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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

FINANCIAL SUMMARY

- Contracted sales increased by 28.5% to RMB200.64 billion as compared with that of last year.
- Revenue increased by 60.7% to RMB115.80 billion as compared with that of last year, of which the rental income from the property investment business increased by 57.7% to RMB4.09 billion.
- Profit attributable to shareholders was RMB16.24 billion. Excluding effects, such as minority interests and valuation gains, core net profit increased by 31.5% to RMB12.85 billion as compared with that of last year. Gross profit increased by 61.8% year-on-year to RMB39.53 billion, gross profit margin was 34.1%. Core net profit margin was 14.7%, and core net profit margin attributable to shareholders was 11.1%.
- The net debt to equity ratio (net debt divided by total equity) was 52.9%. Cash in hand was RMB45.26 billion.
- Consolidated total borrowings was RMB119.82 billion and average cost of borrowing was 4.55% per annum. Average maturity period of loan was 5.88 years.
- Basic earnings per share were RMB2.78. Excluding effects, such as valuation gains, core earnings per share were RMB2.20. The Board recommends a final dividend of RMB0.69 per share. Together with the interim dividend of RMB0.30 per share, the total dividend increased by 30.6% year-on-year to RMB0.99 per share.

ANNUAL RESULTS

The Board of Directors (the “Board”) of Longfor Group Holdings Limited (“Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended December 31, 2018 with comparative figures for the preceding financial year, are follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>NOTES</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	2	115,798,460	72,075,041
Cost of sales		<u>(76,269,820)</u>	<u>(47,639,212)</u>
Gross profit		39,528,640	24,435,829
Other income	3	1,249,249	794,813
Other gains and losses	4	(285,873)	52,707
Fair value gain upon transfer to investment properties		1,158,861	503,080
Change in fair value of investment properties		3,542,993	4,420,207
Change in fair value of derivative financial instruments		310,350	(411,889)
Selling and marketing expenses		(3,193,177)	(1,796,698)
Administrative expenses		(5,396,785)	(3,267,424)
Finance costs	5	(74,560)	(45,275)
Share of results of associates		189,220	1,214,682
Share of results of joint ventures		<u>454,084</u>	<u>653,553</u>
Profit before taxation		37,483,002	26,553,585
Income tax expense	6	<u>(16,592,313)</u>	<u>(10,075,097)</u>
Profit for the year	7	<u>20,890,689</u>	<u>16,478,488</u>
Profit attributable to:			
Owners of the Company		16,236,870	12,598,597
Non-controlling interests		<u>4,653,819</u>	<u>3,879,891</u>
		<u>20,890,689</u>	<u>16,478,488</u>

	<i>NOTES</i>	2018	2017
		<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year		<u>20,890,689</u>	<u>16,478,488</u>
Other comprehensive income (expense):			
<i>Item that will not be reclassified to profit or loss</i>			
Fair value gain on investment in unlisted equity instruments at fair value through other comprehensive income		<u>281,193</u>	<u>—</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value gain (loss) on hedging instruments		111,832	(409,268)
(Gain) loss on hedging instruments reclassified to profit or loss		<u>(648,760)</u>	<u>104,250</u>
		<u>(536,928)</u>	<u>(305,018)</u>
Total comprehensive income for the year		<u>20,634,954</u>	<u>16,173,470</u>
Total comprehensive income attributable to:			
Owners of the Company		15,981,135	12,293,579
Non-controlling interests		<u>4,653,819</u>	<u>3,879,891</u>
		<u>20,634,954</u>	<u>16,173,470</u>
Earnings per share, in RMB			
Basic	9	<u>2.78</u>	<u>2.17</u>
Diluted	9	<u>2.73</u>	<u>2.13</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2018**

