RMB1,779,101,000, representing RMB0.3 per share, based on the number of shares in issue as at June 30, 2018, in respect of the six months ended June 30, 2018 (six months ended June 30, 2017: RMB1,176,307,000).

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,	
	2018	**2017**
	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	5,429,650	4,404,890

	2018	**2017**
	'000	*'000*
	(unaudited)	*(unaudited)*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	5,842,758	5,792,185
Effect of dilutive potential ordinary shares in respect of		
- Share options and share awards	123,359	70,920
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	5,966,117	5,863,105

The weighted average number of ordinary shares adopted in the calculation of basic and diluted earnings per share for both periods have been arrived at after deducting the shares held in trust for the Company by an independent trustee under the share award scheme of the Company.

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, 2018	At December 31, 2017
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables (Note a)	1,257,433	2,253,231
Other receivables, net of allowance for doubtful debts (Note b)	5,636,643	4,401,554
Advances to suppliers	1,523,889	1,192,787
Prepaid value added tax	4,352,507	2,782,515
Prepayments and utilities deposits (Note c)	1,280,552	3,553,470
	14,051,024	14,183,557

Notes:

(a) The following is an aged analysis of trade receivables at the end of the reporting period based on the date of delivery of properties and rendering of services:

	At June 30, 2018	At December 31, 2017
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 60 days	915,113	1,968,612
61 - 180 days	158,558	162,163
181 - 365 days	151,270	91,260
1 - 2 years	32,492	31,196
	1,257,433	2,253,231

(b) Included in other receivables are rental deposits, refundable deposits for land auction and deposits for construction work.

(c) Included in the prepayments and utilities deposits, there are mainly prepaid lease payments amounting to RMB1,280,000,000 (2017: RMB3,256,896,000) which are paid on behalf of certain entities 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, 2018 *RMB'000* *(unaudited)*	At December 31, 2017 *RMB'000* *(audited)*
Trade payables and accrued expenditure on construction (Note a)	24,012,527	21,938,084
Bills payables (Note a)	821,437	1,374,910
Dividend payables	3,309,128	1,179,954
Other payables and accrued charges (Note b)	8,374,881	6,631,300
Consideration payable for acquisition of assets and liabilities through acquisition of subsidiaries	493,650	819,352
	37,011,623	31,943,600

Notes:

(a) Trade and bills 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 aged 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, 2018 *RMB'000* *(unaudited)*	At December 31, 2017 *RMB'000* *(audited)*
Within 60 days	8,308,509	9,123,583
61 - 180 days	5,548,237	4,271,838
181 - 365 days	4,269,152	3,543,843
1 - 2 years	1,189,462	1,957,950
2 - 3 years	632,593	754,589
Over 3 years	181,397	186,829
	20,129,350	19,838,632

(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 Group Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), of the interim period for the six months ended June 30, 2018.

RESULTS

From January to June 2018, contracted sales of the Group increased by 4.8% over the same period last year to RMB97.10 billion. Revenue increased by 45.9% over the same period last year to RMB27.12 billion, of which rental income from investment properties grew by 62.8% to RMB1.85 billion. Profit attributable to shareholders was RMB5.43 billion. Excluding the effects, such as minority interests and valuation gain, core net profit increased by 31.4% over the same period last year to RMB3.73 billion. Core net profit margin was 17.7% and core net profit attributable to shareholders was 13.8%. The Board declared an interim dividend of RMB0.3 per share.

Looking ahead to 2018 towards the end of last year, we indicated that we hold a constructive view towards the long-term sustainable development of the industry despite the policy headwinds. This was based on our confidence that we are still in a broader economic upcycle and expected to see continual improvement in living standards across China. Today, we are still committed to this optimistic view, in spite of the potential twists and turns ahead. The introduction of restrictive policies, financial stabilization via deleveraging and fluctuation in consumer confidence in various cities have put pressure on property sales, weighing significantly both on prices and volumes. However, industry leaders are able to deliver considerable growth. Leveraging on the deep understanding of our national footprint and staying in tune with the different sub-market dynamics, the Group recorded contracted sales of RMB97.1 billion from January to June, hitting a new milestone and strengthened its position as a top 10 developer in the country.

Apart from a consistently high cash collection ratio, the Group also enjoyed considerable financial flexibility through our diversified funding channels. We issued USD800 million of USD denominated senior notes in January[i], completed the first public offering of long-term rental apartment special bonds in China in March and August[ii]. Our RMB5 billion public offering of domestic corporate bonds was

i USD800 million senior notes denominated in USD with coupon rate of 3.9% for the 5.25-year tranche and 4.5% for the 10-year tranche, respectively

ii Under an approved cap of RMB5 billion, the initial offering size is RMB3 billion with a term of 3+2 years and a coupon rate of 5.6%; the second offering size is RMB2 billion with a term of 3+2 years and a coupon rate of 4.98%

approved in June and we captured a timely window to subsequently issue the first tranche in early August[iii]. The Group is still maintaining a relatively low average finance cost of 4.5%, flat compared to last year, amid the tightening credit environment. Longfor's deeply rooted discipline has gradually helped us build up a valuable fort for our cost of capital.

