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LONGFOR GROUP HOLDINGS LIMITED

龍湖集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 960)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

Financial Summary

- Contracted sales increased by 5.2% to RMB111.10 billion over the same period last year.
- Revenue increased by 32.6% to RMB51.14 billion over the same period last year, of which the rental income from the property investment business increased by 30.4% to RMB3.36 billion.
- Profit attributable to shareholders was RMB6.34 billion. Excluding effects of fair value changes, core net profit attributable to shareholders increased by 12.1% to RMB5.27 billion over the same period last year. Gross profit increased by 25.2% to RMB15.75 billion over the same period last year and gross profit margin was 30.8%. Core net profit margin was 14.6%, and core net profit margin attributable to shareholders was 10.3%.
- The net debt to equity ratio (net debt divided by total equity) was 51.4%. Cash in hand was RMB78.40 billion.
- Consolidated total borrowings was RMB168.56 billion and average cost of borrowing was 4.5% per annum. Average maturity period of loan was 6.45 years.
- Basic earnings per share were RMB1.08. Excluding effects of fair value changes, core basic earnings per share were RMB0.90. The Board declared for the payment of an interim dividend of RMB0.40 per share, increased by 11.1% over the same period last year.

INTERIM RESULTS

The board of directors (the “**Board**”) of Longfor Group Holdings Limited (the “**Company**” or “**Longfor**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended June 30, 2020 with comparative figures for the preceding corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2020

		Six months ended June 30,	
	<i>NOTES</i>	2020	2019
		RMB' 000	RMB' 000
		(unaudited)	(unaudited)
Revenue	3	51,141,340	38,569,813
Cost of sales		<u>(35,394,350)</u>	<u>(25,987,889)</u>
Gross profit		15,746,990	12,581,924
Other income	4	593,894	617,529
Other gains and losses	5	(147,489)	(66,789)
Lease liability charges		(339,812)	(252,292)
Fair value (loss) gain upon transfer to investment properties		(22,032)	105,185
Change in fair value of investment properties		1,755,551	2,206,897
Change in fair value of other derivative financial instruments		23,502	219,623
Selling and marketing expenses		(1,714,060)	(1,175,094)
Administrative expenses		(2,899,331)	(2,165,526)
Finance costs	6	(73,013)	(58,482)
Share of results of associates		526,138	381,058
Share of results of joint ventures		<u>186,796</u>	<u>675,742</u>
Profit before taxation		13,637,134	13,069,775
Income tax expense	7	<u>(4,872,280)</u>	<u>(4,919,938)</u>
Profit for the period	8	<u><u>8,764,854</u></u>	<u><u>8,149,837</u></u>
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Fair value gain on investments in equity instruments at fair value through other comprehensive income		<u>2,741</u>	<u>—</u>

		Six months ended June 30,	
		2020	2019
	<i>NOTES</i>	RMB' 000	RMB' 000
		(unaudited)	(unaudited)
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on hedging instruments		652,792	287,598
Gain on hedging instruments reclassified to profit or loss		(265,433)	(99,097)
		<u>387,359</u>	<u>188,501</u>
Other comprehensive income for the period		<u>390,100</u>	<u>188,501</u>
Total comprehensive income for the period		<u>9,154,954</u>	<u>8,338,338</u>
Profit for the period attributable to:			
Owners of the Company		6,338,613	6,309,981
Non-controlling interests		2,426,241	1,839,856
		<u>8,764,854</u>	<u>8,149,837</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		6,728,713	6,498,482
Non-controlling interests		2,426,241	1,839,856
		<u>9,154,954</u>	<u>8,338,338</u>
Earnings per share, in RMB cents			
Basic	<i>10</i>	<u>107.9</u>	<u>107.8</u>
Diluted	<i>10</i>	<u>105.9</u>	<u>106.0</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2020**

	<i>NOTES</i>	At June 30, 2020 RMB'000 (unaudited)	At December 31, 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Investment properties		141,422,511	130,804,011
Property, plant and equipment		2,034,259	1,982,193
Right-of-use assets		529,257	535,160
Goodwill		275,976	–
Intangible assets		213,008	66,710
Interests in associates		9,992,822	8,235,167
Interests in joint ventures		6,897,721	6,570,314
Equity instruments at fair value through other comprehensive income		1,811,535	1,420,202
Derivative financial instruments		1,360,447	644,113
Other derivative financial instruments		37,275	–
Deferred taxation assets		7,974,650	6,725,593
		<u>172,549,461</u>	<u>156,983,463</u>
CURRENT ASSETS			
Inventories of properties		361,405,804	331,391,372
Other inventories		535,248	581,456
Deposits paid for acquisition of properties held for development		6,745,762	5,200,886
Accounts and other receivables, deposits and prepayments	<i>11</i>	29,098,784	28,691,884
Amounts due from non-controlling interests		54,171,954	43,881,834
Amounts due from associates		8,188,846	9,070,311
Amounts due from joint ventures		10,158,102	10,450,049
Taxation recoverable		7,279,785	4,591,727
Financial assets at fair value through profit or loss		100,000	450,000
Other derivative financial instruments		12,509	–
Pledged bank deposits		138,311	169,491
Bank balances and cash		78,258,331	60,782,375
		<u>556,093,436</u>	<u>495,261,385</u>

		At June 30, 2020 <i>RMB'000</i> (unaudited)	At December 31, 2019 <i>RMB'000</i> (audited)
CURRENT LIABILITIES			
Accounts and bills payables, other payables and accrued charges	12	97,419,719	91,973,602
Contract liabilities		195,380,051	155,155,691
Amounts due to non-controlling interests		27,695,480	27,729,998
Amounts due to associates		4,512,311	6,990,797
Amounts due to joint ventures		8,688,827	8,845,022
Taxation payable		27,715,937	28,288,145
Lease liabilities		1,100,125	1,009,463
Other derivative financial instruments		30,024	–
Bank and other borrowings – due within one year		17,213,802	13,927,462
		<u>379,756,276</u>	<u>333,920,180</u>
NET CURRENT ASSETS		<u>176,337,160</u>	<u>161,341,205</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>348,886,621</u>	<u>318,324,668</u>
CAPITAL AND RESERVES			
Share capital		521,778	520,725
Reserves		93,995,142	93,435,586
Equity attributable to owners of the Company		<u>94,516,920</u>	<u>93,956,311</u>
Non-controlling interests		<u>80,988,029</u>	<u>72,721,445</u>
TOTAL EQUITY		<u>175,504,949</u>	<u>166,677,756</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year		131,814,324	117,378,159
Senior notes – due after one year		19,529,777	14,693,411
Lease liabilities		11,451,161	10,246,579
Derivative financial instruments		132,425	68,883
Other derivative financial instruments		19,427	14,780
Deferred taxation liabilities		10,434,558	9,245,100
		<u>173,381,672</u>	<u>151,646,912</u>
		<u>348,886,621</u>	<u>318,324,668</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) *Interim Financial Reporting* issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2019.

Application of new and amendments to IFRSs and an interpretation

In the current interim period, the Group has applied the Amendments to References to Conceptual Framework in IFRS and the following amendments to IFRSs issued by the International Accounting Standards Board, for the first time which are mandatory effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to Conceptual Framework in IFRS and the amendments to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of application on Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending December 31, 2020.