	<i>NOTES</i>	2018	2017
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Investment properties		84,409,540	68,094,745
Property, plant and equipment		3,365,689	862,903
Prepaid lease payments		16,518,641	37,139,443
Land use rights		414,360	434,607
Interests in associates		7,571,982	7,780,744
Interests in joint ventures		7,365,020	5,412,043
Available-for-sale investments		—	201,133
Equity instruments at fair value through other comprehensive income		734,265	—
Deposits paid for acquisition of land use rights		9,968,487	5,477,350
Derivative financial instruments		313,611	229,965
Deferred taxation assets		<u>4,192,962</u>	<u>3,462,687</u>
		<u>134,854,557</u>	<u>129,095,620</u>
CURRENT ASSETS			
Inventories		826,649	798,921
Properties under development for sales		232,015,490	151,421,146
Properties held for sales		14,546,579	10,779,489
Accounts and other receivables, deposits and prepayments	10	22,573,317	14,183,557
Amounts due from non-controlling interests		32,888,617	17,462,283
Amounts due from associates		6,876,577	2,541,177
Amounts due from joint ventures		12,835,904	6,057,689
Taxation recoverable		4,202,728	3,662,699
Pledged bank deposits		180,529	119,119
Bank balances and cash		<u>45,083,066</u>	<u>26,642,154</u>
		<u>372,029,456</u>	<u>233,668,234</u>

	<i>NOTES</i>	2018	2017
		<i>RMB'000</i>	<i>RMB'000</i>
CURRENT LIABILITIES			
Accounts and bills payables, deposits received and accrued charges	11	62,233,952	31,943,600
Contract liabilities		113,439,818	93,486,658
Amounts due to non-controlling interests		24,527,983	18,578,643
Amounts due to associates		8,945,018	6,488,710
Amounts due to joint ventures		7,173,139	6,196,936
Taxation payable		21,611,655	15,211,025
Bank and other borrowings - due within one year		11,743,175	3,610,754
Senior notes - due within one year		—	1,977,843
Other derivative financial instruments		168,944	—
		<u>249,843,684</u>	<u>177,494,169</u>
NET CURRENT ASSETS		<u>122,185,772</u>	<u>56,174,065</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>257,040,329</u>	<u>185,269,685</u>
CAPITAL AND RESERVES			
Share capital		516,783	514,209
Reserves		<u>81,144,649</u>	<u>70,052,455</u>
Equity attributable to owners of the Company		81,661,432	70,566,664
Non-controlling interests		<u>59,156,696</u>	<u>35,612,011</u>
TOTAL EQUITY		<u>140,818,128</u>	<u>106,178,675</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year		99,456,124	65,527,956
Senior notes - due after one year		8,620,623	6,287,640
Derivative financial instruments		176,765	—
Other derivative financial instruments		221,728	657,746
Deferred taxation liabilities		<u>7,746,961</u>	<u>6,617,668</u>
		<u>116,222,201</u>	<u>79,091,010</u>
		<u>257,040,329</u>	<u>185,269,685</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

New and amendments to IFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the “Group”) has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time in the current year:

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

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

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

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

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

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

In addition, the Group applied the hedge accounting prospectively.

Summary of effects arising from initial application of IFRS 9

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

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

2. 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 (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 chief operating decision maker for the purposes of resource allocation and assessment of performance. The Group's operating segments under IFRS 8 *Operating Segments* are identified as three main operations:

- Property development: this segment represents the development and sales of office and commercial premises and residential properties. All of 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, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Company's executive directors monitor the revenue, results, assets and liabilities attributable to each operating segment on the following bases:

Segment assets include all tangible assets and current assets directly attributable to each segment with the exception of prepaid lease payments, deposits paid for acquisition of land use rights, interests in associates and joint ventures, available-for-sale investments, equity instruments at fair value through other comprehensive income ("FVTOCI"), deferred taxation assets, taxation recoverable, derivative financial instruments 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 and contract liabilities but exclude taxation payable, deferred taxation liabilities, bank and other borrowings, senior notes, 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, 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" includes investment income and "depreciation" includes impairment losses on non-current assets. To arrive at Adjusted Earnings of each segment, the segment 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.