On this basis, the Group was able to gain an edge in the land market amid the challenges, and have sufficient resources to continue to invest in strategic core areas. Since January, we have tapped into 7 new cities and extended our portfolio to 40 cities. Of the 53 newly acquired land parcels, nearly 90% are situated in first- or second-tier cities on reasonable acquisition costs, which will offer attractive upside for future earnings growth. With the acceleration of industry consolidation, we believe that companies with solid foundation will be better positioned to exploit quality resources for land bank replenishment.

Apart from property development, the three core businesses of the Group remained firmly on track.

The semi-annual rental income of the malls portfolio amounted to RMB1.68 billion, with an improving tenant structure, growth of foot traffic and other operating indicators. In the second half of the year, three new Paradise Walk projects in Beijing, Changzhou and Chengdu will commence operation. The brand "Paradise Walk" developed by Longfor over the years has provided a stable income stream and we have developed a high quality content offering. Combined with information technology, this will generate the most efficient and proprietary data and interactive platform over time, providing a springboard for the Group to navigate, transform and embrace the future.

Our long-term apartment rental brand "Champion Apartments" has commenced operation in 16 cities, having launched over 20,000 apartment units. The operational capability of Longfor and the influence of Champion Apartments in the industry have facilitated the strategic cooperation with and support from China Construction Bank, the Bank of China, Industrial and Commercial Bank of China, Agricultural Bank and other state-owned banks. We have also attracted world-class professional investors like CPPIB and GIC to form dedicated funds with a win-win potential.

It is of paramount importance for Longfor to foster a culture of "treating others well" and our high standard of property management services has helped us build a strong reputation among property owners. The "intelligent services" of Longfor have been

iii Under an approved cap of RMB5 billion, the initial offering size is RMB3 billion with a term of 3+2 years and a coupon rate of 4.96%

upgraded to expand our business boundary to broader realms, such as integrated rail transport hubs and municipal administration. In view of our confidence in Longfor's service quality in meeting demand of its customers, the Group has landed its first elderly-care community project in Chongqing.

From rental and office services for the new generation, to a full spectrum of residential and retail services, and to elderly-care life experiences, Longfor has created a comprehensive closed-loop ecosystem of "Space as a Service". Our four core business arms are efficient in creating synergies and diversify our business mix, which makes us more resilient to the risks arising from cyclical fluctuations and be more responsive to competitive challenges in the future. We are focusing on the concept of "space for people" to integrate the most suitable services, and forge an optimal portfolio with strength.

We attach great importance to our social responsibilites along with business development of the Group. The Group and its substantial shareholders jointly established "Guangcai-Longfor Special Fund for Education and Poverty Alleviation" via China Guangcai Program Foundation in April, which has earmarked RMB300 million education donations in China. We firmly believe that the country will be strong if the youth are strong and the future is promising if we care for education. Just like the country's youth, Longfor is still young, capable and in our prime.

Longfor celebrated its 25th anniversary in August 2018. After enduring the test of time, we are fortunate that we remain aggressive to embrace challenges and transformation, and to keep our goals aligned with our roadmap and rhythm. The change of the company name and adoption of a new company logo were aimed at creating an image with a marriage of simple, bright, youthful and future styles. Longfor will continue to deliver satisfaction and surprises, and achieve mutual benefits via its 'space' offerings embedded with vitality, friendly services and innovative technologies.

The essential elements for a mature organization are, the simplicity and transparency of its fundamental philosophy, reliability of stringent execution, talent development and upholding our core values. We have set our future direction, and will stay vigilant and make decisions on merits for a better future.

Longfor Group Holdings Limited
Wu Yajun
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

From January to June 2018, revenue from property development business of the Group was RMB24.04 billion, representing an increase of 44.9% over the same period last year. The Group delivered 2.19 million square meters of property in gross floor area (GFA) terms. Gross profit margin of overall property development business increased by 0.3% to 34.8% over the same period last year. Recognized average selling price was RMB11,001 per square meter from January to June 2018.

Table 1: Breakdown of property development revenue of the Group from January to June 2018

* *Amount excluding tax*

City	Revenue		Total GFA	
	January to June 2018	**January to June 2017**	**January to June 2018**	**January to June 2017**
	RMB'000	*RMB'000*	*Sqm*	*Sqm*
Hangzhou	4,525,591	2,057,383	219,623	131,245
Chongqing	2,812,892	6,010,040	329,921	529,609
Chengdu	2,806,262	1,286,596	341,973	160,825
Ningbo	2,468,537	117,437	214,929	15,610
Qingdao	2,091,167	677,586	166,660	97,077
Tianjin	1,442,085	—	79,814	—
Jinan	1,384,835	70,531	178,126	16,774
Beijing	1,242,392	—	38,757	—
Quanzhou	979,077	671,157	157,030	69,596
Xi'an	890,621	177,523	115,188	24,246
Shenyang	770,969	129,806	118,023	25,071
Xiamen	707,862	63,938	56,234	7,150
Dalian	553,060	251,256	52,277	19,948
Yantai	288,915	227,922	36,437	31,293
Shanghai	269,143	3,330,809	8,864	120,327
Changsha	260,777	200,618	18,246	15,624
Changzhou	196,893	351,925	16,741	28,298
Wuxi	149,794	286,960	13,533	40,080
Nanjing	104,820	90,919	6,718	5,741
Foshan	62,087	30,096	13,134	5,638
Suzhou	21,342	157,234	1,706	10,169
Shaoxing	5,313	392,042	437	53,078
Kunming	2,857	7,973	639	985
Total	**24,037,291**	**16,589,751**	**2,185,010**	**1,408,384**