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 represents the development and sales of office premises, commercial and residential properties. All the Group’s activities in this regard are carried out in the PRC.
- Property investment: this segment represents the lease of investment properties, which are self-developed or under subleases 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 rental housing 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, hotel operation 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:

Segment assets include all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of deposits paid for acquisition of properties held for development, interests in associates and joint ventures, equity instruments at fair value through other comprehensive income (“FVTOCI”), deferred taxation assets, taxation recoverable, derivative financial instruments, other derivative financial instruments, financial assets at fair value through profit or loss (“FVTPL”) and other corporate assets. Other corporate assets are not allocated to the operating segments because they are head office assets or assets which are managed centrally by the Group. The investment properties included in segment assets are stated at cost when assessed by the chief operating decision maker. Segment liabilities include accounts and bills payables and accrued expenditure on construction, lease liabilities and contract liabilities but exclude taxation payable, deferred taxation liabilities, bank and other borrowings, senior notes, derivative financial instruments, other derivative financial instruments and other corporate liabilities. Other corporate liabilities are not allocated to the operating segment because they are head office liabilities or liabilities which are managed on a group basis.

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 and amortisation, 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 other 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, 2020 (unaudited)				
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management and related services and others <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers				
Recognised at a point in time	39,711,718	–	–	39,711,718
Recognised over time	5,536,903	3,360,166	2,532,553	11,429,622
Inter-segment revenue	–	–	321,292	321,292
Segment revenue	<u>45,248,621</u>	<u>3,360,166</u>	<u>2,853,845</u>	<u>51,462,632</u>
Segment profit (Adjusted Earnings)	<u>10,559,667</u>	<u>2,400,400</u>	<u>733,051</u>	<u>13,693,118</u>
Six months ended June 30, 2019 (unaudited)				
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Property management and related services and others <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers				
Recognised at a point in time	30,351,766	–	–	30,351,766
Recognised over time	3,813,351	2,577,135	1,827,561	8,218,047
Inter-segment revenue	–	–	123,293	123,293
Segment revenue	<u>34,165,117</u>	<u>2,577,135</u>	<u>1,950,854</u>	<u>38,693,106</u>
Segment profit (Adjusted Earnings)	<u>8,905,632</u>	<u>1,803,094</u>	<u>445,812</u>	<u>11,154,538</u>

In addition to receiving segment information concerning segment profit, the CODM is provided with information concerning the Group's consolidated amount of interests in associates and related share of results, 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 other derivative financial instruments, other income, other gains and losses, finance costs from borrowings, depreciation and amortisation 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,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
Segment revenue	51,462,632	38,693,106
Elimination of inter-segment revenue	(321,292)	(123,293)
Consolidated revenue	51,141,340	38,569,813
Profit		
Segment profit	13,693,118	11,154,538
Other income	593,894	617,529
Other gains and losses	(147,489)	(66,789)
Fair value (loss) gain upon transfer to investment properties	(22,032)	105,185
Change in fair value of investment properties	1,755,551	2,206,897
Change in fair value of other derivative financial instruments	23,502	219,623
Finance costs	(73,013)	(58,482)
Share of results of associates	526,138	381,058
Share of results of joint ventures	186,796	675,742
Depreciation and amortisation	(89,133)	(56,673)
Unallocated expenses	(2,810,198)	(2,108,853)
Consolidated profit before taxation	13,637,134	13,069,775

(c) **Revenue from major product and services**

The following is an analysis of the Group's revenue from its properties sold, properties self-developed or under subleases and services provided:

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of properties		
– recognised at a point in time	39,711,718	30,351,766
– recognised over time	5,536,903	3,813,351
Property development segment	45,248,621	34,165,117
Revenue from property management and related services and others – recognised over time	2,532,553	1,827,561
Revenue from contract with customers	47,781,174	35,992,678
Rental income	3,360,166	2,577,135
Total revenue	51,141,340	38,569,813

(d) **Segment assets**

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

	At June 30, 2020 <i>RMB'000</i> (unaudited)	At December 31, 2019 <i>RMB'000</i> (audited)
Property development	379,808,612	348,103,914
Property investment (Note)	117,523,644	110,242,825
Property management and related services and others	2,648,130	1,905,105
Total segment assets	499,980,386	460,251,844

Note: The above amount of segment assets relating to property investment represents the cost of investment properties upon initial recognition and the cost of right-of-use assets classified under investment properties.

(e) **Segment liabilities**

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

	At June 30, 2020 <i>RMB'000</i> (unaudited)	At December 31, 2019 <i>RMB'000</i> (audited)
Property development	266,876,111	225,378,067
Property investment	18,443,216	15,123,893
Property management and related services and others	424,740	97,253
Total segment liabilities	285,744,067	240,599,213

4. OTHER INCOME

	Six months ended June 30,	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Interest income	365,758	409,849
Government subsidies (Note a)	24,649	27,427
Penalty income (Note b)	114,096	80,908
Consultancy income (Note c)	54,839	82,155
Sundry income	34,552	17,190
	<hr/>	<hr/>
Total	593,894	617,529
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Notes:

- (a) The amount represents the grants received from the relevant PRC government to encourage the investments in specific regions and COVID-19-related subsidies. 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 and from tenants who early terminated 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,	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Gain on disposal of property, plant and equipment	1,077	385
Net exchange losses (Note)	(410,648)	(164,780)
Reclassification of fair value gain of hedging instruments from hedging reserve	265,433	99,097
Others	(3,351)	(1,491)
	<hr/>	<hr/>
	(147,489)	(66,789)
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Note: It represents exchange difference arising from translation of bank balances, bank borrowings and senior notes either denominated in foreign currencies of Hong Kong Dollar (“HKD”) or United States Dollar (“USD”).

6. FINANCE COSTS

	Six months ended June 30,	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Interest on bank and other borrowings		
Wholly repayable within five years	(2,729,207)	(2,418,624)
Not wholly repayable within five years	(819,448)	(593,930)
Interest expense on senior notes	(397,552)	(160,165)
	<u>(3,946,207)</u>	<u>(3,172,719)</u>
Less: Amount capitalised to properties under development for sales and investment properties under development	3,873,194	3,114,237
	<u>(73,013)</u>	<u>(58,482)</u>

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 4.52% (six months ended June 30, 2019: 4.70%) per annum for the six months ended June 30, 2020 to expenditure on the qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Current tax		
PRC Enterprise Income Tax (“EIT”)	(2,625,929)	(2,720,777)
Withholding Tax on distributed earnings	(71,315)	(108,049)
Land Appreciation Tax (“LAT”)	(2,377,106)	(2,383,502)
	<u>(5,074,350)</u>	<u>(5,212,328)</u>
Overprovision in prior periods		
LAT*	142,470	194,745
	<u>(4,931,880)</u>	<u>(5,017,583)</u>
Deferred taxation		
Current period	59,600	97,645
	<u>(4,872,280)</u>	<u>(4,919,938)</u>

* The actual appreciation amount of certain property projects had been finalised and the development plan for certain property projects had been revised in which the revised estimated or final appreciation amount was different with the appreciation amount made in prior periods, resulting in an overprovision of LAT in respect of prior periods.

No provision for Hong Kong Profits Tax has been made as the Group does not have income which arises in, or is derived from, Hong Kong.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

Certain of the Company’s subsidiaries operating in the PRC are eligible for exemption from PRC EIT for both periods.