For the measurement of segment assets and results, property, plant and equipment are allocated to segments while their corresponding depreciation are not allocated to segments.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment sales) and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar service.

Information regarding the Group's operating and reportable segments is set out below.

	Year ended December 31, 2018				
	Property development	Property investment	Property management and related services and others		Total
			<i>RMB'000</i>	<i>RMB'000</i>	
Revenue from external customers					
Recognised at a point in time	99,325,174	—	—		99,325,174
Recognised over time	9,394,193	4,090,465	2,988,628		16,473,286
Inter-segment revenue	—	—	275,350		275,350
Segment revenue	<u>108,719,367</u>	<u>4,090,465</u>	<u>3,263,978</u>		<u>116,073,810</u>
Segment profit (Adjusted Earnings)	<u>33,050,444</u>	<u>2,486,617</u>	<u>798,402</u>		<u>36,335,463</u>
Segment assets	269,553,969	57,071,210	1,460,156		328,085,335
Segment liabilities	<u>158,080,814</u>	<u>1,002,344</u>	<u>92,701</u>		<u>159,175,859</u>

	Year ended December 31, 2017				
	Property development	Property investment	Property management and related services and others		Total
			<i>RMB'000</i>	<i>RMB'000</i>	
Revenue from external customers					
Recognised at a point in time	67,299,635	—	—		67,299,635
Recognised over time	162,817	2,593,240	2,019,349		4,775,406
Inter-segment revenue	—	—	187,694		187,694
Segment revenue	<u>67,462,452</u>	<u>2,593,240</u>	<u>2,207,043</u>		<u>72,262,735</u>
Segment profit (Adjusted Earnings)	<u>20,414,464</u>	<u>1,729,033</u>	<u>495,634</u>		<u>22,639,131</u>
Segment assets	177,179,367	43,015,829	1,015,736		221,210,932
Segment liabilities	<u>115,903,374</u>	<u>865,445</u>	<u>30,833</u>		<u>116,799,652</u>

Other segment information

	Property development	Property investment	Property management and related services and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts included in the measure of segment assets:				
2018				
Additions to non-current assets (Note)	<u>151,961</u>	<u>8,462,606</u>	<u>326,653</u>	<u>8,941,220</u>
2017				
Additions to non-current assets (Note)	<u>148,038</u>	<u>4,172,418</u>	<u>35,836</u>	<u>4,356,292</u>

Note: Amounts represent additions to investment properties and property, plant and equipment.

In addition to receiving segment information concerning segment profit, the chief operating decision maker 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, change in fair value of investment properties and upon transfer to investment properties, change in fair value of derivative financial instruments, other income, other gains and losses, finance costs from borrowings, depreciation and amortisation and impairment losses (if any) which are not allocated to operating segments.

(b) Reconciliations of segment revenues, profit or loss, assets and liabilities

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Segment revenue	116,073,810	72,262,735
Elimination of inter-segment revenue	<u>(275,350)</u>	<u>(187,694)</u>
Consolidated revenue	<u>115,798,460</u>	<u>72,075,041</u>
Profit		
Segment profit	36,335,463	22,639,131
Other income	1,249,249	794,813
Other gains and losses	(285,873)	52,707
Fair value gain upon transfer to investment properties	1,158,861	503,080
Change in fair value of investment properties	3,542,993	4,420,207
Change in fair value of derivative financial instruments	310,350	(411,889)
Finance costs	(74,560)	(45,275)
Share of results of associates	189,220	1,214,682
Share of results of joint ventures	454,084	653,553
Depreciation and amortisation	(222,685)	(28,687)
Unallocated expenses	<u>(5,174,100)</u>	<u>(3,238,737)</u>
Consolidated profit before taxation	<u>37,483,002</u>	<u>26,553,585</u>
Assets		
Segment assets	328,085,335	221,210,932
Cumulative change in fair value of investment properties	30,066,290	25,364,436
Prepaid lease payments	16,518,641	37,139,443
Interests in associates	7,571,982	7,780,744
Interests in joint ventures	7,365,020	5,412,043
Available-for-sale investments	—	201,133
Equity instruments at FVTOCI	734,265	—
Deposits paid for acquisition of land use rights	9,968,487	5,477,350
Deferred taxation assets	4,192,962	3,462,687
Derivative financial instruments	313,611	229,965
Taxation recoverable	4,202,728	3,662,699
Unallocated head office and other assets	<u>97,864,692</u>	<u>52,822,422</u>
Consolidated total assets	<u>506,884,013</u>	<u>362,763,854</u>