From January to June 2018, the Group achieved contracted sales of RMB97.10 billion, representing an increase of 4.8% over the same period last year. The Group sold 6.29 million square meters in total GFA, representing an increase of 5.7% over the same period last year. Average selling price of GFA sold was RMB15,435 per square meter, representing a slightly decrease of 0.8% over the same period last year. Contracted sales from Pan Bohai Rim, Yangtze River Delta, western China, southern China and central China were RMB30.55 billion, RMB27.94 billion, RMB24.65 billion, RMB11.34 billion and RMB2.62 billion respectively, accounting for 31.4%, 28.8%, 25.4%, 11.7% and 2.7% of the contracted sales of the Group, respectively.

Table 2: Details of contracted sales of the Group from January to June 2018
** Amount including tax*

City	**Contracted sales**		**Total GFA**	
	January to June 2018	**January to June 2017**	**January to June 2018**	**January to June 2017**
	RMB million	*RMB million*	*Sqm*	*Sqm*
Chongqing	14,646	10,075	1,191,739	900,765
Hangzhou	12,276	13,293	486,872	561,682
Jinan	11,894	5,083	831,883	489,063
Chengdu	8,286	9,992	664,660	784,970
Ningbo	6,554	2,467	314,376	172,095
Qingdao	5,981	7,264	457,223	590,411
Beijing	5,416	12,061	106,532	359,248
Guangzhou	4,161	1,994	96,678	35,963
Quanzhou	3,462	1,507	357,630	185,659
Hefei	3,151	—	206,288	—
Shenyang	3,052	2,514	303,559	312,201
Changsha	2,614	1,080	229,644	100,573
Wuxi	2,363	1,675	168,279	140,169
Xiamen	2,134	5,748	127,656	196,806
Nanjing	1,979	3,018	100,347	108,808
Xi'an	1,713	3,199	116,486	293,282
Fuzhou	1,209	—	78,187	—
Tianjin	1,136	1,323	62,665	66,150
Yantai	1,113	417	113,013	49,553
Baoding	1,005	—	72,620	—
Changzhou	965	2,397	61,052	192,621
Dalian	955	1,636	56,383	108,979
Jiaxing	543	—	36,258	—
Foshan	376	564	40,723	53,786
Suzhou	78	2,284	5,582	81,258
Shanghai	24	2,332	2,969	69,255
Shaoxing	6	702	755	96,387
Kunming	3	1	639	374
Total	97,095	92,626	6,290,698	5,950,058

As at June 30, 2018, the Group had sold but unrecognized contracted sales of RMB205.7 billion (with an area of 12.83 million square meters), which formed a solid basis for the Group's sustainable and stable growth in the core net profit in the future.

PROPERTY INVESTMENT

The Group maintains a prudent property investment strategy. Currently, investment properties of the Group are mainly shopping malls under three major product series, namely Paradise Walk series, which are one-stop experiencing shopping malls, Starry Street series, which are community shopping malls, and MOCO, which are mid to high-end household and lifestyle shopping centers. In addition to the shopping malls, Champion Apartments, which provide young customers with high quality comprehensive rental services, have gradually commenced operation in 16 first tier and leading second tier cities such as Beijing, Shanghai, Hangzhou, Nanjing, Chongqing, and Chengdu.

From January to June 2018, the rental income, net of tax, of the Group's property investment business was RMB1.85 billion, representing an increase of 62.8% over the same period last year. Shopping malls, Champion Apartments and others accounted for 90.7%, 7.5% and 1.8% of the total rental income respectively. As at June 30, 2018, the Group has shopping malls of 2.58 million square meters (3.37 million square meters in GFA with parking space included) which have commenced operation with an occupancy rate of 97.0%. The occupancy rate of Champion Apartments which have commenced operation was 76.2%, and of which have commenced operation for more than six months was 90.1%.