8. PROFIT FOR THE PERIOD

Six months ended June 30,	
2020	2019
<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)

Profit for the period has been arrived at after charging (crediting):

Depreciation of property, plant and equipment	77,222	50,559
Depreciation of right-of-use assets	5,903	6,114
Amortisation of intangible assets	6,008	–
Gain on disposal of property, plant and equipment	(1,077)	(385)
	<u>77,222</u>	<u>50,559</u>

9. DIVIDENDS

Six months ended June 30,	
2020	2019
<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)

Dividends recognised as distribution during the period:

Final dividend recognised in respect of 2019 of RMB0.84

(six months ended June 30, 2019: Final dividend recognised in respect of 2018 of RMB0.69) per share

<u>5,035,456</u>	<u>4,111,731</u>
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Subsequent to the end of the reporting period, the Board declared the payment of an interim dividend of RMB2,397,870,000, representing RMB0.40 per share, based on the number of shares in issue as at June 30, 2020, in respect of the six months ended June 30, 2020 (six months ended June 30, 2019: RMB2,145,338,000).

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,	
	2020	2019
	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	6,338,613	6,309,981
	2020	2019
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	5,873,462	5,853,064
Effect of dilutive potential ordinary shares in respect of – Share options and share awards	110,002	101,588
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	5,983,464	5,954,652

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 property development and property 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 lease of properties, rental income is paid by tenants within two months in accordance with the terms in the tenancy agreement.

	At June 30, 2020 RMB'000 (unaudited)	At December 31, 2019 RMB'000 (audited)
Trade receivables (Note a)		
– Contract with customers	2,735,390	3,052,232
– Rental	187,153	67,340
	<u>2,922,543</u>	<u>3,119,572</u>
Other receivables, net of allowance for doubtful debts (Note b)	6,493,119	8,290,142
Advances to contractors	3,254,783	2,333,881
Prepaid value added tax and other taxes	15,459,435	13,657,455
Prepayments and utilities deposits (Note c)	968,904	1,290,834
	<u>29,098,784</u>	<u>28,691,884</u>

Notes:

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

	At June 30, 2020 RMB'000 (unaudited)	At December 31, 2019 RMB'000 (audited)
Within 60 days	1,341,543	2,902,868
61 – 180 days	170,572	28,343
181 – 365 days	1,403,754	183,650
1 – 2 years	6,674	4,711
	<u>2,922,543</u>	<u>3,119,572</u>

- (b) Other receivables mainly comprise rental deposits, receivables of refund of the deposits for land auctions, deposits for construction work, temporary payments and miscellaneous project-related deposits paid which are refundable within one year.
- (c) Included in the prepayments and utilities deposits, there are mainly properties held for development amounting to RMB929,987,000 (2019: RMB1,282,355,000) 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, OTHER PAYABLES AND ACCRUED CHARGES

	At June 30, 2020 <i>RMB'000</i> (unaudited)	At December 31, 2019 <i>RMB'000</i> (audited)
Trade payables and accrued expenditure on construction (Note a)	77,332,347	73,576,157
Bills payables (Note a)	<u>480,383</u>	<u>611,323</u>
	77,812,730	74,187,480
Dividend payables	5,035,456	2,145,338
Other payables and accrued charges (Note b)	9,399,687	10,739,300
Value added tax payables	5,075,239	4,861,484
Consideration payable for acquisition of assets and liabilities through acquisition of subsidiaries	40,000	40,000
Consideration payable for business combinations	<u>56,607</u>	<u>–</u>
	<u>97,419,719</u>	<u>91,973,602</u>

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 certified 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, 2020 <i>RMB'000</i> (unaudited)	At December 31, 2019 <i>RMB'000</i> (audited)
Within 60 days	26,040,232	24,400,737
61 – 180 days	17,991,243	19,090,592
181 – 365 days	21,890,752	15,180,713
1 – 2 years	2,751,660	2,897,771
2 – 3 years	939,813	645,589
Over 3 years	<u>293,432</u>	<u>211,014</u>
	<u>69,907,132</u>	<u>62,426,416</u>

- (b) Other payables and accrued charges comprise mainly tax received and payable to the government on behalf of customers, receipt on behalf of certain entities from potential investment partners, accrued salaries and accrued staff welfare.

CHAIRMAN’S STATEMENT

I am pleased to present to shareholders the interim business review and outlook of Longfor Group Holdings Limited (“the **Company**”), together with its subsidiaries (collectively the “**Group**”), for the period ended June 30, 2020.

It’s an extraordinary year. In 2020, the wide spread of COVID-19 and accelerating turbulence in global order caused the worst global recession over the last one hundred years. With many uncertainties at present, every single individual and organization are deeply impacted. Fortunately, however, measures of pandemic prevention in our country work effectively, as a result of which the slow but robust recovery has taken place since March. Undoubtedly, the real estate industry plays a role of economic stabilizer. In the first half year, year-on-year growth in sales has been generally realized by leading real estate enterprises, which can be translated into strong resilience of Chinese economy and the true demand of Chinese people in quality housings.

In the first half year, the Group achieved contracted sales of RMB111.1 billion. In addition, the Group kept an undisturbed pace in investment and business development and made greater achievements. In the first quarter when the pandemic was worse and land market was languished, the Group targeted at quality projects and tried to cover before the premium peak. From January to July, the Group newly developed 63 plots (total GFA 13.03 mn sqm), and expanded businesses to another six cities. Now, we have established a cost-appropriate business network in 61 cities, which serves as a foundation to capture the rotation of urban cycle and support growth.

During COVID-19 outbreak period, the commercial real estate is definitely a sector bearing the most serious pressure. Practicing the principle of walking hand in hand with partners, Longfor was the first property operator who had actively reduced and relieved rents in order for joint efforts against the pandemic with tenantsⁱ. Due to the action of cohering as a whole and a focus on the customer group targeted at the middle class, “Paradise Walk” in areas becomes a leading mall where foot traffics and revenues are firstly recovered after the pandemic. On June 19, Longwan Paradise Walk in Nanjing – the 40th mall of Longfor was open with a GFA of 120 thousand sqm and an occupancy rate of 99%, which is so popular that it increases confidence for urban revitalization. Furthermore, our commercial team works more actively to explore new value points in time and space dimensions, and break boundaries to create new fun consumption scenario for “outdoor businesses” and “night economy” that are encouraged by the nation.

Goyoo, a brand of rental housing, carries the housing need of new migrants in many cities, now having about 79,000 accumulated rooms in operation. In the future, we will still adhere to the strategy of gradual development, in order to improve stickiness of young customers with warm and considerate senses of experience and safety, as well as sense of belonging, growing together with young people who dream of rags to riches in cities.

In brief, the short-term economic pain cannot distract our firm confidence in investment property, and in the future, we will be committed to space operation and service improvement with the purpose of achieving connection between people and space and making the energy accumulator greater for the Group’s sustainable development.

ⁱ On January 30, the Group officially announced the reduction of half rents (including property management fees and promotion expenses) for over 4,500 tenants in 39 malls in operation at that time, lasting for over two months (from January 25 to March 31).

Whether swimming downstream or upstream, we always can insist on our commitments and deliver reliable businesses for the reason that Longfor staff still makes high-quality decisions and performs subtle execution as usual even in the current period of complex changes, which reflects the organization capacity that is the most gratifying and reassuring. Behind the calmness is our reverence and self-restraint for many years:

Keeping reverence for technological progress, we never get slack at iterative development of systems, removal of process redundancies, improvement of information transfer efficiency, and accuracy. The stable and reliable digital operation system ensures a multi-channel and cross-region management radius for the Company, capable of remote response and instant exchanges.