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities		
Segment liabilities	159,175,859	116,799,652
Taxation payable	21,611,655	15,211,025
Deferred taxation liabilities	7,746,961	6,617,668
Bank and other borrowings	111,199,299	69,138,710
Senior notes	8,620,623	8,265,483
Derivative financial instruments	176,765	—
Other derivative financial instruments	390,672	657,746
Unallocated head office and other liabilities	<u>57,144,051</u>	<u>39,894,895</u>
Consolidated total liabilities	<u>366,065,885</u>	<u>256,585,179</u>

(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:

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of properties		
Recognised at a point in time	99,325,174	67,299,635
Recognised over time	<u>9,394,193</u>	<u>162,817</u>
	108,719,367	67,462,452
Revenue from property management and related services and others - recognised over time	<u>2,988,628</u>	<u>2,019,349</u>
Revenue from contract with customers	111,707,995	69,481,801
Rental income	<u>4,090,465</u>	<u>2,593,240</u>
Total revenue	<u>115,798,460</u>	<u>72,075,041</u>

(d) Geographical information

The following table sets out information about the Group's revenue from external customers by cities in the PRC, based on the location at which the properties are sold, properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

	Revenue from external customers		Non-current assets	
	2018	2017	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Beijing	6,704,914	7,923,315	18,981,509	18,935,431
Chengdu	9,184,391	6,356,412	13,871,412	12,654,623
Chongqing	17,443,625	14,322,533	31,861,763	27,678,650
Hangzhou	19,737,654	6,842,741	14,514,373	12,650,533
Jinan	5,907,623	1,368,523	86,033	7,098,253
Ningbo	7,788,665	198,584	673,298	208,464
Qingdao	5,680,719	3,088,580	1,481,045	601,667
Shanghai	7,283,928	4,153,302	12,935,559	14,828,763
Shenyang	4,976,246	1,871,724	69,994	68,581
Sunan	4,244,701	4,161,408	7,688,005	1,984,840
Xiamen	8,193,986	6,738,650	2,829,651	3,925,042
Xi'an	3,923,352	3,377,764	1,588,284	1,336,905
Other cities in the PRC	<u>14,728,656</u>	<u>11,671,505</u>	<u>23,032,793</u>	<u>23,230,083</u>
	<u>115,798,460</u>	<u>72,075,041</u>	<u>129,613,719</u>	<u>125,201,835</u>

Note: Non-current assets excluded financial instruments and deferred taxation assets.

No revenue from transaction with a single external customer amounts to 10% or more of the Group's revenue.

3. OTHER INCOME

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	572,183	315,390
Dividend income from available-for-sale investments	—	802
Dividend income from equity instrument at FVTOCI held at the end of the reporting period	1,000	—
Government subsidies (Note a)	29,829	140,620
Penalty income (Note b)	131,289	73,194
Consultancy income (Note c)	470,960	231,890
Sundry income	<u>43,988</u>	<u>32,917</u>
Total	<u>1,249,249</u>	<u>794,813</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 year.
- (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 and independent third parties in relation to the property development projects.

