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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, 2019**

#### **Financial Summary**

- Contracted sales increased by 8.8% to RMB105.62 billion over the same period last year.
- Revenue increased by 42.2% to RMB38.57 billion over the same period last year, of which the rental income from the property investment business increased by 39.2% to RMB2.58 billion.
- Profit attributable to shareholders was RMB6.31 billion. Excluding effects, such as minority interests and valuation gains, core net profit increased by 26.0% to RMB4.70 billion over the same period last year. Gross profit increased by 24.9% to RMB12.58 billion over the same period last year and gross profit margin was 32.6%. Core net profit margin was 16.1%, and core net profit margin attributable to shareholders was 12.2%.
- The net debt to equity ratio (net debt divided by total equity) was 53.0%. Cash in hand was RMB58.07 billion.
- Consolidated total borrowings was RMB140.05 billion and average cost of borrowing was 4.56% per annum. Average maturity period of loan was 5.69 years.
- Basic earnings per share were RMB1.08. Excluding effects, such as valuation gains, core earnings per share were RMB0.80. The Board declared for the payment of an interim dividend of RMB0.36 per share, increased by 20% 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, 2019 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, 2019

		Six months ended June 30,	
		2019	2018
	NOTES	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	38,569,813	27,120,815
Cost of sales		(25,987,889)	(17,050,830)
Gross profit		12,581,924	10,069,985
Other income	4	617,529	604,714
Other gains and losses	5	(66,789)	(188,405)
Lease liability charges		(252,292)	–
Fair value gain upon transfer to investment properties		105,185	406,298
Change in fair value of investment properties		2,206,897	2,188,990
Change in fair value of derivative financial instruments		219,623	(62,854)
Selling and marketing expenses		(1,175,094)	(871,313)
Administrative expenses		(2,165,526)	(1,777,854)
Finance costs	6	(58,482)	(41,737)
Share of results of associates		381,058	78,211
Share of results of joint ventures		675,742	371,989
Profit before taxation		13,069,775	10,778,024
Income tax expense	7	(4,919,938)	(4,085,305)
Profit for the period	8	8,149,837	6,692,719
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

		<b>Six months ended June 30,</b>	
		<b>2019</b>	<b>2018</b>
	<i>NOTES</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Item that may be reclassified subsequently to profit or loss:			
Net fair value gain on hedging instruments		<b>287,598</b>	185,613
Gain on hedging instruments reclassified to profit or loss		<b>(99,097)</b>	<b>(332,879)</b>
		<b>188,501</b>	<b>(147,266)</b>
Other comprehensive income for the period		<b>188,501</b>	8,809
Total comprehensive income for the period		<b>8,338,338</b>	<b>6,701,528</b>
Profit for the period attributable to:			
Owners of the Company		<b>6,309,981</b>	5,429,650
Non-controlling interests		<b>1,839,856</b>	1,263,069
		<b>8,149,837</b>	<b>6,692,719</b>
Total comprehensive income for the period attributable to:			
Owners of the Company		<b>6,498,482</b>	5,438,459
Non-controlling interests		<b>1,839,856</b>	1,263,069
		<b>8,338,338</b>	<b>6,701,528</b>
Earnings per share, in RMB cents			
Basic	<i>10</i>	<b>107.8</b>	92.9
Diluted	<i>10</i>	<b>106.0</b>	91.0

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT JUNE 30, 2019**

	<i>NOTES</i>	At June 30, 2019 <i>RMB'000</i> (unaudited)	At December 31, 2018 <i>RMB'000</i> (audited)
<b>NON-CURRENT ASSETS</b>			
Investment properties		115,600,340	84,409,540
Property, plant and equipment		1,412,794	3,365,689
Prepaid lease payments		–	16,518,641
Land use rights		–	414,360
Right-of-use assets		408,246	–
Interests in associates		7,729,967	7,571,982
Interests in joint ventures		6,830,470	7,365,020
Equity instruments at fair value through other comprehensive income		895,141	734,265
Deposits paid for acquisition of land use rights		–	9,968,487
Derivative financial instruments		429,021	313,611
Deferred taxation assets		5,604,128	4,192,962
		<u>138,910,107</u>	<u>134,854,557</u>
<b>CURRENT ASSETS</b>			
Inventories of properties		309,786,910	246,562,069
Other inventories		656,470	826,649
Deposits paid for acquisition of properties held for development		8,716,949	–
Accounts and other receivables, deposits and prepayments	<i>11</i>	27,387,769	22,573,317
Amounts due from non-controlling interests		41,063,597	32,888,617
Amounts due from associates		7,713,866	6,876,577
Amounts due from joint ventures		12,704,671	12,835,904
Taxation recoverable		4,928,619	4,202,728
Pledged bank deposits		133,954	180,529
Derivative financial instruments		67,305	–
Bank balances and cash		57,938,821	45,083,066
		<u>471,098,931</u>	<u>372,029,456</u>

		At June 30, 2019 <i>RMB'000</i> (unaudited)	At December 31, 2018 <i>RMB'000</i> (audited)
<b>CURRENT LIABILITIES</b>			
Accounts and bills payables, deposits received and accrued charges	12	73,342,082	62,233,952
Contract liabilities		161,241,442	113,439,818
Lease liabilities		868,099	–
Amounts due to non-controlling interests		27,704,438	24,527,983
Amounts due to associates		7,751,160	8,945,018
Amounts due to joint ventures		8,306,651	7,173,139
Taxation payable		18,654,807	21,611,655
Bank and other borrowings – due within one year		13,756,326	11,743,175
Other derivative financial instruments		1,562	168,944
		<u>311,626,567</u>	<u>249,843,684</u>
<b>NET CURRENT ASSETS</b>		<u>159,472,364</u>	<u>122,185,772</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>298,382,471</u>	<u>257,040,329</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		518,584	516,783
Reserves		83,478,075	81,144,649
Equity attributable to owners of the Company		<u>83,996,659</u>	<u>81,661,432</u>
Non-controlling interests		<u>70,614,376</u>	<u>59,156,696</u>
<b>TOTAL EQUITY</b>		<u>154,611,035</u>	<u>140,818,128</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings – due after one year		117,652,746	99,456,124
Senior notes – due after one year		8,641,765	8,620,623
Lease liabilities		8,197,878	–
Derivative financial instruments		71,882	176,765
Other derivative financial instruments		146,683	221,728
Deferred taxation liabilities		9,060,482	7,746,961
		<u>143,771,436</u>	<u>116,222,201</u>
		<u>298,382,471</u>	<u>257,040,329</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

## 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”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2018.

### Application of new and amendments to IFRSs and an interpretation

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 which are mandatory effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