Always with the belief that self-restraint and caution are qualities for us to win in the long term, the Group takes precautions of “patching the roof on a sunny day” and develops strong capital capacity from self-restraint for so long, as a result of which we were successful in completing several wholesale re-financing at home and abroad by means of channels in the early time of this year ⁱⁱ. In the current period, 4.5% composite borrowing costs and 4.55X cash to short-term debt ratio further lead to a solid foundation, providing the team with confidence and capability to seek opportunities in risk.

Despite that the real estate is a traditional industry, Longfor is committed to developing itself into a future-oriented enterprise. Instead of blindly pursuing the maximum commercial interest, we bear in mind the reverence for products, customers, cycles as well as society, adhere to common sense and integrity, balance strategic choice and development pace, provide more vital space and warmer services, and behave with kindness, sureness as well as enterprising spirit.

During the period, we also didn’t forget to perform our social responsibility. As of June 2020, the Group has donated over RMB0.9 billion, covering education and culture, environmental protection, municipal administration and housing project, poverty alleviation and assistance to the disabled, earthquake relief, and others. Now, Environmental, Social and Governance Committee is officially established by the Group, so as to gradually embed the international standard of sustainable development into the organizational and strategic structure, and work toward a stabler and sounder kindness-oriented basis.

At present, the “dual circulation inside and outside” strategy contributes to the stable development of greater significance for the real estate industry, but at the same time, the nation also keeps the principle of regulation to control leverage and stabilize housing price for a long time. The all-round supervision on financing of real estate enterprises forces real estate company to support themselves with capital turnover and follow the path of stable development and winning with quality, which is the hard journey that has already been experienced by Longfor for many years.

The vision to see the ocean of stars can never be realized by taking no action. Uncertainties and hardship have already befallen on Longfor, and we will keep our adherence to stability and sharing, dance with the uncertainties, put plans into practice, and grow with tenacity!

Longfor Group Holdings Limited
Wu Yajun
Chairperson

ⁱⁱ *Including USD0.65 billion dollars (7.25 years/3.375% coupon rate and 12 years/3.85% coupon rate), and domestic corporate bonds of RMB2.8 billion etc.*

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

From January to June 2020, revenue from property development business of the Group was RMB45.25 billion, representing an increase of 32.4% over the same period last year. The Group delivered 3.38 million square meters of property in gross floor area (GFA) terms. The gross profit margin of overall property development business was 27.2%. Recognized average selling price was RMB13,374 per square meter from January to June 2020.

Table 1: Breakdown of property development revenue of the Group from January to June 2020

* Amount excluding tax

City	Revenue		Total GFA	
	January to June 2020 RMB million	January to June 2019 RMB million	January to June 2020 '000 Sqm	January to June 2019 '000 Sqm
Chongqing	8,312	9,351	756	801
Chengdu	6,158	2,031	382	181
Ningbo	4,084	346	281	19
Ji'nan	3,830	9,465	264	837
Xi'an	3,079	300	259	23
Hefei	1,751	184	132	7
Dalian	1,557	513	117	33
Suzhou	1,517	400	91	14
Hangzhou	1,494	411	63	14
Nanchang	1,465	–	135	–
Jiaxing	1,441	33	107	2
Nantong	1,140	–	58	–
Guiyang	943	–	90	–
Wuxi	885	576	73	46
Yantai	824	645	97	58
Beijing	757	907	29	44
Fuzhou	743	140	52	12
Changde	696	–	100	–
Shenyang	646	1,110	56	171
Xiamen	639	57	23	4
Zhuhai	564	–	25	–
Changsha	523	1,254	50	155
Tianjin	364	447	28	48
Guangzhou	308	373	10	8
Yuxi	283	–	17	–
Nanjing	251	1,497	10	68
Qingdao	185	1,042	17	100
Wuhan	172	93	12	10
Baoding	147	–	12	–
Kunming	122	–	11	–

City	Revenue		Total GFA	
	January to June 2020 <i>RMB million</i>	January to June 2019 <i>RMB million</i>	January to June 2020 <i>'000 Sqm</i>	January to June 2019 <i>'000 Sqm</i>
Shijiazhuang	107	–	9	–
Shanghai	104	1,231	6	33
Changzhou	50	695	3	25
Quanzhou	34	1,064	4	124
Others	74	–	4	–
Total	45,249	34,165	3,383	2,837

From January to June 2020, the Group achieved contracted sales of RMB111.10 billion, representing an increase of 5.2% over the same period last year. The Group sold 6.55 million square meters in total GFA, representing an increase of 0.6% over the same period last year. Average selling price of GFA sold was RMB16,973 per square meter, representing an increase of 4.6% over the same period last year. Contracted sales from Yangtze River Delta, western China, Pan Bohai Rim, southern China and central China were RMB41.11 billion, RMB27.61 billion, RMB24.91 billion, RMB13.35 billion and RMB4.12 billion respectively, accounting for 37.0%, 24.9%, 22.4%, 12.0% and 3.7% of the contracted sales of the Group, respectively.

Table 2: Details of contracted sales of the Group from January to June 2020

* *Amount including tax*

City	Contracted sales		Total GFA	
	January to June 2020 <i>RMB million</i>	January to June 2019 <i>RMB million</i>	January to June 2020 <i>'000 Sqm</i>	January to June 2019 <i>'000 Sqm</i>
Chongqing	9,700	14,323	782	1,091
Suzhou	9,459	1,129	412	48
Chengdu	9,246	7,302	525	496
Hangzhou	7,163	10,594	215	409
Ningbo	5,916	3,342	254	248
Hefei	5,832	2,690	385	168
Shenyang	5,621	4,280	393	359
Qingdao	5,348	4,887	454	385
Ji'nan	4,651	4,577	341	282
Beijing	4,622	4,672	143	128
Fuzhou	3,324	441	203	53
Kunming	3,262	842	264	62
Guangzhou	2,785	3,373	84	116
Nanjing	2,651	4,827	112	167
Shaoxing	2,567	1,556	139	40
Changzhou	2,299	245	114	19
Xi'an	2,192	3,591	128	223
Guiyang	2,038	769	169	72
Shenzhen	1,604	19	26	1
Wenzhou	1,569	699	63	36
Shanghai	1,419	1,360	50	67

City	Contracted sales		Total GFA	
	January to June 2020 <i>RMB million</i>	January to June 2019 <i>RMB million</i>	January to June 2020 <i>'000 Sqm</i>	January to June 2019 <i>'000 Sqm</i>
Changsha	1,195	4,614	125	335
Wuhan	1,180	4,698	80	263
Tianjin	1,178	1,805	79	98
Jiaxing	1,096	1,187	85	79
Dalian	1,076	2,602	63	140
Xianyang	1,019	532	108	54
Zhengzhou	951	303	58	26
Nanning	948	324	86	37
Hong Kong	834	–	3	–
Yantai	833	992	77	92
Quanzhou	755	1,172	67	121
Xiamen	704	606	18	39
Wuxi	665	4,044	45	220
Shijiazhuang	665	288	51	22
Dongguan	557	–	36	–
Nanchang	491	514	34	41
Huizhou	487	–	43	–
Nantong	478	3,530	16	230
Weihai	427	204	40	13
Taiyuan	409	–	36	–
Zhuhai	403	1,187	17	47
Zhongshan	400	–	26	–
Zhangzhou	293	–	18	–
Changde	185	409	24	54
Yuxi	151	202	12	16
Foshan	135	127	8	5
Ganzhou	121	355	15	76
Baoding	74	406	7	30
Maoming	64	–	8	–
Jiangmen	61	–	5	–
Total	111,103	105,619	6,546	6,508

As at June 30, 2020, the Group had sold but unrecognized contracted sales of RMB302.1 billion (with an area of approximately 17.70 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, "Goyoo", which provide new generation with comprehensive rental housing services, have gradually commenced operation in several Tier-1 and Tier-2 cities such as Beijing, Shanghai, Shenzhen, Hangzhou, Nanjing, Chongqing, and Chengdu.