Table 3: Breakdown of rental income of the Group from January to June 2018
** Amount excluding tax*

Table 3.1: Shopping malls

		January to June 2018			January to June 2017			
	GFA	**Rental income**	**% of Rental**	**Occupancy rate**	**Rental income**	**% of Rental**	**Occupancy rate**	**Change of rental income**
	sqm	*RMB'000*			*RMB'000*			
Chongqing North Paradise Walk	120,778	228,410	13.6%	98.7%	202,324	17.9%	99.7%	12.9%
Chongqing West Paradise Walk	76,031	80,761	4.8%	95.2%	78,924	7.0%	92.6%	2.3%
Chongqing Time Paradise Walk Phase I	160,168	161,384	9.6%	97.0%	134,515	11.9%	95.2%	20.0%
Chongqing Time Paradise Walk Phase II	154,460	94,308	5.6%	93.9%	76,303	6.8%	98.0%	23.6%
Chongqing Time Paradise Walk Phase III	73,774	33,265	2.0%	94.2%	28,609	2.5%	99.1%	16.3%
Chengdu Three Thousand Paradise Walk	38,043	17,901	1.1%	99.7%	16,112	1.4%	100.0%	11.1%
Chengdu North Paradise Walk	215,536	74,238	4.4%	92.5%	63,935	5.7%	78.6%	16.1%
Chengdu Time Paradise Walk Phase I	61,989	21,175	1.3%	100.0%	15,527	1.4%	100.0%	36.4%
Beijing Changying Paradise Walk	221,286	172,842	10.3%	98.5%	141,704	12.5%	99.5%	22.0%
Hangzhou Jinsha Paradise Walk	151,135	103,923	6.2%	99.5%	93,913	8.3%	99.7%	10.7%
Chengdu Jinnan Paradise Walk	91,638	55,678	3.3%	100.0%	50,284	4.5%	99.6%	10.7%
Beijing Daxing Paradise Walk	144,565	86,426	5.1%	97.2%	64,231	5.7%	99.3%	34.6%
Shanghai Hongqiao Paradise Walk	170,450	49,799	3.0%	92.5%	33,241	2.9%	92.7%	49.8%
Chongqing U-City Paradise Walk Phase I	15,516	6,674	0.4%	95.2%	7,258	0.6%	99.4%	-8.0%
Chongqing U-City Paradise Walk Phase II	96,411	36,262	2.2%	98.1%	—	—	—	
Chongqing Hometown Paradise Walk	93,152	38,363	2.3%	99.8%	6,518	0.6%	99.0%	488.6%
Hangzhou Binjiang Paradise Walk Phase I	158,067	108,071	6.4%	99.4%	—	—	—	
Suzhou Shishan Paradise Walk	197,466	103,650	6.2%	98.0%	—	—	—	
Shanghai Baoshan Paradise Walk	98,339	78,997	4.7%	98.8%	—	—	—	
Paradise Walk Subtotal	**2,338,804**	**1,552,127**	**92.5%**	**97.0%**	**1,013,398**	**89.7%**	**95.4%**	**53.2%**
Chongqing Crystal Castle	16,161	10,900	0.6%	100.0%	8,639	0.8%	99.7%	26.2%
Chongqing Chunsen Starry Street	54,618	14,909	0.9%	89.6%	12,676	1.1%	77.8%	17.6%
Chongqing Fairy Castle	29,413	5,957	0.4%	100.0%	5,906	0.5%	100.0%	0.9%
Beijing Summer Palace Starry Street	6,320	11,592	0.7%	100.0%	10,031	0.9%	100.0%	15.6%
Xi'an Daxing Starry Street	44,227	24,353	1.5%	99.8%	21,404	1.9%	99.7%	13.8%
Xi'an Qujiang Starry Street	63,206	28,827	1.6%	99.7%	26,078	2.3%	99.7%	10.5%
Others	—	12,680	0.8%	N/A	14,548	1.3%	N/A	-12.8%
Starry Street Subtotal	**213,945**	**109,218**	**6.5%**	**97.1%**	**99,282**	**8.8%**	**93.8%**	**10.0%**
Chongqing MOCO	29,104	17,598	1.0%	98.4%	16,922	1.5%	96.3%	4.0%
MOCO Subtotal	**29,104**	**17,598**	**1.0%**	**98.4%**	**16,922**	**1.5%**	**96.3%**	**4.0%**
Total for projects that had commenced operation	**2,581,853**	**1,678,943**	**100.0%**	**97.0%**	**1,129,602**	**100.0%**	**95.2%**	**48.6%**

From January to June 2018, the total retail sales of shopping malls were RMB 10.0 billion, representing an increase of 44% over the same period last year. Total foot traffic was 190 million, representing an increase of 41% over the same period last year.

Table 3.2: Champion Apartments and others

	January to June 2018			January to June 2017			
	Rental income	**% of Rental**	**Occupancy rate**	**Rental income**	**% of Rental**	**Occupancy rate**	**Change of rental income**
	RMB'000			*RMB'000*			
Champion Apartments							
Commenced operation for within three months	5,959	4.3%	38.7%	—	—	—	
Commenced operation for more than three months	132,810	95.7%	90.1%	3,173	100.0%	80.7%	4,085.6%
Among which: Commenced operation for more than six months	*132,810*	*95.7%*	*90.1%*	—	—	—	
Total for projects that had commenced operation	**138,769**	**100.0%**	**76.2%**	**3,173**	**100.0%**	**80.7%**	**4,273.4%**
Total for other projects that had commenced operation	**33,712**	**100.0%**	**N/A**	**4,506**	**100.0%**	**N/A**	**648.2%**

The Group has 18 shopping malls under construction with a total GFA of about 1.91 million square meters.