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

## 2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases, and the related interpretations.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at December 31, 2018</b>	<b>Adjustments</b>	<b>Carrying amounts under IFRS 16 at January 1, 2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current Assets</b>			
Property, plant and equipment	3,365,689	(1,955,781)	1,409,908
Prepaid lease payments (Note i)	16,518,641	(16,518,641)	–
Land use rights	414,360	(414,360)	–
Right-of-use assets	–	414,360	414,360
Investment properties (Note i)	84,409,540	18,224,596	102,634,136
<b>Current Assets</b>			
Inventories of properties (Note i)	–	8,706,685	8,706,685
<b>Current Liabilities</b>			
Lease liabilities	–	(703,059)	(703,059)
<b>Non-current Liabilities</b>			
Lease liabilities	–	(7,753,800)	(7,753,800)

Notes:

- (i) As a result of adopting IFRS 16, the directors of the Company assessed the development plan for these prepaid lease payments and considered that prepaid lease payments with undetermined use would be classified as investment properties while prepaid lease payments with development for sales purpose would be classified as properties held for development as at January 1, 2019.
- (ii) For the purpose of reporting cash flows from operating activities under indirect method for the six months ended June 30, 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at January 1, 2019 as disclosed above.

### 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 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, 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:

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, lease liability charges, 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.

	<b>Six months ended June 30, 2019 (unaudited)</b>			
	<b>Property development RMB' 000</b>	<b>Property investment RMB' 000</b>	<b>Property management and related services and others RMB' 000</b>	<b>Total RMB' 000</b>
<b>Revenue from external customers</b>				
<b>Recognised at a point in time</b>	<b>30,351,766</b>	–	–	<b>30,351,766</b>
<b>Recognised over time</b>	<b>3,813,351</b>	<b>2,577,135</b>	<b>1,827,561</b>	<b>8,218,047</b>
<b>Inter-segment revenue</b>	<b>–</b>	<b>–</b>	<b>123,293</b>	<b>123,293</b>
<b>Segment revenue</b>	<b><u>34,165,117</u></b>	<b><u>2,577,135</u></b>	<b><u>1,950,854</u></b>	<b><u>38,693,106</u></b>
<b>Segment profit (Adjusted Earnings)</b>	<b><u>8,905,632</u></b>	<b><u>2,055,386</u></b>	<b><u>445,812</u></b>	<b><u>11,406,830</u></b>

	<b>Six months ended June 30, 2018 (unaudited)</b>			
	<b>Property development RMB' 000</b>	<b>Property investment RMB' 000</b>	<b>Property management and related services and others RMB' 000</b>	<b>Total RMB' 000</b>
<b>Revenue from external customers</b>				
<b>Recognised at a point in time</b>	21,938,053	–	–	21,938,053
<b>Recognised over time</b>	2,099,238	1,851,424	1,232,100	5,182,762
<b>Inter-segment revenue</b>	–	–	60,578	60,578
<b>Segment revenue</b>	<b><u>24,037,291</u></b>	<b><u>1,851,424</u></b>	<b><u>1,292,678</u></b>	<b><u>27,181,393</u></b>
<b>Segment profit (Adjusted Earnings)</b>	<b><u>7,498,093</u></b>	<b><u>1,387,264</u></b>	<b><u>313,315</u></b>	<b><u>9,198,672</u></b>

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, lease liability charges, 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**

	<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue</b>		
Segment revenue	<b>38,693,106</b>	27,181,393
Elimination of inter-segment revenue	<b>(123,293)</b>	(60,578)
Consolidated revenue	<b>38,569,813</b>	27,120,815
<b>Profit</b>		
Segment profit	<b>11,406,830</b>	9,198,672
Other income	<b>617,529</b>	604,714
Other gains and losses	<b>(66,789)</b>	(188,405)
Lease liability charges	<b>(252,292)</b>	–
Fair value gain upon transfer to investment properties	<b>105,185</b>	406,298
Change in fair value of investment properties	<b>2,206,897</b>	2,188,990
Change in fair value of derivative financial instruments	<b>219,623</b>	(62,854)
Finance costs	<b>(58,482)</b>	(41,737)
Share of results of associates	<b>381,058</b>	78,211
Share of results of joint ventures	<b>675,742</b>	371,989
Depreciation and amortisation	<b>(56,673)</b>	(54,059)
Unallocated expenses	<b>(2,108,853)</b>	(1,723,795)
Consolidated profit before taxation	<b>13,069,775</b>	10,778,024

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

The following is an analysis of the Group's revenue from its properties sold, properties invested and services provided:

	<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Sales of properties</b>		
Recognised at a point in time	<b>30,351,766</b>	21,938,053
Recognised over time	<b>3,813,351</b>	2,099,238
	<b>34,165,117</b>	24,037,291
Revenue from property management and related services and others - recognised over time	<b>1,827,561</b>	1,232,100
Revenue from contract with customers	<b>35,992,678</b>	25,269,391
Rental income	<b>2,577,135</b>	1,851,424
Total revenue	<b>38,569,813</b>	27,120,815

#### 4. OTHER INCOME

	Six months ended June 30,	
	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (unaudited)
Interest income	409,849	153,091
Government subsidies (Note a)	27,427	29,829
Penalty income (Note b)	80,908	44,273
Consultancy income (Note c)	82,155	347,607
Sundry income	17,190	29,914
Total	<u>617,529</u>	<u>604,714</u>

Notes:

- (a) The amount represents the grants received from the relevant PRC government to encourage the investments in specific regions. The subsidies are unconditional and granted on a discretionary basis to the Group during the period.
- (b) It represents penalty received from property buyers who do not execute sales and purchase 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,	
	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (unaudited)
Gain on disposal of property, plant and equipment	385	313
Net exchange losses (Note)	(164,780)	(410,806)
Reclassification of fair value gain of hedging instruments from hedging reserve	99,097	332,879
Loss on early redemption of senior notes	–	(110,791)
Others	(1,491)	–
	<u>(66,789)</u>	<u>(188,405)</u>

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

	<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest on bank and other borrowings		
Wholly repayable within five years	(2,418,624)	(1,418,392)
Not wholly repayable within five years	(593,930)	(579,398)
Interest expense on senior notes	(160,165)	(202,130)
	<u>(3,172,719)</u>	<u>(2,199,920)</u>
Less: Amount capitalised to properties under development for sales and investment properties under development	3,114,237	2,158,183
	<u>(58,482)</u>	<u>(41,737)</u>

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 4.70% (six months ended June 30, 2018: 4.81%) per annum for the six months ended June 30, 2019 to expenditure on the qualifying assets.