From January to June 2020, the rental income, net of tax, of the Group's property investment business was RMB3.36 billion[#], representing an increase of 30.4% as compared to last year. Shopping malls, rental housing and others accounted for 77.4%[#], 21.8% and 0.8% of the total rental income respectively. As at June 30, 2020, the Group has shopping malls of 3.87 million square meters (5.04 million square meters in GFA with parking space included) which have commenced operation with an occupancy rate of 94.7%. 79,000 apartments of "Goyoo" have commenced operation with the occupancy rate of 85.3%, boasting a leading position in the industry in terms of its scales. The occupancy rate of "Goyoo" which have commenced operation for more than six months was 88.6%.

[#] excluding Beijing Chang'an Paradise Walk etc.

Table 3: Breakdown of rental income of the Group's shopping malls from January to June 2020^{##}

* Amount excluding tax

	January to June 2020			January to June 2019			Change of rental income	
	GFA Sqm	Rental income RMB'000	% of Rental	Occupancy rate	Rental income RMB'000	% of Rental		Occupancy rate
Chongqing North Paradise Walk	120,778	232,876	8.7%	98.9%	241,093	10.9%	99.7%	-3.4%
Chongqing West Paradise Walk	76,031	72,391	2.7%	95.0%	80,847	3.7%	97.0%	-10.5%
Chongqing Time Paradise Walk Phase I	160,168	183,545	6.9%	96.0%	186,141	8.5%	98.5%	-1.4%
Chongqing Time Paradise Walk Phase II	154,460	113,443	4.2%	91.6%	113,257	5.2%	97.5%	0.2%
Chongqing Time Paradise Walk Phase III	73,774	44,703	1.7%	94.8%	45,480	2.1%	99.3%	-1.7%
Chengdu Three Thousand Paradise Walk	38,043	17,441	0.6%	83.5%	21,448	1.0%	99.4%	-18.7%
Chengdu North Paradise Walk	215,536	86,066	3.2%	89.2%	85,780	3.9%	95.8%	0.3%
Chengdu Time Paradise Walk Phase I	61,989	24,107	0.9%	97.6%	25,012	1.1%	100.0%	-3.6%
Beijing Changying Paradise Walk	221,286	215,731	8.0%	95.1%	220,177	10.0%	98.4%	-2.0%
Hangzhou Jinsha Paradise Walk	151,135	114,504	4.3%	96.0%	122,666	5.6%	98.2%	-6.7%
Chengdu Jinnan Paradise Walk	91,638	62,719	2.3%	99.2%	65,346	3.0%	99.8%	-4.0%
Beijing Daxing Paradise Walk	144,565	105,902	4.0%	96.2%	100,069	4.6%	98.8%	5.8%
Shanghai Hongqiao Paradise Walk	170,450	69,465	2.6%	84.0%	66,767	3.1%	90.1%	4.0%
Chongqing U-City Paradise Walk Phase I	15,516	7,342	0.3%	96.2%	7,748	0.4%	92.3%	-5.2%
Chongqing U-City Paradise Walk Phase II	96,411	55,287	2.1%	98.4%	50,844	2.3%	98.6%	8.7%
Chongqing Hometown Paradise Walk	93,152	55,247	2.1%	97.2%	49,785	2.3%	99.3%	11.0%
Hangzhou Binjiang Paradise Walk Phase I	158,067	125,072	4.7%	96.9%	131,040	6.0%	98.8%	-4.6%
Suzhou Shishan Paradise Walk	197,466	135,778	5.1%	95.3%	126,219	5.8%	99.3%	7.6%
Shanghai Baoshan Paradise Walk	98,339	95,120	3.6%	96.0%	93,020	4.3%	98.7%	2.3%
Changzhou Longcheng Paradise Walk	119,328	46,986	1.7%	89.9%	47,918	2.2%	94.7%	-1.9%
Beijing Fangshan Paradise Walk	103,688	85,865	3.2%	92.4%	86,717	4.0%	99.9%	-1.0%
Chengdu Xichen Paradise Walk	152,639	72,273	2.7%	91.6%	77,939	3.6%	100.0%	-7.3%
Chengdu Binjiang Paradise Walk	140,000	68,478	2.6%	97.6%	-	-	-	-
Hangzhou Binjiang Paradise Walk Phase II	22,627	16,555	0.6%	94.4%	-	-	-	-
Hangzhou Xixi Paradise Walk	130,063	100,618	3.8%	98.6%	-	-	-	-
Hangzhou Zijing Paradise Walk	83,000	60,221	2.2%	97.6%	-	-	-	-
Shanghai Huajing Paradise Walk	42,253	31,534	1.2%	91.1%	-	-	-	-

	January to June 2020				January to June 2019				Change of rental income
	GFA <i>Sqm</i>	Rental income <i>RMB'000</i>	% of Rental	Occupancy rate	Rental income <i>RMB'000</i>	% of Rental	Occupancy rate		
Shanghai Minhang Paradise Walk	94,859	71,054	2.7%	98.4%	-	-	-		
Hefei Yaohai Paradise Walk	98,320	42,175	1.6%	90.8%	-	-	-		
Nanjing Liuhe Paradise Walk	108,000	49,951	1.9%	97.1%	-	-	-		
Beijing Chang'an Paradise Walk	52,563	43,148	1.6%	100.0%	-	-	-		
Nanjing Longwan Paradise Walk	120,367	11,868	0.4%	99.2%	-	-	-		
Paradise Walk Subtotal	3,606,511	2,517,465	94.2%	94.7%	2,045,313	93.6%	97.8%	23.1%	
Chongqing Crystal Castle	16,161	11,007	0.4%	100.0%	10,349	0.5%	100.0%	6.4%	
Chongqing Chunsen Starry Street	54,618	18,240	0.7%	97.7%	17,169	0.8%	97.6%	6.2%	
Chongqing Fairy Castle	29,413	6,436	0.2%	100.0%	6,123	0.3%	100.0%	5.1%	
Beijing Summer Palace Starry Street	6,320	12,518	0.5%	100.0%	12,946	0.6%	100.0%	-3.3%	
Xi'an Daxing Starry Street	44,227	28,206	1.0%	94.5%	28,194	1.3%	100.0%	0.0%	
Xi'an Qujiang Starry Street	63,206	35,808	1.3%	89.5%	34,799	1.5%	100.0%	2.9%	
Shanghai Minhang Starry Street	24,740	14,956	0.6%	88.6%	-	-	-		
Others	-	12,760	0.5%	N/A	13,389	0.6%	N/A	-4.7%	
Starry Street Subtotal	238,685	139,931	5.2%	95.1%	122,969	5.6%	99.3%	13.8%	
Chongqing MOCO	29,104	15,981	0.6%	96.0%	16,956	0.8%	99.7%	-5.8%	
MOCO Subtotal	29,104	15,981	0.6%	96.0%	16,956	0.8%	99.7%	-5.8%	
Total for projects that had commenced operation	3,874,300	2,673,377	100.0%	94.7%	2,185,238	100.0%	98.0%	22.3%	

From January to June 2020, the total sales volume of shopping malls were RMB11.1 billion, representing a decrease of 10% over the same period last year. Average daily foot traffic was 0.98 million, representing a decrease of 20% over the same period last year.