4. OTHER GAINS AND LOSSES

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of property, plant and equipment	(409)	(6,354)
Net exchange (loss) gain (Note)	(823,433)	186,945
Reclassification of fair value gain (loss) of hedging instruments from hedging reserve	648,760	(104,250)
Loss on early redemption of senior notes	(110,791)	—
Others	<u>—</u>	<u>(23,634)</u>
	<u>(285,873)</u>	<u>52,707</u>

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

5. FINANCE COSTS

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings		
Wholly repayable within five years	(3,448,133)	(1,895,052)
Not wholly repayable within five years	(1,031,613)	(1,078,215)
Interest expense on senior notes	(418,016)	(432,835)
Less: Amount capitalised to properties under development for sales and investment properties under development	<u>4,823,202</u>	<u>3,360,827</u>
	<u>(74,560)</u>	<u>(45,275)</u>

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 4.81% (2017: 4.89%) per annum for the year ended December 31, 2018, to expenditure on the qualifying assets.

6. INCOME TAX EXPENSE

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax (“EIT”)	(7,741,254)	(5,241,484)
Withholding tax on distributed earnings	(133,665)	—
LAT	<u>(8,625,483)</u>	<u>(4,605,383)</u>
	<u>(16,500,402)</u>	<u>(9,846,867)</u>
Overprovision (underprovision) in prior years:		
EIT (Note a)	85,536	177,747
LAT (Note b)	<u>307,280</u>	<u>(63,509)</u>
	<u>392,816</u>	<u>114,238</u>
	<u>(16,107,586)</u>	<u>(9,732,629)</u>
Deferred taxation		
Current year	<u>(484,727)</u>	<u>(342,468)</u>
	<u>(16,592,313)</u>	<u>(10,075,097)</u>

Notes:

- (a) The assessment and computation of EIT payable in respect of certain subsidiaries which held completed property projects were finalised which differed from the management’s estimation on EIT in prior years, resulting in an overprovision of EIT in respect of prior years.

- (b) The actual appreciation value of several property projects had been finalised and the development plan for several property projects had been revised in which the revised estimated appreciation value was different with the appreciation value made in prior years, resulting in an overprovision (2017: underprovision) of LAT in respect of prior years.

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 Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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

7. PROFIT FOR THE YEAR

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor’s remuneration	6,659	5,762
Cost of property inventories included in cost of sales	72,576,986	45,364,050
Depreciation of property, plant and equipment	202,438	28,687
Amortisation of land use rights	20,247	—
Minimum lease payment of operating lease rentals	143,829	72,698
Staff costs		
Directors’ emoluments (including equity-settled share-based payments)	108,181	83,241
Other staff costs		
Retirement benefit contributions	441,390	260,289
Equity-settled share-based payments	272,745	132,145
Other staff costs	<u>4,166,292</u>	<u>2,550,642</u>
Total staff costs	4,988,608	3,026,317
Less: Amount capitalised to properties under development	<u>(1,190,917)</u>	<u>(613,915)</u>
	<u>3,797,691</u>	<u>2,412,402</u>
Minimum lease income from investment properties	(3,769,985)	(2,354,998)
Contingent rental income	(320,480)	(238,242)
Less: direct expenses that generated rental income	<u>1,436,214</u>	<u>710,270</u>
	<u>(2,654,251)</u>	<u>(1,882,970)</u>

8. DIVIDENDS

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends recognised as distribution during the year:		
Interim dividend recognised in respect of 2018 of RMB0.3 (2017: RMB0.2) per share	1,781,855	1,179,953
Final dividend paid in respect of 2017 of RMB0.473 (2017: in respect of 2016 of RMB0.466) per share	2,805,049	2,739,175
Special dividend paid in respect of 2017 of RMB0.085 (2017: nil) per share	<u>504,079</u>	<u>—</u>
	<u>5,090,983</u>	<u>3,919,128</u>

Subsequent to the end of the reporting period, a final dividend of RMB4,097,545,000, representing RMB0.69 per share, based on the number of shares in issue as at December 31, 2018, in respect of the year ended December 31, 2018 (2017: final dividend of RMB2,794,297,000, representing RMB0.473 per share, in respect of the year ended December 31, 2017) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

9. 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:

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	<u>16,236,870</u>	<u>12,598,597</u>

	2018	2017
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	5,843,544	5,805,659
Effect of dilutive potential ordinary shares in respect of - Share options and share awards	<u>112,041</u>	<u>98,662</u>
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	<u>5,955,585</u>	<u>5,904,321</u>

The weighted average number of ordinary shares adopted in the calculation of basic and diluted earnings per share for both years 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.

10. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (Note a)	2,560,699	2,253,231
Other receivables, net of allowance for doubtful debts (Note b)	5,682,971	4,401,554
Advances to contractors	2,074,294	1,192,787
Prepaid value added tax and other taxes	9,360,560	2,782,515
Prepayments and utilities deposits (Note c)	<u>2,894,793</u>	<u>3,553,470</u>
	<u><u>22,573,317</u></u>	<u><u>14,183,557</u></u>

Notes:

- (a) Trade receivables are mainly arisen from sales of properties and properties investment. Considerations in respect of sales of properties are paid by customers in accordance with the terms of the related sales and purchase agreements. For properties investment, rental income are paid by tenants within two months in accordance with the terms in the tenancy agreements.

The following is an aged analysis of trade receivables presented based on dates of delivery of goods and date of rendering of services.

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within 60 days	2,178,339	1,968,612
61 - 180 days	325,067	162,163
180 - 365 days	47,456	91,260
1 - 2 years	<u>9,837</u>	<u>31,196</u>
	<u><u>2,560,699</u></u>	<u><u>2,253,231</u></u>

As at December 31, 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB2,474,798,000 which are past due as at the reporting date. All past due balances are not considered as in default as those balances are mainly with those banks with good credit quality and pending for completing their mortgage procedures.

As at December 31, 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB2,119,986,000 which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2017
	<i>RMB'000</i>
Within 60 days	1,835,367
61 - 180 days	162,163
181 - 365 days	91,260
1 - 2 years	<u>31,196</u>
Total	<u><u>2,119,986</u></u>

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

- (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 prepaid lease payments amounting to RMB2,892,098,000 (2017: RMB3,256,896,000) which are paid on behalf of certain entities which the Group potentially invests in them ("potential investees"). In the opinion of the directors, such payments are prepayment for property development projects for those potential investees.

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

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables and accrued expenditure on construction (Note a)	44,768,028	21,938,084
Bills payables (Note a)	<u>968,013</u>	<u>1,374,910</u>
	45,736,041	23,312,994
Dividend payables	1,781,855	1,179,954
Other payables and accrued charges (Note b)	13,505,984	6,631,300
Consideration payable within 1 year for acquisition of assets and liabilities through acquisition of subsidiaries	<u>1,210,072</u>	<u>819,352</u>
	<u><u>62,233,952</u></u>	<u><u>31,943,600</u></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 Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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:

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within 60 days	20,868,583	9,123,583
61 - 180 days	8,966,617	4,271,838
181 - 365 days	6,333,705	3,543,843
1 - 2 years	2,147,504	1,957,950
2 - 3 years	460,323	754,589
Over 3 years	<u>185,130</u>	<u>186,829</u>
	<u><u>38,961,862</u></u>	<u><u>19,838,632</u></u>

- (b) Other payables and accrued charges comprise mainly tax received and payable to the government on behalf of customers, value added tax payables, 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 year ended December 31, 2018.

RESULTS

In 2018, the Group achieved contracted sales of RMB200.64 billion, representing a year-on-year growth of 28.5%. Revenue increased by 60.7% year-on-year to RMB115.80 billion, of which rental income from investment properties amounted to RMB4.09 billion, representing a year-on-year increase of 57.7%. Excluding the effects, such as minority interests and valuation gains, core net profit was RMB12.85 billion, representing an increase of 31.5% over 2017. Core net profit margin was 14.7%, core net profit margin attributable to shareholders was 11.1% and the dividend payout ratio was 45% of core net profit.