## 7. INCOME TAX EXPENSE

	<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current tax		
PRC Enterprise Income Tax (“EIT”)	(2,720,777)	(2,238,823)
Withholding Tax on distributed earnings	(108,049)	–
Land Appreciation Tax (“LAT”)	(2,383,502)	(1,917,953)
	<u>(5,212,328)</u>	<u>(4,156,776)</u>
Overprovision in prior periods		
LAT*	194,745	174,963
	<u>(5,017,583)</u>	<u>(3,981,813)</u>
Deferred taxation		
Current period	97,645	(103,492)
	<u>(4,919,938)</u>	<u>(4,085,305)</u>

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

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

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

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

## 8. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2019	2018
	<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	50,559	43,566
Amortisation of land use rights	–	10,493
Depreciation of right-of-use assets	6,114	–
Gain on disposal of property, plant and equipment	(385)	(313)
Operating lease rentals	–	62,165
	<u>56,288</u>	<u>116,911</u>

## 9. DIVIDENDS

	Six months ended June 30,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
Final dividend recognised in respect of 2018 of RMB0.69 (six months ended June 30, 2018: Final dividend recognised in respect of 2017 of RMB0.473) per share	4,111,731	2,802,418
Special dividend recognised in respect of 2017 of RMB0.085 per share	–	506,710
	<u>4,111,731</u>	<u>3,309,128</u>

Subsequent to the end of the reporting period, the Board declared the payment of an interim dividend of RMB2,145,338,000, representing RMB0.36 per share, based on the number of shares in issue as at June 30, 2019, in respect of the six months ended June 30, 2019 (six months ended June 30, 2018: RMB1,779,101,000).

## 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,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	<b><u>6,309,981</u></b>	<b><u>5,429,650</u></b>
	<b>2019</b>	2018
	<b>'000</b>	'000
	<b>(unaudited)</b>	(unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	<b>5,853,064</b>	5,842,758
Effect of dilutive potential ordinary shares in respect of		
– Share options	<b>58,855</b>	86,803
– Share awards	<b><u>42,733</u></b>	<u>36,556</u>
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	<b><u>5,954,652</u></b>	<b><u>5,966,117</u></b>

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, 2019 <i>RMB'000</i> (unaudited)	At December 31, 2018 <i>RMB'000</i> (audited)
Trade receivables (Note a)	700,806	2,560,699
Other receivables, net of allowance for doubtful debts (Note b)	7,193,976	5,682,971
Advances to contractors	2,200,991	2,074,294
Prepaid value added tax and other taxes	13,578,858	9,360,560
Prepayments and utilities deposits (Note c)	3,713,138	2,894,793
	<u>27,387,769</u>	<u>22,573,317</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, 2019 <i>RMB'000</i> (unaudited)	At December 31, 2018 <i>RMB'000</i> (audited)
Within 60 days	301,598	2,178,339
61 – 180 days	255,048	325,067
181 – 365 days	142,085	47,456
1 – 2 years	2,075	9,837
	<u>700,806</u>	<u>2,560,699</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 RMB3,708,500,000 (2018: RMB2,892,098,000) 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, 2019 <i>RMB'000</i> (unaudited)	At December 31, 2018 <i>RMB'000</i> (audited)
Trade payables and accrued expenditure on construction (Note a)	56,356,803	44,768,028
Bills payables (Note a)	665,523	968,013
Dividend payables	4,111,731	1,781,855
Other payables and accrued charges (Note b)	8,634,944	9,683,746
Value added tax and other tax payables	3,573,081	3,822,238
Consideration payable for acquisition of assets and liabilities through acquisition of subsidiaries	—	1,210,072
	<u>73,342,082</u>	<u>62,233,952</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, 2019 <i>RMB'000</i> (unaudited)	At December 31, 2018 <i>RMB'000</i> (audited)
Within 60 days	23,658,185	20,868,583
61 – 180 days	10,980,974	8,966,617
181 – 365 days	10,285,924	6,333,705
1 – 2 years	2,829,205	2,147,504
2 – 3 years	697,060	460,323
Over 3 years	89,606	185,130
	<u>48,540,954</u>	<u>38,961,862</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 the shareholders the business review and outlook of Longfor Group Holdings Limited (the “**Company**”), together with its subsidiaries (collectively the “**Group**”), for the interim period ended June 30, 2019.

From January to June 2019, contracted sales of the Group increased by 8.8% over the same period last year to RMB105.62 billion. Revenue increased by 42.2% over the same period last year to RMB38.57 billion, of which rental income from investment properties grew by 39.2% to RMB2.58 billion. Profit attributable to shareholders was RMB6.31 billion. Excluding the effects of factors such as minority interests and valuation gains, core net profit increased by 26.0% over the same period last year to RMB4.70 billion. Core net profit margin was 16.1% and core net profit margin attributable to shareholders was 12.2%. The Board declared an interim dividend of RMB0.36 per share.

In the first half of 2019, China's real estate market experienced a short period of resurgence in market activities, followed by a cooling down driven by the strict capital regulations. This confirmed our assessment of the industry future made at the beginning of the year – the era of rampant growth for developers is all but over, and the need to return to basics and reinvent will be the new playbook. Longfor has maintained its solid growth profile, achieving contracted sales of RMB105.6 billion from January to June, ranking industry top ten.

As risk prevention and stabilizing of leverage continues to be emphasized, there is a notable divergence among property developers in terms of external resources and internal capabilities related to financing channels and cost of funding. We are very pleased that Longfor has been able to calmly deal with fluctuations and control risks, benefiting from our years of experience in exercising self-discipline and restraint. During the current period, Longfor has been upgraded to a positive outlook by Moody's and stood firmly at investment grade. The average financing cost of the Group was only 4.56%. In July, domestic corporate bonds were again offered with coupon rates as low as 3.9%\*.

In the first quarter, driven by expected policy loosening, property developers became more proactive in land acquisitions, thus leading to the marked rise of land price. The Company has adopted a prudent approach, replenishing its land bank mainly in May and June to avoid intensive competition. During the period, the Group acquired 50 new projects and entered into 4 new cities. Currently, 90% of the Group's inventory is primarily located in highly sought-after cities and districts with high value, and acquired at reasonable cost, thereby laying the foundation for future profit growth. Amid the acceleration of industry consolidation, we believe that solid foundation has enabled us to be better positioned to seize the opportunities ahead.

\* *In July, a tranche of RMB500 million domestic corporate bonds was offered with a term of 3+2 years and a coupon rate of 3.9%, and a tranche of RMB1.5 billion was offered with a term of 5+2 years at a coupon rate of 4.67%.*

As our commercial properties such as Paradise Walk shopping malls and Goyoo Apartments move progressed as planned, the rental income for the first half of the year increased by 39.2% to 2.58 billion. Tenant structure, foot traffic growth and other operating indicators have continued to optimize and improve. In the second half, several new shopping malls in Beijing, Shanghai and Hangzhou will commence operation. The “Paradise Walk” shopping malls developed by Longfor over the years has not only provided a stable long-term income stream, but also offered fascinating spaces with unique experiences, which illuminates our fusion of and interaction between people and space, and between space and services.