Table 4: Breakdown of investment properties under construction of the Group in 2018 to 2020

	Estimated Commencement of Operation	**Planned GFA**
		Sqm
Beijing Fangshan Paradise Walk	2018	101,317
Changzhou Longcheng Paradise Walk	2018	118,921
Chengdu Xichen Paradise Walk	2018	150,281
Shanghai Minhang Starry Street	2019	26,899
Nanjing Liuhe Paradise Walk	2019	110,179
Shanghai Minhang Paradise Walk	2019	113,859
Hangzhou Binjiang Paradise Walk II	2019	22,076
Chengdu Shangcheng Paradise Walk	2019	120,000
Hefei Yaohai Paradise Walk	2019	98,320
Shanghai Huajing Paradise Walk	2019	42,497
Chengdu Binjiang Paradise Walk	2019	140,000
Nanjing Longwan Paradise Walk	2020	114,470
Nanjing Jiangbei Paradise Walk	2020	143,000
Nanjing Hexi Paradise Walk	2020	112,216
Hangzhou Zijing Paradise Walk	2020	83,000
Chongqing Jinsha Paradise Walk	2020	204,374
Suzhou Xinghu Paradise Walk	2020	112,106
Changsha Yanghu Paradise Walk	2020	99,988
Projects under construction in total		**1,913,503**

Due to the rental increase of shopping malls in operation, continuous investments in projects under construction and the development of long-term rental apartments "Champion Apartments", the valuation gain of investment properties of the Group amounted to RMB2.60 billion from January to June 2018.

COST CONTROL

From the end of last year to June 30, 2018, the Group started business in six new cities. In order to support the rapid development of our business, enhance headquarter functions and reserve of talents in regional management teams, from January to

June 2018, the Group's general and administrative expenses to the total contracted sales increased by 0.85% to 1.83%. Meanwhile, as the Group's marketing expenses were increased to strengthen our brand influence, the selling expenses to the total contracted sales increased by 0.34% to 0.90% over the same period last year.

SHARE OF RESULTS OF JOINT VENTURES

From January to June 2018, the contribution of joint ventures was mainly from the Group's 34.0%-owned Beijing Rose & Gingko Mansion. The attributable profit after tax of the Group in joint ventures was RMB370 million.

SHARE OF RESULTS OF ASSOCIATES

From January to June 2018, the contribution of associates was mainly from the Group's 10.0%-owned Hangzhou Shijizhiguang. The attributable profit after tax of the Group in associates was RMB80 million.

INCOME TAX EXPENSE

Income tax expenses comprised of PRC enterprise income tax and land appreciation tax. From January to June 2018, the enterprise income tax and the land appreciation tax of the Group were RMB2.35 billion and RMB1.74 billion, respectively. The total income tax expenses for the period amounted to RMB4.09 billion.

PROFITABILITY

From January to June 2018, the Group's core net profit margin (i.e. after excluding the effects of valuation gains, the ratio of the core profit after tax to the revenue) was 17.7%, as compared with 17.5% of the corresponding period of last year and the core net profit margin attributable to shareholders (i.e. after excluding the effects, such as minority interests and valuation gains, the ratio of the core net profit attributable to shareholders to the revenue) was 13.8%, as compared with 15.3% of the corresponding period of last year. The above is mainly due to the increase of revenue during the current period and the combined effects of expenses, share of results of joint ventures and associates and the changes of income tax expense.

LAND BANK REPLENISHMENT

As at June 30, 2018, the Group's total land bank was 63.63 million square meters or 45.52 million square meters on an attributable basis. The average unit land cost was RMB5,142 per square meter, accounting for 33.3% of unit price of current contracted sales. In terms of regional breakdown, land bank in Pan Bohai Rim, western China, Yangtze River Delta, central China, southern China and Hong Kong Region accounted for 34.3%, 31.8%, 19.7%, 7.1%, 7.0% and 0.1% of the total land bank, respectively.

From January to June 2018, the Group has acquired new land bank with total GFA of 12.98 million square meters or 8.98 million square meters on an attributable basis. Average cost of acquisition on an attributable basis was RMB4,849 per square meter. In terms of regional breakdown, the area of western China, Pan Bohai Rim, Yangtze River Delta, central China and southern China accounted for 46.4%, 20.7%, 19.8%, 7.8% and 5.3% of the total GFA of the newly acquired land bank.

Subsequent to the end of the reporting period, the Group has acquired new land bank with total GFA of 1.35 million square meters or 1.28 million square meters on an attributable basis. In terms of regional breakdown, land bank in Yangtze River Delta, western China, central China and Pan Bohai Rim accounted for 32.3%, 28.2%, 28.1% and 11.4% of the total GFA of the land bank acquired subsequent to the end of the reporting period, respectively.