REVIEW OF 2018

The real estate industry in China was not easy for market participants during 2018. The total sales volume of RMB15 trillion marked another breakthrough, however, a market guided by the principle of “housing is for living” has caused significant changes to fundamental drivers and logic, with the gap between different cities and sectors expanding. The combined effect of price controls and de-leveraging has cooled down overall buying sentiment. The Company strived to seize the structural opportunities arising from differing city dynamics and market segments, recording contracted sales of RMB200.6 billion during the year, representing a year-on-year growth of 28.5%.

In addition to maintaining a cash collection ratio of more than 85%, the Company has also leveraged on its outstanding financing capacity, to take strategic initiatives to enhance our capital structure during a period of industry consolidation. In the capital markets, we have accurately seized the window of opportunity to complete favorable issuances of both domestic and overseas bonds. As for bank loans, our strong credit track record provided us great support in credit line and interest rate, thus we have secured headquarter level credit line of over RMB200 billion, while our average funding cost for the year remained very competitive at 4.55%. Sufficient capital provides a solid foundation for us to invest and operate at our own pace, which is especially valuable under the current market environment.

There was a noticeable decline in primary market transactions, and the land market has also receded somewhat after rapid expansion for the first half of the year. For some cities, aborted land auctions were not uncommon. The Company has adhered to its investment logic and principle, focusing on the synergistic development of metropolitan area and city clusters. We have added 91 new projects during the year and were particularly successful in top Tier-2 cities such as Chongqing, Chengdu, Hangzhou and Qingdao. We have entered 11 new cities, including Nanchang, Zhengzhou, Guiyang and Dongguan, through which we will strengthen our regional blueprint, generating momentum for our mid to long term sales and profit growth.

In addition to property development, the other three core businesses of the Group progressed as planned.

Leveraging on our understanding on demand for experiential consumption and the innovative application of space, Longfor's commercial property managed to achieve an increase in rental income by 42% of RMB3.6 billion with same-store growth of 17%, despite the overall sluggish retail consumption environment. Projects that were newly opened during the year, namely Beijing Fangshan Paradise Walk, Changzhou Longcheng Paradise Walk, Chengdu Xichen Paradise Walk, are ideally located in important transportation nodes of cities, with occupancy rate of nearly 100%, and such projects embraced our vision under the brand "Paradise Walk", connecting people with space and people with services.

We focused on the continual expansion of "Champion Apartments" in high tier cities, and it is designed to satisfy the younger population's desire for quality living and convenient services. As of the end of the year, over 50,000 rooms were launched to the market, and "Champion Apartments" has become one of the top 3 influential brands in the long-term rental apartment space in China. We acted as a "leading role", striving to practice the principle of balancing house renting and sales and to enhance the housing supply structure.

We attached great importance to our social responsibilities along with business development of the Group. During the year, the Group and its substantial shareholders jointly established "Guangcai-Longfor Special Fund for Education and Poverty Alleviation" via China Guangcai Program Foundation, with a total committed donation of RMB300 million to support education in China. We have recently jointly established "Longfor — Palace Culture Development Fund" with the Palace Museum with a donation of RMB100 million, with the aim to procure and protect our heritage and the promotion of traditional culture.

OUTLOOK FOR 2019

After the roller coaster ride in 2018, we believe the era of rampant growth for developers is all but over. The differentiated policy approach across different cities is here to stay and the need to go back to the basics and reinvent will be the new playbook. Fortunately, Longfor has always remained vigilant against speculation and being fickle, and instead focused on organic business capabilities and being adaptive to customer's changing needs and preferences, the very basics of doing business. We believe this has allowed the Company to rationally assess risks, and a reflection of our humble self and sense of responsibility.