As an expert in servicing the community, Longfor Smart Service, displays the most heartwarming side of the Longfor brand. In addition to its heartfelt services, it also leverages on the use of technology to improve efficiency, but also shopping malls to broaden the communities it serves, providing a wider range of customers with attentive and professional services.

The Group not only endeavored to focus on its business prospects, but also made great efforts to give back to the society. In March, the Group paid tribute to the tradition and inheritance of craftsmanship by establishing the “Longfor – Palace Museum Cultural Fund” (龍湖-故宮文化基金) with a donation of RMB100 million, with a view to furthering the protection and restoration of cultural relics and the research and dissemination of cultural heritage.

The real estate market in China has entered into a phase of flexible policy controls with slowing growth rates, but the people’s pursuit of richer lifestyle experiences and their demand for improved urban spaces remain unchanged. The booming evolution of city clusters, agglomeration of population and industrial linkage are still clear trends. The clear long-term trends of the industry give us confidence in responding to the current uncertainties.

Amidst policy interventions and the industry’s accelerated consolidation, staying calm exemplifies our enviable market status, maturing temperament and more exactly, pervading confidence in the long-established expertise of our organization. The logic of our business operations is quite simple: an outstanding enterprise always have confidence in its strategy and can achieve its stability long-lasting success.

Longfor will continue to maintain a strong foundation through prudent investments, and will remain vigilant against impetuous speculation. The Group will remain attentive to its customers by focusing on fostering its core business capabilities and satisfying customers’ ever-changing demands. We are dedicated to persistently create comfortable all-purpose space and offer a precise, intelligent and lively customer experience. We are determined to take the Group forward and achieve long-term win-win results guided by our clear strategic orientation across our businesses.

**Longfor Group Holdings Limited**  
**Wu Yajun**  
*Chairperson*

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROPERTY DEVELOPMENT

From January to June 2019, revenue from property development business of the Group was RMB34.17 billion, representing an increase of 42.1% over the same period last year. The Group delivered 2.84 million square meters of property in gross floor area (GFA) terms. The gross profit margin of overall property development business was 29.5%. Recognized average selling price was RMB12,044 per square meter from January to June 2019.

*Table 1: Breakdown of property development revenue of the Group from January to June 2019*

\* Amount excluding tax

City	Revenue		Total GFA	
	January to June 2019 RMB million	January to June 2018 RMB million	January to June 2019 Sqm	January to June 2018 Sqm
Jinan	9,465	1,385	836,164	178,126
Chongqing	9,351	2,813	799,703	329,921
Chengdu	2,031	2,806	181,241	341,973
Nanjing	1,497	105	67,591	6,718
Changsha	1,254	261	154,642	18,246
Shanghai	1,231	269	32,777	8,864
Shenyang	1,110	771	170,785	118,023
Quanzhou	1,064	979	124,368	157,030
Qingdao	1,042	2,091	99,998	166,660
Beijing	907	1,242	43,795	38,757
Changzhou	695	197	24,937	16,741
Yantai	645	289	57,890	36,437
Wuxi	576	150	45,639	13,533
Dalian	513	553	33,466	52,277
Tianjin	447	1,442	47,937	79,814
Hangzhou	411	4,526	14,274	219,623
Suzhou	400	21	14,492	1,706
Guangzhou	373	–	8,439	–
Ningbo	346	2,468	18,974	214,929
Xi'an	300	891	22,826	115,188
Hefei	184	–	7,416	–
Fuzhou	140	–	12,340	–
Wuhan	93	–	10,335	–
Xiamen	57	708	4,117	56,234
Jiaxing	33	–	2,365	–
Foshan	–	62	–	13,134
Shaoxing	–	5	30	437
Kunming	–	3	61	639
<b>Total</b>	<b>34,165</b>	<b>24,037</b>	<b>2,836,602</b>	<b>2,185,010</b>

From January to June 2019, the Group achieved contracted sales of RMB105.62 billion, representing an increase of 8.8% over the same period last year. The Group sold 6.51 million square meters in total GFA, representing an increase of 3.5% over the same period last year. Average selling price of GFA sold was RMB16,228 per square meter, representing an increase of 5.1% over the same period last year. Contracted sales from Yangtze River Delta, western China, Pan Bohai Rim, central China and southern China were RMB35.21 billion, RMB27.56 billion, RMB24.71 billion, RMB10.89 billion and RMB7.25 billion respectively, accounting for 33.3%, 26.1%, 23.4%, 10.3% and 6.9% of the contracted sales of the Group, respectively.

Table 2: Details of contracted sales of the Group from January to June 2019

\* Amount including tax

City	Contracted sales		Total GFA	
	January to June 2019 RMB million	January to June 2018 RMB million	January to June 2019 Sqm	January to June 2018 Sqm
Chongqing	14,323	14,646	1,091,299	1,191,739
Hangzhou	10,594	12,276	409,116	486,872
Chengdu	7,302	8,286	496,059	664,660
Qingdao	4,887	5,981	385,133	457,223
Nanjing	4,827	1,979	167,300	100,347
Wuhan	4,698	–	263,061	–
Beijing	4,672	5,416	128,209	106,532
Changsha	4,614	2,614	334,765	229,644
Jinan	4,577	11,894	282,360	831,883
Shenyang	4,280	3,052	359,216	303,559
Xi'an	4,123	1,713	276,627	116,486
Wuxi	4,044	2,363	220,362	168,279
Nantong	3,530	–	230,147	–
Guangzhou	3,373	4,161	116,366	96,678
Ningbo	3,342	6,554	248,064	314,376
Hefei	2,690	3,151	167,771	206,288
Dalian	2,602	955	139,779	56,383
Tianjin	1,805	1,136	97,887	62,665
Shaoxing	1,556	6	40,089	755
Shanghai	1,360	24	66,613	2,969
Jiaxing	1,187	543	79,379	36,258
Zhuhai	1,187	–	46,857	–
Quanzhou	1,172	3,462	120,996	357,630
Suzhou	1,129	78	48,110	5,582
Yantai	992	1,113	91,981	113,013
Kunming	842	3	62,070	639
Guiyang	769	–	71,630	–
Wenzhou	699	–	36,181	–
Xiamen	606	2,134	38,508	127,656
Nanchang	514	–	40,785	–
Fuzhou	441	1,209	53,316	78,187
Changde	409	–	54,042	–
Baoding	406	1,005	29,975	72,620
Ganzhou	355	–	76,368	–
Nanning	324	–	37,323	–
Zhengzhou	303	–	26,049	–
Shijiazhuang	288	–	22,344	–
Changzhou	245	965	18,724	61,052
Weihai	204	–	12,811	–
Yuxi	202	–	15,526	–
Foshan	127	376	4,912	40,723
Shenzhen	19	–	362	–
<b>Total</b>	<b>105,619</b>	<b>97,095</b>	<b>6,508,472</b>	<b>6,290,698</b>

As at June 30, 2019, the Group had sold but unrecognized contracted sales of RMB247.0 billion (with an area of 14.70 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, our long-term rental apartments "Goyoo" which provide new generation with comprehensive rental services, have commenced operation in Tier-1 and Tier-2 cities such as Beijing, Shanghai, Shenzhen, Hangzhou, Nanjing, Chongqing, and Chengdu.