As at June 30, 2018, there were 38 cities covered by the Group. In addition to focusing on the first and second-tier cities, we also made appropriate investment in projects located in city clusters within metropolitan circles. The project size was also controlled at an appropriate level, which laid a well foundation for improving the turnover cycle of the Group's properties available for sale.

The geographic spread of the land bank of the Group was as follows:

Table 5: Breakdown of land bank of the Group

Region	**City**	**Total GFA**	**% Of Total**	**Attributable GFA**	**% Of Total**
		Spm		*Spm*	
Pan Bohai Rim	Beijing	2,987,194	4.7%	976,970	2.1%
	Shenyang	2,145,497	3.4%	1,951,867	4.3%
	Qingdao	2,750,596	4.3%	1,777,213	3.9%
	Yantai	7,074,332	11.0%	7,074,332	15.6%
	Jinan	4,428,944	7.0%	2,480,756	5.4%
	Dalian	488,590	0.8%	379,011	0.8%
	Tianjin	1,103,097	1.7%	731,308	1.6%
	Baoding	751,001	1.2%	525,701	1.2%
	Shijiazhuang	156,040	0.2%	85,822	0.2%
	Subtotal	**21,885,291**	**34.3%**	**15,982,980**	**35.1%**

Region	City	Total GFA *Spm*	% Of Total	Attributable GFA *Spm*	% Of Total
Central China	Changsha	1,454,808	2.3%	899,568	2.0%
	Wuhan	2,730,826	4.3%	1,055,878	2.3%
	Nanchang	156,415	0.2%	156,415	0.3%
	Zhengzhou	163,948	0.3%	163,948	0.4%
	Subtotal	**4,505,997**	**7.1%**	**2,275,809**	**5.0%**
Western China	Chongqing	10,694,112	16.8%	8,315,361	18.2%
	Chengdu	4,161,821	6.5%	2,954,079	6.5%
	Xi'an	1,198,715	1.9%	998,653	2.2%
	Yuxi	802,406	1.3%	802,406	1.8%
	Guiyang	2,048,341	3.2%	1,843,507	4.0%
	Kunming	1,325,936	2.1%	486,595	1.1%
	Subtotal	**20,231,331**	**31.8%**	**15,400,601**	**33.8%**
Yangtze River Delta	Shanghai	1,283,371	2.0%	754,897	1.7%
	Wuxi	1,035,238	1.6%	899,326	2.0%
	Changzhou	461,781	0.7%	461,781	1.0%
	Hangzhou	3,355,810	5.4%	2,099,327	4.6%
	Ningbo	1,314,446	2.1%	1,020,443	2.2%
	Suzhou	1,312,724	2.1%	1,002,251	2.2%
	Nanjing	1,646,751	2.6%	1,471,186	3.2%
	Hefei	1,230,932	1.9%	587,099	1.3%
	Jiaxing	531,569	0.8%	344,771	0.8%
	Nantong	347,800	0.5%	139,120	0.3%
	Subtotal	**12,520,422**	**19.7%**	**8,780,201**	**19.3%**
Southern China	Xiamen	1,365,269	2.1%	629,564	1.4%
	Quanzhou	1,115,391	1.8%	1,115,391	2.4%
	Guangzhou	899,551	1.4%	524,899	1.2%
	Foshan	193,055	0.3%	136,376	0.3%
	Shenzhen	113,389	0.2%	108,189	0.2%
	Fuzhou	365,758	0.6%	165,264	0.4%
	Zhuhai	376,558	0.6%	376,558	0.8%
	Subtotal	**4,428,971**	**7.0%**	**3,056,241**	**6.7%**
Hong Kong Region	Hong Kong	54,416	0.1%	27,208	0.1%
	Subtotal	**54,416**	**0.1%**	**27,208**	**0.1%**
	Total	**63,626,428**	**100.0%**	**45,523,040**	**100.0%**