Major investment properties under construction of the Group are as follows:

Table 4: Major investment properties under construction of the Group

	Estimated Commencement of Operation	Planned GFA <i>Sqm</i>
Chengdu Shangcheng Paradise Walk	2020	114,227
Chengdu Time Paradise Walk Phase II	2020	63,183
Nanjing Jiangbei Paradise Walk	2020	146,286
Chongqing Jinsha Paradise Walk	2020	204,113
Suzhou Xinghu Paradise Walk	2020	112,537
Xi'an Xiangti Paradise Walk	2020	78,962
Chengdu Wuhou Starry Street	2020	31,168
Suzhou Dongwu Paradise Walk	2021 and hereafter	114,200
Nanjing Hexi Paradise Walk	2021 and hereafter	112,358
Chengdu Jinchen Paradise Walk	2021 and hereafter	83,000

	Estimated Commencement of Operation	Planned GFA Sqm
Hangzhou Jiangdong Paradise Walk	2021 and hereafter	107,125
Chongqing Lijia Paradise Walk	2021 and hereafter	110,508
Changsha Yanghu Paradise Walk	2021 and hereafter	101,993
Wuhan Jiangchen Paradise Walk	2021 and hereafter	138,559
Chongqing Gongyuan Paradise Walk	2021 and hereafter	138,034
Hangzhou Dingqiao Paradise Walk	2021 and hereafter	117,944
Qingdao Jiaozhou Paradise Walk	2021 and hereafter	81,463
Shanghai Fengxian Paradise Walk	2021 and hereafter	104,163
Nanchang Qingshanhu Paradise Walk	2021 and hereafter	95,400
Ningbo Yinzhou Paradise Walk	2021 and hereafter	106,065
Chongqing Time Paradise Walk Phase IV	2021 and hereafter	74,725
Beijing Yizhuang Paradise Walk	2021 and hereafter	107,201
Shanghai Jinhui Paradise Walk	2021 and hereafter	72,559
Wuhan Baisha Paradise Walk	2021 and hereafter	35,963
Shenyang Hunnan Paradise Walk	2021 and hereafter	81,000

Due to the rental increase of shopping malls in operation, continuous investments in projects under construction and the development of rental housing “Goyoo”, the valuation gain of investment properties of the Group amounted to RMB1.73 billion from January to June 2020.

COST CONTROL

From January to June 2020, the Group started business in several new cities continuously and obtained new projects. In order to support the development of our business, gather high-level of talents and enhance the efficiency of the organization, the Group’s general and administrative expenses to the total contracted sales increased by 0.5% to 2.6% over the same period last year. Meanwhile, as the Group has increased its marketing expenses to strengthen its brand influence, the selling expenses to the total contracted sales increased by 0.4% to 1.5% over the same period last year.

SHARE OF RESULTS OF JOINT VENTURES

From January to June 2020, the contribution of joint ventures was mainly from the Group’s 45.0%-owned Ji’nan Emerald Legend Project. The attributable profit after tax of the Group in joint ventures was RMB187 million.

SHARE OF RESULTS OF ASSOCIATES

From January to June 2020, the contribution of associates was mainly from the Group’s 25.1%-owned Qingdao Hai Jing Project. The attributable profit after tax of the Group in associates was RMB526 million.

INCOME TAX EXPENSE

Income tax expenses comprised PRC enterprise income tax and land appreciation tax. From January to June 2020, the enterprise income tax and the land appreciation tax of the Group were RMB2.64 billion and RMB2.23 billion, respectively. The total income tax expenses for the period amounted to RMB4.87 billion.

PROFITABILITY

From January to June 2020, the Group's core net profit margin was 14.6%, as compared with 16.1% of the corresponding period of last year and the core net profit margin attributable to shareholders was 10.3%, as compared with 12.2% 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, 2020, the Group's total land bank was 73.54 million square meters or 51.28 million square meters on an attributable basis. The average unit land cost was RMB5,829 per square meter, accounting for 34.3% of unit price of current contracted sales. In terms of regional breakdown, land bank in Pan Bohai Rim, western China, Yangtze River Delta, southern China, central China and Hong Kong China accounted for 32.6%, 26.2%, 18.0%, 11.9%, 11.2% and 0.1% of the total land bank, respectively.

From January to June 2020, the Group has acquired new land bank with total GFA of 11.01 million square meters or 7.43 million square meters on an attributable basis. Average cost of acquisition on an attributable basis was RMB6,425 per square meter. In terms of regional breakdown, the newly acquired area of Pan Bohai Rim, western China, southern China, central China and Yangtze River Delta accounted for 26.0%, 23.0%, 22.4%, 16.8% and 11.8% 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 2.02 million square meters or 1.62 million square meters on an attributable basis. In terms of regional breakdown, land bank newly acquired subsequent to the end of the reporting period in Pan Bohai Rim, Yangtze River Delta, western China, and southern China accounted for 52.6%, 30.5%, 8.6% and 8.3% of the total GFA of the land bank acquired subsequent to the end of the reporting period, respectively.

Currently, there are 61 cities covered by the Group[#]. In addition to focusing on the Tier-1 and Tier-2 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.

[#] As of July 31, 2020

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

Table 5: Breakdown of land bank of the Group

Region	City	Total GFA Sqm	% of Total	Attributable GFA Sqm	% of Total
Pan Bohai Rim	Beijing	2,761,501	3.7%	983,826	1.9%
	Shenyang	2,734,625	3.7%	2,436,630	4.7%
	Qingdao	4,177,399	5.7%	2,949,613	5.8%
	Yantai	7,007,846	9.5%	6,939,146	13.5%
	Ji'nan	3,319,403	4.5%	2,004,374	3.9%
	Dalian	267,502	0.4%	158,401	0.3%
	Tianjin	1,102,082	1.5%	818,015	1.6%
	Baoding	552,536	0.8%	386,775	0.8%
	Shijiazhuang	363,038	0.5%	189,165	0.4%
	Weihai	482,767	0.7%	303,599	0.6%
	Taiyuan	532,352	0.7%	532,352	1.0%
	Changchun	529,753	0.7%	473,362	0.9%
	Tangshan	161,287	0.2%	137,094	0.3%
	Subtotal	23,992,091	32.6%	18,312,352	35.7%
Central China	Changsha	2,244,345	3.0%	1,374,731	2.7%
	Wuhan	4,536,199	6.2%	2,122,921	4.1%
	Nanchang	386,615	0.5%	336,284	0.6%
	Zhengzhou	625,819	0.9%	518,881	1.0%
	Changde	245,606	0.3%	245,606	0.5%
	Ganzhou	227,289	0.3%	81,824	0.2%
	Subtotal	8,265,873	11.2%	4,680,247	9.1%
Western China	Chongqing	8,705,801	11.8%	6,648,898	13.0%
	Chengdu	3,235,225	4.4%	2,019,126	3.9%
	Xi'an	1,728,487	2.4%	993,621	1.9%
	Yuxi	718,404	1.0%	718,404	1.4%
	Guiyang	1,898,199	2.6%	1,004,651	2.0%
	Kunming	2,223,299	3.0%	1,225,475	2.4%
	Xianyang	743,074	1.0%	558,792	1.1%
	Subtotal	19,252,489	26.2%	13,168,967	25.7%