From January to June 2019, the rental income, net of tax, of the Group's property investment business was RMB2.58 billion<sup>#</sup>, representing an increase of 39.2% over the same period last year. The rental income of shopping malls, Goyoo Apartments and others were RMB2.11 billion<sup>#</sup>, RMB0.43 billion and RMB0.04 billion, respectively. As at June 30, 2019, the Group has shopping malls of 2.96 million square meters (3.86 million square meters in GFA with parking space included) which have commenced operation with an occupancy rate of 98.0%. Our Goyoo Apartments, with market leading scale, have opened more than 60,000 units by the end of June, 2019.

<sup>#</sup> *excluding Chengdu Xichen Paradise Walk.*

Table 3: Breakdown of rental income of the Group's shopping malls from January to June 2019 ##

\* Amount excluding tax

	January to June 2019				January to June 2018			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	241,093	10.9%	99.7%	228,410	13.6%	98.7%	5.6%
Chongqing West Paradise Walk	76,031	80,847	3.7%	97.0%	80,761	4.8%	95.2%	0.1%
Chongqing Time Paradise Walk Phase I	160,168	186,141	8.5%	98.5%	161,384	9.6%	97.0%	15.3%
Chongqing Time Paradise Walk Phase II	154,460	113,257	5.2%	97.5%	94,308	5.6%	93.9%	20.1%
Chongqing Time Paradise Walk Phase III	73,774	45,480	2.1%	99.3%	33,265	2.0%	94.2%	36.7%
Chengdu Three Thousand Paradise Walk	38,043	21,448	1.0%	99.4%	17,901	1.1%	99.7%	19.8%
Chengdu North Paradise Walk	215,536	85,780	3.9%	95.8%	74,238	4.4%	92.5%	15.5%
Chengdu Time Paradise Walk Phase I	61,989	25,012	1.1%	100.0%	21,175	1.3%	100.0%	18.1%
Beijing Changying Paradise Walk	221,286	220,177	10.0%	98.4%	172,842	10.3%	98.5%	27.4%
Hangzhou Jinsha Paradise Walk	151,135	122,666	5.6%	98.2%	103,923	6.2%	99.5%	18.0%
Chengdu Jinnan Paradise Walk	91,638	65,346	3.0%	99.8%	55,678	3.3%	100.0%	17.4%
Beijing Daxing Paradise Walk	144,565	100,069	4.6%	98.8%	86,426	5.1%	97.2%	15.8%
Shanghai Hongqiao Paradise Walk	170,450	66,767	3.1%	90.1%	49,799	3.0%	92.5%	34.1%
Chongqing U-City Paradise Walk Phase I	15,516	7,748	0.4%	92.3%	6,674	0.4%	95.2%	16.1%
Chongqing U-City Paradise Walk Phase II	96,411	50,844	2.3%	98.6%	36,262	2.2%	98.1%	40.2%
Chongqing Hometown Paradise Walk	93,152	49,785	2.3%	99.3%	38,363	2.3%	99.8%	29.8%
Hangzhou Binjiang Paradise Walk Phase I	158,067	131,040	6.0%	98.8%	108,071	6.4%	99.4%	21.3%
Suzhou Shishan Paradise Walk	197,466	126,219	5.8%	99.3%	103,650	6.2%	98.0%	21.8%
Shanghai Baoshan Paradise Walk	98,339	93,020	4.3%	98.7%	78,997	4.7%	98.8%	17.8%
Changzhou Longcheng Paradise Walk	119,328	47,918	2.2%	94.7%	—	—	—	—
Beijing Fangshan Paradise Walk	103,688	86,717	4.0%	99.9%	—	—	—	—
Chengdu Xichen Paradise Walk	152,639	77,939	3.6%	100.0%	—	—	—	—
<b>Paradise Walk Subtotal</b>	<b>2,714,459</b>	<b>2,045,313</b>	<b>93.6%</b>	<b>97.8%</b>	<b>1,552,127</b>	<b>92.5%</b>	<b>97.0%</b>	<b>31.8%</b>
Chongqing Crystal Castle	16,161	10,349	0.5%	100.0%	10,900	0.6%	100.0%	-5.1%
Chongqing Chunsen Starry Street	54,618	17,169	0.8%	97.6%	14,909	0.9%	89.6%	15.2%
Chongqing Fairy Castle	29,413	6,123	0.3%	100.0%	5,957	0.4%	100.0%	2.8%
Beijing Summer Palace Starry Street	6,320	12,946	0.6%	100.0%	11,592	0.7%	100.0%	11.7%
Xi'an Daxing Starry Street	44,227	28,194	1.3%	100.0%	24,353	1.5%	99.8%	15.8%
Xi'an Qujiang Starry Street	63,206	34,799	1.5%	100.0%	28,827	1.6%	99.7%	20.7%
Others	—	13,389	0.6%	N/A	12,680	0.8%	N/A	5.6%
<b>Starry Street Subtotal</b>	<b>213,945</b>	<b>122,969</b>	<b>5.6%</b>	<b>99.3%</b>	<b>109,218</b>	<b>6.5%</b>	<b>97.1%</b>	<b>12.6%</b>
Chongqing MOCO	29,104	16,956	0.8%	99.7%	17,598	1.0%	98.4%	-3.6%
<b>MOCO Subtotal</b>	<b>29,104</b>	<b>16,956</b>	<b>0.8%</b>	<b>99.7%</b>	<b>17,598</b>	<b>1.0%</b>	<b>98.4%</b>	<b>-3.6%</b>
<b>Total for projects that had commenced operation</b>	<b>2,957,508</b>	<b>2,185,238</b>	<b>100.0%</b>	<b>98.0%</b>	<b>1,678,943</b>	<b>100.0%</b>	<b>97.0%</b>	<b>30.2%</b>

## From January to June 2019, the total retail sales of shopping malls were RMB12.3 billion, representing an increase of 23% over the same period last year. Total foot traffic was approximately 220 million, representing an increase of 16% 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*