Table 6: Land acquisition from January to June 2018

Region	**Project**	**City**	**Attributable Interest**	**Total GFA**	**Attributable GFA**
			%	*Sqm*	*Sqm*
Pan Bohai Rim	High-tech Zone Plot	Jinan	34.0%	496,823	168,920
	Huaxun Fangzhou Plot	Qingdao	80.0%	356,213	284,970
	Jiaozhou Plot	Qingdao	70.0%	1,045,647	731,953
	Dahushanyu Plot	Dalian	51.0%	223,631	114,052
	Gaotie Street West Plot	Shenyang	34.0%	180,164	61,256
	Jingguan Avenue Plot	Shijiazhuang	55.0%	156,040	85,822
	Chufeng 2nd Street Plot	Yantai	100.0%	59,217	59,217
	Sunhe N Plot	Beijing	9.0%	164,137	14,771
	Subtotal			**2,681,872**	**1,520,961**
Western China	Zhaomushan III Plot	Chongqing	100.0%	92,191	92,191
	Lijiatuo Plot	Chongqing	70.0%	1,092,373	764,661
	Longxing Fusheng II Plot	Chongqing	51.0%	507,578	258,865
	Lijiatuo II Plot	Chongqing	100.0%	461,355	461,355
	Peninsula Plot	Kunming	100.0%	41,577	41,577
	Fanya New District Plot	Kunming	26.5%	160,909	42,641
	Huancheng South Road Plot	Kunming	100.0%	30,915	30,915
	Fanya New Zone Plot	Kunming	34.0%	1,092,535	371,462
	Yanhuan Mid Road A Plot	Xi'an	51.0%	184,375	94,031
	Yanhuan Mid Road B Plot	Xi'an	80.0%	267,200	213,760
	Dafeng II Plot	Chengdu	100.0%	35,331	35,331
	Tianfu 3rd Street Project	Chengdu	100.0%	8,255	8,255
	Jinzhu Jiaxiu South Road Plot	Guiyang	90.0%	2,048,341	1,843,507
	Subtotal			**6,022,935**	**4,258,551**
Yangtze River Delta	University Town Plot	Hangzhou	100.0%	212,313	212,313
	Dingqiao Plot	Hangzhou	100.0%	266,864	266,864
	Jianqiao Plot	Hangzhou	26.0%	153,774	39,981
	Pengbu I Plot	Hangzhou	40.0%	116,488	46,595
	Pengbu II Plot	Hangzhou	66.0%	133,621	88,190
	Jisan Center East Plot	Suzhou	100.0%	189,779	189,779
	Jisan Center West Plot	Suzhou	100.0%	280,841	280,841
	Shihu East Road Plot	Suzhou	49.0%	367,132	179,895
	Yiguan Road North Plot	Wuxi	55.0%	65,562	36,059

Region	Project	City	Attributable Interest	Total GFA	Attributable GFA
			%	*Sqm*	*Sqm*
	Dongjiang Plot	Wuxi	100.0%	62,209	62,209
	Yiren Hospital North Plot	Wuxi	100.0%	197,016	197,016
	Economic Development Area Plot	Nantong	40.0%	347,800	139,120
	Yaohai E1801 Plot	Hefei	100.0%	103,461	103,461
	Huajing Project	Shanghai	51.0%	76,277	38,901
	Subtotal			**2,573,137**	**1,881,224**
Central China	Xianghu 2nd Road Plot	Nanchang	100.0%	156,415	156,415
	Longhuzhen Plot	Zhengzhou	100.0%	163,948	163,948
	Guanggu 5th Road II Plot	Wuhan	52.0%	690,703	359,166
	Subtotal			**1,011,066**	**679,529**
Southern China	Aerotropolis Plot	Zhuhai	100.0%	49,201	49,201
	Jinwan Plot	Zhuhai	100.0%	286,294	286,294
	Wusibei Plot	Fuzhou	60.0%	139,964	83,978
	Xuefu Road Plot	Quanzhou	100.0%	215,362	215,362
	Subtotal			**690,821**	**634,835**
	Total			**12,979,831**	**8,975,100**

Details of the land bank acquired by the Group subsequent to the end of the reporting period are as follows:

Table 7: Land acquisition subsequent to the end of the reporting period

Region	Project	City	Attributable Interest	Expected GFA	Attributable GFA
			%	*Sqm*	*Sqm*
Pan Bohai Rim	Shenghai Mingju South Project	Weihai	60.00%	76,023	45,614
	Longwangtang Street Project	Dalian	100.00%	77,625	77,625
	Subtotal			**153,648**	**123,239**
Western China	Cujin Street II Plot	Chengdu	100.00%	90,731	90,731
	Fengcheng 7th Road I Plot	Xi'an	100.00%	103,832	103,832
	Fengcheng 7th Road II Plot	Xi'an	100.00%	185,788	185,788
	Subtotal			**380,351**	**380,351**
Yangtze River Delta	Chuanbu Road North Plot	Wuxi	100.00%	55,678	55,678
	Brilliance of Lihu Plot	Wuxi	100.00%	65,231	65,231
	Guandu No.2 Plot	Shaoxing	100.00%	163,201	163,201
	Dongqian Lake Plot	Ningbo	100.00%	151,946	151,946
	Subtotal			**436,056**	**436,056**
Central China	North Xincheng Plot	Changde	100.00%	302,227	302,227
	Gaoxin C04 Plot	Changsha	51.00%	77,723	39,639
	Subtotal			**379,950**	**341,866**
	Total			**1,350,005**	**1,281,512**

FINANCIAL POSITION

As at June 30, 2018, the Group's consolidated borrowings amounted to RMB107.93 billion. The net debt to equity ratio (net debt divided by total equity) of the Group was 54.6%. Cash in hand reached RMB42.13 billion. The credit rating of the Group was BBB- by Standard & Poor, Baa3 by Moody's, BBB by Fitch, and AAA by Dagong International*, CCXR* and Shanghai Brilliance, with positive outlook from Standard & Poor and stable outlook from others.

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

Approximately 78% of the Group's total borrowings were denominated in RMB, while 22% were denominated in foreign currencies. The Group is maintaining its borrowings in foreign currencies in a low proportion with a certain amount of exchange rate swap so as to control the risk in exchange losses.