Region	City	Total GFA Sqm	% of Total	Attributable GFA Sqm	% of Total
Yangtze River Delta	Shanghai	1,119,024	1.5%	651,195	1.2%
	Wuxi	443,035	0.6%	406,767	0.8%
	Changzhou	673,038	0.9%	673,038	1.3%
	Hangzhou	2,683,788	3.6%	1,564,664	3.1%
	Ningbo	927,466	1.3%	715,962	1.4%
	Suzhou	1,527,675	2.1%	1,007,176	2.0%
	Nanjing	1,956,232	2.6%	1,562,044	3.0%
	Hefei	1,361,872	1.8%	1,185,728	2.3%
	Jiaxing	412,481	0.6%	206,241	0.4%
	Nantong	664,025	0.9%	307,246	0.6%
	Wenzhou	858,267	1.2%	741,875	1.4%
	Shaoxing	452,294	0.6%	251,918	0.5%
	Xuzhou	32,088	0.1%	16,365	0.1%
	Yangzhou	132,488	0.2%	132,488	0.3%
		Subtotal	13,243,773	18.0%	9,422,707
Southern China	Xiamen	1,140,650	1.6%	581,460	1.1%
	Quanzhou	338,769	0.5%	338,769	0.7%
	Guangzhou	891,322	1.2%	536,083	1.1%
	Foshan	62,357	0.1%	31,802	0.1%
	Shenzhen	155,771	0.2%	150,585	0.3%
	Fuzhou	1,696,741	2.3%	1,036,694	2.0%
	Zhuhai	348,643	0.5%	174,321	0.3%
	Dongguan	686,686	0.9%	430,904	0.8%
	Nanning	832,223	1.1%	432,857	0.9%
	Zhangzhou	173,780	0.2%	173,780	0.3%
	Zhongshan	135,362	0.2%	67,681	0.1%
	Maoming	98,480	0.1%	98,480	0.2%
	Huizhou	695,819	1.0%	413,753	0.8%
	Haikou	832,841	1.1%	832,841	1.6%
	Jiangmen	291,355	0.4%	145,677	0.3%
Zhaoqing	239,540	0.3%	167,678	0.3%	
Qingyuan	115,224	0.2%	57,727	0.1%	
	Subtotal	8,735,563	11.9%	5,671,092	11.0%
Hong Kong Region	Hong Kong China	54,459	0.1%	27,229	0.1%
	Subtotal	54,459	0.1%	27,229	0.1%
	Total	73,544,248	100.0%	51,282,594	100.0%

Table 6: Land acquisition from January to June 2020

Region	Project	City	Attributable Interest %	Total GFA Sqm	Attributable GFA Sqm
Pan Bohai Rim	Xihongmen Town Plot	Beijing	50.0%	132,196	66,098
	Licheng District Plot	Ji'nan	100.0%	36,629	36,629
	Central Mansion	Qingdao	70.0%	403,710	282,597
	Glorious City Phase II	Qingdao	70.0%	183,782	128,647
	Blue Coast City	Qingdao	49.0%	266,210	130,443
	the Light Year	Qingdao	95.0%	150,903	143,358
	Chunjiang City	Qingdao	40.0%	57,248	22,899
	Scholar's Mansion	Qingdao	35.0%	261,646	91,576
	Glorious City	Qingdao	70.0%	110,496	77,347
	Humanism Mansion	Shenyang	70.0%	325,692	227,984
	Jianye Road South Plot	Shenyang	100.0%	84,214	84,214
	Jasper Sky Phase II	Shijiazhuang	51.0%	46,481	23,705
	Longfor Mansion	Tangshan	85.0%	161,287	137,095
	Longfor Mansion	Tianjin	100.0%	251,583	251,583
	Bingshijiu Road Plot	Changchun	100.0%	278,739	278,739
Glorious City	Changchun	51.0%	115,084	58,693	
	Subtotal			2,865,900	2,041,607
Western China	Xiyue Jincheng	Chengdu	30.0%	126,620	37,986
	Xifu Langyue	Chengdu	70.0%	204,841	143,389
	Chunyu Mansion	Chengdu	50.0%	70,340	35,170
	Linyun Mansion	Chengdu	35.0%	102,322	35,813
	Great Mansion	Kunming	55.0%	412,808	227,044
	Xingfu Lindai Plot	Xi'an	49.0%	426,531	209,000
	For River Master	Xi'an	55.0%	99,120	54,516
	Glorious Mansion	Xi'an	40.0%	32,210	12,884
	Liangjiatan Project	Xi'an	45.0%	135,696	61,063
	Dongchang'an Street Project	Xi'an	65.0%	90,041	58,527
	Forest City	Chongqing	51.0%	157,597	80,374
	Ba'nang Jieshi Plot	Chongqing	70.0%	273,085	191,160
	Caijia P Group Plot	Chongqing	60.0%	333,162	199,897
	Dingsheng Center	Chongqing	50.0%	67,428	33,714
	Subtotal		2,531,801	1,380,537	

Region	Project	City	Attributable Interest %	Total GFA Sqm	Attributable GFA Sqm
Yangtze River Delta	Binkang Complex Plot	Hangzhou	100.0%	491,080	491,080
	Spring Whisper	Hangzhou	22.0%	144,959	31,891
	Beautiful Mansion	Jiaxing	50.0%	134,859	67,429
	Origin	Wenzhou	100.0%	327,245	327,245
	Glorious City	Wenzhou	100.0%	199,941	199,941
	Subtotal			1,298,084	1,117,586
Central China	Binjiang TOD Plot	Wuhan	50.0%	626,075	313,038
	Shipailing Road Plot	Wuhan	60.0%	265,394	159,236
	Yuye Road Plot	Changsha	100.0%	628,545	628,545
	Taoyang Village Plot	Changsha	51.0%	115,030	58,666
	Longfor Mansion	Zhengzhou	51.0%	218,240	111,302
	Subtotal			1,853,284	1,270,787
Southern China	Dongguan TOD Plot I	Dongguan	51.0%	333,406	170,037
	Dongguan TOD Plot II	Dongguan	100.0%	229,899	229,899
	Sanjiangkou Plot	Fuzhou	70.0%	241,568	169,097
	Chunjiang City	Fuzhou	70.0%	129,658	90,761
	Jiuxu Mansion	Fuzhou	70.0%	184,655	129,259
	Violet Castle Garden	Fuzhou	51.0%	63,837	32,557
	Longfor Mansion	Fuzhou	70.0%	51,198	35,839
	Pearl Cloud Mansion	Fuzhou	30.0%	159,087	47,726
	the Sky Legend	Huizhou	81.0%	336,387	272,472
	Paradise City	Nanning	49.0%	26,624	13,046
	Longfor Skyline	Nanning	60.0%	292,221	175,333
	Yinzhan Plot	Qingyuan	50.1%	115,224	57,727
	Chunjiang Central	Zhaoqing	70.0%	239,540	167,678
	the Skyline	Zhuhai	50.0%	60,545	30,273
	Subtotal			2,463,849	1,621,704
	Total			11,012,918	7,432,221