	<b>Estimated Commencement of Operation</b>	<b>Planned GFA Sqm</b>
Shanghai Minhang Starry Street	2019	26,899
Nanjing Liuhe Paradise Walk	2019	110,179
Shanghai Minhang Paradise Walk	2019	94,859
Hangzhou Binjiang Paradise Walk Phase II	2019	22,076
Hefei Yaohai Paradise Walk	2019	98,320
Shanghai Huajing Paradise Walk	2019	42,253
Hangzhou Xixi Paradise Walk	2019	130,042
Hangzhou Zijing Paradise Walk	2019	83,000
Chengdu Binjiang Paradise Walk	2020 and hereafter	140,000
Chengdu Shangcheng Paradise Walk	2020 and hereafter	120,000
Nanjing Longwan Paradise Walk	2020 and hereafter	114,470
Nanjing Jiangbei Paradise Walk	2020 and hereafter	143,000
Chongqing Jinsha Paradise Walk	2020 and hereafter	204,374
Suzhou Xinghu Paradise Walk	2020 and hereafter	112,106
Changsha Yanghu Paradise Walk	2020 and hereafter	99,988
Chengdu Wuhou Starry Street	2020 and hereafter	31,469
Chengdu Time Paradise Walk Phase II	2020 and hereafter	63,013
Xi'an Xiangti Paradise Walk	2020 and hereafter	78,962
Wuhan Jiangchen Paradise Walk	2020 and hereafter	138,584
Hangzhou Jiangdong Paradise Walk	2020 and hereafter	107,125
Chongqing Lijia Paradise Walk	2020 and hereafter	115,086
Nanjing Hexi Paradise Walk	2020 and hereafter	112,216
Suzhou Dongwu Paradise Walk	2020 and hereafter	114,978
Chongqing Gongyuan Paradise Walk	2020 and hereafter	138,034
Chengdu Jinchen Paradise Walk	2020 and hereafter	83,000
Hangzhou Dingqiao Paradise Walk	2020 and hereafter	117,944
Qingdao Jiaozhou Paradise Walk	2020 and hereafter	81,463

Due to the rental increase of shopping malls in operation, continuous investments in projects under construction and the development of long-term rental apartments “Goyoo”, the valuation gain of investment properties of the Group amounted to RMB2.31 billion from January to June 2019.

## **COST CONTROL**

From January to June 2019, the Group started business in several new cities. In order to support the rapid development of our business, enhance headquarter functions and reserve of talents in regional management teams, the Group's general and administrative expenses to the total contracted sales increased by 0.3% to 2.1% over the same period last year. Meanwhile, as the Group's marketing expenses were increased to strengthen our brand influence, the selling expenses to the total contracted sales increased by 0.2% to 1.1% over the same period last year.

## **SHARE OF RESULTS OF JOINT VENTURES**

From January to June 2019, the contribution of joint ventures was mainly from the Group's 50.0%-owned Guangzhou Tian Chen Longfor Mansion. The attributable profit after tax of the Group in joint ventures was RMB676 million.

## **SHARE OF RESULTS OF ASSOCIATES**

From January to June 2019, the contribution of associates was mainly from the Group's 49.0%-owned Chengdu Huazhao. The attributable profit after tax of the Group in associates was RMB381 million.

## **INCOME TAX EXPENSE**

Income tax expenses comprised PRC enterprise income tax and land appreciation tax. From January to June 2019, the enterprise income tax and the land appreciation tax of the Group were RMB2.73 billion and RMB2.19 billion, respectively. The total income tax expenses for the period amounted to RMB4.92 billion.

## **PROFITABILITY**

From January to June 2019, 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 16.1%, as compared with 17.7% 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 12.2%, as compared with 13.8% 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, 2019, the Group's total land bank was 70.93 million square meters or 49.11 million square meters on an attributable basis. The average unit land cost was RMB5,632 per square meter, accounting for 34.7% 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 31.8%, 28.8%, 21.5%, 10.1%, 7.7% and 0.1% of the total land bank, respectively.

From January to June 2019, the Group has acquired new land bank with total GFA of 9.24 million square meters or 6.71 million square meters on an attributable basis. Average cost of acquisition on an attributable basis was RMB7,761 per square meter. In terms of regional breakdown, the newly acquired area of Yangtze River Delta, western China, Pan Bohai Rim, southern China and central China accounted for 25.2%, 19.9%, 19.6%, 17.8% and 17.5% of the total GFA of the newly acquired land bank.

Subsequent to the end of the reporting period<sup>#</sup>, the Group has acquired new land bank with total GFA of 1.59 million square meters or 1.45 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 western China, Pan Bohai Rim, central China, southern China and Yangtze River Delta accounted for 35.2%, 31.9%, 12.3%, 11.0% and 9.6% of the total GFA of the land bank acquired subsequent to the end of the reporting period, respectively.

Currently, there are 49 cities covered by the Group<sup>#</sup>. 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.

<sup>#</sup> As of July 31, 2019

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 Sq <sup>m</sup>	% of Total	Attributable	
				GFA Sq <sup>m</sup>	% of Total
Pan Bohai Rim	Beijing	2,885,270	4.1%	842,157	1.7%
	Shenyang	2,557,759	3.6%	2,174,290	4.4%
	Qingdao	3,085,145	4.3%	2,014,097	4.1%
	Yantai	7,018,226	9.9%	7,018,226	14.2%
	Jinan	4,199,582	5.9%	2,447,354	5.0%
	Dalian	544,477	0.8%	325,473	0.7%
	Tianjin	1,083,310	1.5%	773,200	1.6%
	Baoding	784,248	1.1%	548,974	1.1%
	Shijiazhuang	349,420	0.5%	184,840	0.4%
	Weihai	95,143	0.1%	57,086	0.1%
	<b>Subtotal</b>	<b>22,602,580</b>	<b>31.8%</b>	<b>16,385,697</b>	<b>33.3%</b>
Central China	Changsha	1,923,878	2.7%	908,677	1.9%
	Wuhan	3,954,499	5.6%	1,831,448	3.7%
	Nanchang	255,895	0.4%	151,861	0.3%
	Zhengzhou	444,111	0.6%	444,111	0.9%
	Changde	389,073	0.5%	389,073	0.8%
	Ganzhou	227,284	0.3%	81,822	0.2%
	<b>Subtotal</b>	<b>7,194,740</b>	<b>10.1%</b>	<b>3,806,992</b>	<b>7.8%</b>
Western China	Chongqing	10,361,719	14.6%	8,079,809	16.4%
	Chengdu	4,002,838	5.6%	3,025,502	6.2%
	Xi'an	1,330,787	1.9%	869,986	1.8%
	Yuxi	745,972	1.1%	745,972	1.5%
	Guiyang	1,956,078	2.8%	997,600	2.0%
	Kunming	1,270,084	1.8%	473,119	1.0%
	Xianyang	740,779	1.0%	557,066	1.1%
		<b>Subtotal</b>	<b>20,408,257</b>	<b>28.8%</b>	<b>14,749,054</b>