Approximately RMB41.86 billion of the Group's consolidated borrowings were with fixed rates ranging from 3.06% per annum to 5.60% per annum, depending on the terms of the loans, and the other loans were quoted at floating rates. As of June 30, 2018, the proportion of fixed interest debt was 39% (December 31, 2017: 50%) of the total debt.

In 2018, the Group successfully issued senior notes of US$800 million in the international capital market, at a coupon rate ranging from 3.9% to 4.5% per annum and terms ranging from five years and three months to ten years; meanwhile, the Group successfully issued rental apartments special bonds of RMB3 billion in the domestic capital market, at a coupon rate of 5.6% per annum with a term of five years. The Group's average cost of borrowing was 4.5% per annum. The average maturity period of loan was 5.82 years. The proportion of unsecured debt was 70%.

Subsequent to the end of the reporting period, in August 2018, the Group successfully issued corporate bonds of RMB3 billion in the domestic capital market, at a coupon rate of 4.96% per annum with a term of five years, and successfully issued rental apartments special bonds of RMB2 billion in the domestic capital market, at a coupon rate of 4.98% per annum with a term of five years.

EMPLOYEES AND COMPENSATION POLICY

As at June 30, 2018, the Group had 22,823 full-time employees in China. Of these employees, 6,546 worked in the property development division, 3,024 in the property investment division, and 13,253 in the property management division. Average age of our employees is 31.5 years old.

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 2018, local regulation and control were deepened and strengthened, and the development of long-term mechanism was in steady progress. The growth of real estate sales slowed down and the market concentration increased rapidly. In the second half of 2018, we expect that the government will continue the regulation and control for "keeping houses for living in, not for speculation" purpose and further establish a sound and long-term mechanism. The industry has come to the second half of the deep change. Only by actively catering for the needs of industrial structure transformation, continuously upgrading products and services, refining management and diversifying development, can we seize new opportunities and maintain a leading edge in the industry.

Since the beginning of the year, the Group has propositioned the strategic concept of "Space as a Service", with property development, commercial property, long-term rental apartments and property management services as the four core business, with comprehensive execution of the connection between space and people, multi-dimensional drive, and collaborative development; meanwhile the Group has optimized every system through in-depth city exploration, precise investment, and refined operations, and enhanced core competencies through precise customer research and product positioning.

In the second half of 2018, the Group has 110 key projects for sale currently on the market, among which 39 are brand new projects and 56 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 demand from customers, thus enabling the Group to have precise product positioning and to achieve our goals in such market.

The Group (including joint ventures and associates) has completed properties of approximately 3.02 million square meters in GFA from January to June in 2018. The total GFA of properties planned to complete construction in 2018 will reach approximately 10.09 million square meters, most of which will be completed in the second half of the year. The current construction and sales progress are on track.

Regarding to the investment properties, Beijing Fangshan Paradis Walk, Changzhou Longcheng Paradise Walk and Chengdu Xichen Paradise Walk are expected to commence operation in the second half of 2018, while our long-term rental "Champion Apartments" has been commencing operation in 16 first tier and leading second tier cities such as Beijing, Shanghai, Hangzhou, Nanjing, Chongqing and Chengdu as of June 30, 2018. The investment and development of the above two core business will lay a solid foundation for future growth of rental income from investment properties of the Group.

In the market environment with further increase in industry concentration and differentiation, the Group will continue to maintain a prudent and rational financial management strategy in order to preserve stable and healthy financial position and gearing ratio, and maintain ample cash flow. At the same time, we will further expand our domestic and overseas financing channels, optimize the debt maturity and currency structure, and lower the funding cost, thereby leading to a safer and healthier financial position of the Company.

PAYMENT OF INTERIM DIVIDEND

The Board declared payment of an interim dividend of RMB0.3 per share for the six months ended June 30, 2018. The interim dividend shall be declared in RMB and paid in Hong Kong dollars. The interim dividend payable in Hong Kong dollars will be converted from RMB at the average mid-point rate of exchange rates of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from Monday, January 7, 2019 to Tuesday, January 8, 2019. The interim dividend will be paid on or about Friday, January 18, 2019 to the shareholders whose names appear on the register of members of the Company on Tuesday, January 8, 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, January 7, 2019 to Tuesday, January 8, 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong

Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, January 4, 2019.

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

During the six months ended June 30, 2018, the trustee of the Restricted Share Award Scheme purchased on the Stock Exchange a total of 8,366,706 shares at a total consideration of approximately HKD187,167,804 pursuant to the terms of the trust deed under the Restricted Share Award Scheme. Other than the aforesaid, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2018.

CORPORATE GOVERNANCE

During the six months ended 30 June 2018, 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 for the following deviation:

During the six months ended 30 June 2018, the Company has not established Nomination Committee as required by the provision A.5 of the Code. Madam Wu Yajun as the Chairman of the board 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 being responsible for the nomination of directorship is more effective than the 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, 2018 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, 2018.

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 2018 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 Group Holdings Limited
Wu Yajun
Chairperson

Hong Kong, August 21, 2018

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