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 Sqm	Attributable GFA Sqm
Pan Bohai Rim	Sitaizi Project	Shenyang	51.0%	147,075	75,008
	South Liu Village Plot	Shijiazhuang	60.0%	451,700	271,020
	Longhu Avenue Plot	Jinzhong	100.0%	158,026	158,026
	Shenyangnan Railway Station Plot	Shenyang	100.0%	304,873	304,873
	Subtotal			1,061,674	808,927
Western China	Pidu District TOD Plot	Chengdu	100.0%	124,200	124,200
	Zhonghe Street Plot	Chengdu	80.0%	49,242	39,394
	Subtotal			173,442	163,594
Central China	Fenglin West Road Plot	Shaoxing	70.0%	363,552	363,552
	Gu Village Plot	Shanghai	100.0%	40,618	40,618
	Taizhou Feilong Lake Plot	Taizhou	70.0%	210,621	147,435
	Subtotal			614,791	551,605
Southern China	Licheng District Plot	Putian	60.0%	167,845	100,707
	Subtotal			167,845	100,707
	Total			2,017,752	1,624,833

As of July 31, 2020

FINANCIAL POSITION

As at June 30, 2020, the Group's consolidated borrowings amounted to RMB168.56 billion. The net debt to equity ratio (net debt divided by total equity) of the Group was 51.4%. Cash in hand was RMB78.40 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 Moody's 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 73% of the Group's total borrowings were denominated in RMB, while 27% were denominated in foreign currencies. The Group keeps 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 RMB72.63 billion of the Group's consolidated borrowings were with fixed interest rates ranging from 3.375% 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, 2020, the proportion of fixed interest debt was 43% (December 31, 2019: 37%) of the total debt.

The Group's average cost of borrowing was 4.5% per annum. The average maturity period of loan was 6.45 years. The proportion of unsecured debt was 70% of the total debt. The debt due within one year was RMB17.21 billion, accounting for 10.2% of the total debt. Cash to short-term debt ratio (cash in hand divided by debt due within one year) was 4.55X.

In the first half of 2020, the Group successfully issued corporate bonds of RMB2.8 billion and rental housing special bonds of RMB3.0 billion in the domestic capital market, at a coupon rate ranging from 3.55% to 4.20% per annum with terms ranging from five to seven years, and successfully issued senior notes of US\$650 million in the international capital market, at a coupon rate ranging from 3.375% to 3.85% per annum with terms ranging from 7.25 to 12 years.

Subsequent to the end of the reporting period, in July 2020, the Group successfully issued Medium-term notes of RMB1.7 billion in the domestic capital market, at a coupon rate ranging from 3.95% to 4.5% per annum with terms ranging from three to five years; in August 2020, the Group successfully issued corporate bonds of RMB3.0 billion in the domestic capital market, at a coupon rate ranging from 3.78% to 4.3% per annum with terms ranging from five to seven years.

EMPLOYEES AND COMPENSATION POLICY

As at June 30, 2020, the Group had 27,056 full-time employees in China. Of these employees, 9,257 worked in the property development business, 3,462 in the property investment business, and 14,337 in the property management business. Average age of our employees is 31.7 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. The gross amount of cash bonus is determined from, amongst other things, the ranking of the Group's budget fulfilment ratio and loyalties of customers, which is then assessed and allocated by individual subsidiaries according to the results of a balanced scorecard and profitability.

PROSPECTS

In the first half of 2020, with the surprise outbreak of COVID-19 and the strife in deglobalization, the political and economic environment at home and abroad are facing many more challenges than ever before. Nevertheless, China saw the economic recovery after the pandemic first by strong regulations and controls from its government as well as wholehearted support from its people. Under the guidance of dual circulation strategy, real estate's role as stabilizers is self-evident. Under this circumstance, the government still upheld that houses are for living in and not for speculative investment, and adopt city-specific policies and other real estate regulation strategies for long-term, sustainable, and sound development. That will inevitably speed up the concentration of the industry, and even force enterprises to enhance their competitiveness with comprehensive strength in products, service, operation, and capital.

Adhering to its strategy of “Space as a Service”, the Group is dedicated to comprehensive and coordinated development of its four core businesses, which are property development, commercial property, rental housing and smart service. The Group is building its industry-leading capabilities in cost control, supply chain management, and productivity enhancement. We also take strategic insights on industry opportunities by focusing on customers and enhance our overall professional capacity, and constantly upgrade operation system to improve organizational efficiency.

In the second half of 2020, the Group currently has 211 key projects for sale on the market, among which 46 are brand new projects and 124 are new phases or new products of existing projects. The products will cater to different customer groups, including first-time home buyers, upgraders and business operators. By implementing differentiated strategy, the Group shall accurately arrange products and business configuration according to different customers' needs in different regions, and strive to seize opportunities in volatile markets.

The Group (including joint ventures and associates) completed properties of approximately 5.30 million square meters in GFA from January to June in 2020. The total GFA of properties planned to complete construction in 2020 will reach approximately 20.00 million square meters. The current construction and sales progress are on track.

In regards to investment properties, Nanjing Longwan Paradise Walk has commenced operation in June 2020, and several Paradise Walk projects in Chengdu, Chongqing and Suzhou are expected to commence operation in the second half of 2020. Meanwhile, as one of the core businesses, our rental housing “Goyoo” have commenced operation in Tier-1 and Tier-2 cities such as Beijing, Shanghai, Shenzhen, Hangzhou, Nanjing, Chongqing and Chengdu. Such business will continue to advance steadily with the growth of market demand in the future. The investment and development of the above two core businesses will lay a solid foundation for future growth of rental income.

Amidst the increasingly sophisticated real-estate industry with uncertainties, the Group will continue to maintain a prudent and rational financial management strategy in order to preserve our low-cost and multi-channel advantages in funding and maintain a reasonable gearing ratio. The Group would firmly implement our strategies, and put the theory into practice, so as to pursue steady and sustainable development.

PAYMENT OF INTERIM DIVIDEND

The Board declared payment of an interim dividend of RMB0.40 per share for the six months ended June 30, 2020. 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, December 14, 2020 to Tuesday, December 15, 2020. The interim dividend will be paid on Friday, January 15, 2021 to the shareholders whose names appear on the register of members of the Company on Wednesday, December 23, 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, December 21, 2020 to Wednesday, December 23, 2020, 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 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, December 18, 2020.

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

During the six months ended June 30, 2020, the trustee of the Restricted Share Award Scheme purchased on The Stock Exchange of Hong Kong Limited a total of 38,834,447 shares at a total consideration of approximately HKD1,460,984,567 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, 2020.

CORPORATE GOVERNANCE

During the six months ended 30 June 2020, 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 2020, the Company has not established Nomination Committee as required by the provision A.5 of the Code. Madam Wu Yajun, Chairperson of the Board, is responsible for the nomination and appointment of directors. Madam Wu, as the Chairperson of the Board, will review and discuss with other Board members on the structure, size and composition (including the skills, knowledge and experience) of the Board from time to time based on the requirements matching up with the Company's corporate strategy, and identify individuals suitably qualified to become board members and make recommendations to the Board on individuals nominated for directorships. The Board is of view that Chairperson responsible for the nomination directorship is more appropriate to reflect the Company's status quo than the establishment of Nomination Committee.

During the process of evaluating and selecting candidates for directorship, qualifications including professional skills and experience, and willingness to devote adequate time to discharging duties as member of the Board, will be considered. Further, the candidates would be considered his/her independence with reference to the independence guidelines set out in the Listing Rules.

According to the actual situation of the Company, the Board of the Company is of view that Chairperson responsible for the nomination directorship is more appropriate than the establishment of Nomination Committee at current period. The Board of the Company will review the existing nomination policy, nomination of director by the Chairperson from time to time.

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, 2020 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, 2020.

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 2020 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, 26 August, 2020

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