Region	City	Total GFA Sqm	% of Total	Attributable GFA Sqm	% of Total
Yangtze River Delta	Shanghai	1,355,386	1.9%	703,101	1.4%
	Wuxi	920,548	1.3%	748,599	1.5%
	Changzhou	782,351	1.1%	782,351	1.6%
	Hangzhou	2,623,414	3.7%	1,635,701	3.3%
	Ningbo	1,585,873	2.2%	1,245,730	2.5%
	Suzhou	1,682,109	2.4%	1,162,348	2.4%
	Nanjing	2,167,743	3.1%	1,795,625	3.7%
	Hefei	2,199,999	3.1%	1,561,527	3.2%
	Jiaxing	542,765	0.8%	353,911	0.7%
	Nantong	757,607	1.1%	345,968	0.7%
	Wenzhou	162,494	0.2%	132,886	0.3%
	Shaoxing	451,231	0.6%	345,292	0.7%
		<b>Subtotal</b>	<b>15,231,520</b>	<b>21.5%</b>	<b>10,813,039</b>
Southern China	Xiamen	1,363,702	1.9%	681,083	1.4%
	Quanzhou	610,361	0.9%	610,361	1.2%
	Guangzhou	1,218,115	1.7%	767,173	1.6%
	Foshan	62,357	0.1%	31,802	0.1%
	Shenzhen	108,871	0.2%	103,685	0.2%
	Fuzhou	958,330	1.4%	474,098	1.0%
	Zhuhai	436,268	0.6%	218,712	0.4%
	Dongguan	123,610	0.2%	31,026	0.1%
	Nanning	146,306	0.2%	64,722	0.1%
	Zhangzhou	175,604	0.2%	175,604	0.4%
	Zhongshan	136,525	0.2%	68,262	0.1%
	Maoming	97,134	0.1%	97,134	0.2%
	<b>Subtotal</b>	<b>5,437,183</b>	<b>7.7%</b>	<b>3,323,662</b>	<b>6.8%</b>
Hong Kong Region	Hong Kong	54,416	0.1%	27,208	0.1%
	<b>Subtotal</b>	<b>54,416</b>	<b>0.1%</b>	<b>27,208</b>	<b>0.1%</b>
	<b>Total</b>	<b>70,928,696</b>	<b>100.0%</b>	<b>49,105,652</b>	<b>100.0%</b>

Table 6: Land acquisition from January to June 2019

Region	Project	City	Attributable Interest %	Total GFA Sqm	Attributable GFA Sqm
Pan Bohai Rim	Jasper Sky	Shijiazhuang	51.0%	183,518	93,594
	Beijing Lize Paradise Walk	Beijing	51.0%	98,446	50,207
	Born to be the One	Dalian	100.0%	23,890	23,890
	Perfectionism	Shenyang	100.0%	144,923	144,923
	The Skyline	Shenyang	100.0%	117,392	117,392
	Chunjiang Central	Tianjin	100.0%	65,021	65,021
	Gangxi Road Plot	Jinan	80.0%	453,443	362,754
	The Light Year Phase I	Qingdao	95.0%	156,870	149,027
	Chunjiang Center	Qingdao	100.0%	27,092	27,092
	Longfor Palace	Qingdao	31.0%	166,594	51,644
	The Light Year Phase II	Qingdao	95.0%	102,604	97,474
	Chunjiang Land	Qingdao	49.0%	269,430	132,021
		<b>Subtotal</b>			<b>1,809,223</b>
Western China	Zi Yun Fu	Chengdu	100.0%	198,440	198,440
	Tian Hu Wan	Chengdu	34.0%	182,116	61,919
	Southern 3rd Ring Plot	Chengdu	100.0%	12,743	12,743
	City of Glory	Xianyang	75.2%	740,779	557,066
	Cai Jia Ancestral Land Plot	Chongqing	100.0%	144,152	144,152
	Central Park Plot Phase I	Chongqing	70.0%	167,278	117,094
	Central Park Plot Phase II	Chongqing	70.0%	124,409	87,086
	Central Park Plot Phase III	Chongqing	70.0%	172,467	120,727
	Shuitu Plot	Chongqing	51.0%	94,392	48,140
		<b>Subtotal</b>		<b>1,836,776</b>	<b>1,347,367</b>
Yangtze River Delta	City of Stars	Suzhou	51.0%	287,994	146,877
	Xiaoshan Beiganshan Plot	Hangzhou	51.0%	91,959	46,899
	Pengbu Mingshi Road Plot	Hangzhou	34.0%	133,385	45,351
	Shushan District Plot	Hefei	100.0%	155,988	155,988
	Xinzhan High-tech Industrial Development Zone Plot	Hefei	100.0%	171,233	171,233
	Zhujiang Road Plot	Changzhou	100.0%	359,884	359,884
	Fengxian Project II	Shanghai	30.0%	163,020	48,906
	Fengxian TOD Plot	Shanghai	51.0%	286,175	145,949
	Fenglin West Road Plot	Shaoxing	100.0%	235,029	235,029
	Xiaolingwei Street Plot	Nanjing	100.0%	51,613	51,613
	Yinzhou Mingyi Plot	Ningbo	100.0%	336,336	336,336
	Ouhai Shangcai Plot	Wenzhou	100.0%	63,798	63,798
		<b>Subtotal</b>		<b>2,336,414</b>	<b>1,807,863</b>

<b>Region</b>	<b>Project</b>	<b>City</b>	<b>Attributable Interest %</b>	<b>Total GFA Sqm</b>	<b>Attributable GFA Sqm</b>
Central China	Jiangchen Paradise Walk	Wuhan	50.0%	349,164	174,582
	Guanggu City • Chanson	Wuhan	60.0%	173,416	104,050
	Qixin Village Plot	Wuhan	51.0%	266,218	135,771
	Jiangxiaketing Project	Wuhan	40.0%	130,590	52,236
	Baishazhou TOD Plot	Wuhan	100.0%	311,455	311,455
	Changwang Road Plot	Nanchang	51.0%	103,366	52,717
	High-tech Zone No. 7 Plot	Zhengzhou	100.0%	278,776	278,776
	<b>Subtotal</b>			<b>1,612,985</b>	<b>1,109,587</b>
Southern China	Longfor Mansion	Zhangzhou	100.0%	175,604	175,604
	Yangxia Plot	Fuzhou	65.0%	318,131	206,785
	Glorious Mansion	Fuzhou	37.0%	272,243	100,730
	Chunjiang Center	Zhongshan	50.0%	136,525	68,262
	Potang Project	Maoming	100.0%	97,134	97,134
	Maluanwan District Plot	Xiamen	100.0%	138,847	138,847
	Huangshi West Road Plot	Guangzhou	100.0%	61,244	61,244
	Lan Jing	Guangzhou	80.0%	177,625	142,100
	Renhe Town Plot	Guangzhou	51.0%	212,558	108,405
	Fengling South Road Plot	Nanning	60.0%	57,606	34,564
	<b>Subtotal</b>			<b>1,647,517</b>	<b>1,133,675</b>
	<b>Total</b>			<b>9,242,915</b>	<b>6,713,531</b>

Details of the land bank acquired by the Group subsequent to the end of the reporting period<sup>#</sup> are as follows:

*Table 7: Land acquisition subsequent to the end of the reporting period <sup>#</sup>*

Region	Project	City	Attributable Interest %	Expected GFA Sqm	Attributable GFA Sqm
Pan Bohai Rim	Hefei Road Plot	Qingdao	51%	38,196	19,480
	Hunnan District Plot	Shenyang	100%	291,935	291,935
	Jinzi Street Plot	Shenyang	100%	65,105	65,105
	Wenquan Town Project	Weihai	51%	111,545	56,888
	<b>Subtotal</b>			<b>506,781</b>	<b>433,408</b>
Western China	Wujiaba Plot	Kunming	100%	434,028	434,028
	Ruilian Road Plot	Chengdu	100%	39,160	39,160
	Taohuatan Project	Xi'an	100%	88,800	88,800
	<b>Subtotal</b>			<b>561,988</b>	<b>561,988</b>
Yangtze River Delta	Fengxian Plot No. 4	Shanghai	100%	60,458	60,458
	Shushan West Project	Hefei	70%	92,064	64,445
	<b>Subtotal</b>			<b>152,522</b>	<b>124,903</b>
Central China	Qingshan Lake Paradise Walk	Nanchang	100%	195,264	195,264
	<b>Subtotal</b>			<b>195,264</b>	<b>195,264</b>
Southern China	Dongyuan Plot in Taitou District	Quanzhou	100%	97,473	97,473
	Xiaojinkou Project	Huizhou	51%	76,855	39,196
	<b>Subtotal</b>			<b>174,328</b>	<b>136,669</b>
	<b>Total</b>			<b>1,590,883</b>	<b>1,452,232</b>

<sup>#</sup> As of July 31, 2019

## FINANCIAL POSITION

As at June 30, 2019, the Group's consolidated borrowings amounted to RMB140.05 billion. The net debt to equity ratio (net debt divided by total equity) of the Group was 53.0%. Cash in hand was RMB58.07 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 Moody's, 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 79% of the Group's total borrowings were denominated in RMB, while 21% 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 RMB46.60 billion of the Group's consolidated borrowings were with fixed interest 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, 2019, the proportion of fixed interest debt was 33% (December 31, 2018: 38%) of the total debt.

The Group's average cost of borrowing was 4.56% per annum. The average maturity period of loan was 5.69 years. The proportion of unsecured debt was 66%. The debt due within one year was RMB13.76 billion, accounting for 9.8% of the total debt. Cash to short-term debt ratio (cash in hand divided by debt due within one year) was 4.22.

In the first half of 2019, the Group successfully issued corporate bonds of RMB2.2 billion in the domestic capital market, at a coupon rate ranging from 3.99% to 4.70% per annum with terms ranging from five to seven years.

Subsequent to the end of the reporting period, in July 2019, the Group successfully issued rental apartments special bonds of RMB2 billion in the domestic capital market, at a coupon rate ranging from 3.9% to 4.67% per annum with terms ranging from five to seven years.

## EMPLOYEES AND COMPENSATION POLICY

As at June 30, 2019, the Group had 24,107 full-time employees in China. Of these employees, 7,831 worked in the property development business, 3,148 in the property investment business, and 13,128 in the property management business. Average age of our employees is 31.3 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 fulfillment 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 2019, as the excessive growth momentum of housing price has been effectively curbed, stability and leverage control have once again become key words for consideration. After going through a golden age of rampant growth, the real estate industry entered the second half featuring accelerated differentiation and enhanced consolidation. As the slowdown in growth will not alter the development trend of the industry, enterprises that focus on value creation and operational capabilities, actively respond to the needs of industry restructuring, continuously upgrade their products and services and refine operations and management are still well positioned to continue to take a leading position.

Adhering to its strategy of “Space as a Service”, the Group is deeply rooted in Tier-1 and Tier-2 cities to maintain a steady increase in business scale by continuously developing our four core businesses, namely, property development, commercial property, long-term rental apartments and smart services. Meanwhile, upholding the concept of “For You Forever” and based on various needs of customers throughout their life cycle, we have strived to develop our capabilities to offer multi-space, full-cycle products and services and achieve multi-dimensional driving forces and coordinated development. The Group spares no effort in further improving its operating capabilities and efficiency by sticking to its core businesses, gaining insights into iterations and embracing change.

In the second half of 2019, the Group currently has 167 key projects for sale on the market, among which 46 are brand new projects and 112 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, while the proportion of different product types and features will be adjusted in response to changes in customer demands, thus enabling the Group to realize precise product positioning and achieve goals in such a market.

The Group (including joint ventures and associates) completed properties of approximately 4.40 million square meters in GFA from January to June in 2019. The total GFA of properties planned to complete construction in 2019 will reach approximately 16.00 million square meters. The current construction and sales progress are on track.

In regards to investment properties, Shanghai Minhang Starry Street has commenced operation in July 2019, and several Paradise Walk projects in Shanghai, Hangzhou and Nanjing are expected to commence operation in the second half of 2019. Meanwhile, as one of the core businesses, many of our long-term rental apartments “Goyoo” have commenced operation in Tier-1 and Tier-2 cities such as Beijing, Shanghai, Shenzhen, Hangzhou, Nanjing, Chongqing and Chengdu. The investment and development of the above two core businesses will lay a solid foundation for future growth of rental income.

Amidst the constantly changing market and diversifying competitive landscape, 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. In terms of investments, we will also control land costs and increase funding utilization rates through external cooperation and acquisitions in the secondary market.



## **PAYMENT OF INTERIM DIVIDEND**

The Board declared payment of an interim dividend of RMB0.36 per share for the six months ended June 30, 2019. 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 16, 2019 to Tuesday, December 17, 2019. The interim dividend will be paid on Friday, January 17, 2020 to the shareholders whose names appear on the register of members of the Company on Tuesday, December 24, 2019.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, December 23, 2019 to Tuesday, December 24, 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 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, December 20, 2019.

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

During the six months ended June 30, 2019, the trustee of the Restricted Share Award Scheme purchased on The Stock Exchange of Hong Kong Limited a total of 16,395,529 shares at a total consideration of approximately HKD403,426,814 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, 2019.

## **CORPORATE GOVERNANCE**

During the six months ended 30 June 2019, 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 2019, 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.

## **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, 2019 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, 2019.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the website of the Company ([www.longfor.com](http://www.longfor.com)) and the designated issuer website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report 2019 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 26, 2019

*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.*