The urbanization momentum in China is the fundamental fuel for the real estate industry going forward. People's pursuit for a better quality of life and space is exactly why we are tirelessly adhering to professionalism, refinement and differentiation. The urban evolution in China is thriving, and there is much clarity in the synergies between industry growth and population clusters. The emergence of the new middle class in Tier-1 and Tier-2 cities, and acceleration of online and offline integration is clearly manifested.

The certainty of the long-term trend of our industry has offered us assurance and a path to cope with the current volatility. As always, Longfor will strive to maintain strong financial capabilities and remain disciplined with our investments. We are customer focused, and will continue to develop high quality space that will integrate with an accurate, intelligent and lively experience. We believe our main businesses, based on the 'Space as a Service' principle, will command a premium over the long term.

2019 marks the tenth anniversary of Longfor's listing on the Hong Kong Stock Exchange. We were a new entrant to the capital markets a decade ago, and has stayed sincere, humble and persistent by paying close attention to the perspective and rules of the market and insisting on simplicity being the right path to development. By keeping a good balance between the need to grow and the need to be stable and consistent, Longfor has built up an increasingly clear multi-dimensional business plan and aim to maintain its investment grade credit rating and hundred billion market capitalization to reward investor's confidence with solid performance and dividends.

Looking forward to the next 10 years, Longfor will continue to progress in good faith, making steady progress with a long-term vision. With a humble strategic discipline, closed loop businesses supported by strong capital advantage, Longfor will strive to prevail over business cycles and achieve a win-win for all.

Longfor Group Holdings Limited
Wu Yajun
Chairperson

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

In 2018, revenue from property development business of the Group was RMB108.72 billion, representing an increase of 61.2% as compared to last year. The Group delivered 8.18 million square meters of property in gross floor area (GFA) terms. The gross profit margin of the overall property development business increased by 0.4% to 33.2% as compared to last year. Recognized average selling price was RMB13,296 per square meter in 2018.

Table 1: Breakdown of property development revenue of the Group in 2018

** Amount excluding tax*

City	Revenue		Total GFA	
	2018 RMB million	2017 RMB million	2018 Sqm	2017 Sqm
Hangzhou	18,942	6,045	821,477	423,699
Chongqing	14,811	12,270	1,376,273	1,283,966
Chengdu	8,378	5,735	826,990	621,134
Ningbo	7,748	172	453,297	22,224
Shanghai	6,774	3,950	167,004	141,439
Jinan	5,889	1,354	570,086	154,283
Beijing	5,715	7,244	287,632	239,877
Qingdao	5,592	3,025	579,977	343,882
Shenyang	4,915	1,832	566,487	272,748
Xiamen	4,271	5,384	207,529	188,397
Quanzhou	3,845	1,309	496,915	166,941
Dalian	3,713	599	280,304	42,225
Xi'an	3,661	3,172	367,516	382,635
Tianjin	3,460	—	188,506	—
Wuxi	3,013	1,446	257,414	162,064
Changsha	3,007	1,531	346,741	155,101
Foshan	1,356	843	125,186	108,912
Changzhou	1,072	2,619	88,987	290,410
Nanjing	827	5,709	42,312	214,877
Yantai	704	818	79,878	88,637
Guangzhou	596	—	15,115	—
Wuhan	172	—	15,896	—
Fuzhou	142	—	9,035	—

City	Revenue		Total GFA	
	2018	2017	2018	2017
	RMB million	RMB million	Sqm	Sqm
Suzhou	101	1,970	4,553	113,224
Kunming	9	16	1,523	2,001
Shaoxing	6	419	452	83,700
Total	<u>108,719</u>	<u>67,462</u>	<u>8,177,085</u>	<u>5,502,376</u>

In 2018, the Group achieved contracted sales of RMB200.64 billion, representing an increase of 28.5% as compared to last year. The Group sold 12.36 million square meters in total GFA, representing an increase of 21.6% as compared to last year. Average selling price of GFA sold was RMB16,229 per square meter, representing an increase of 5.7% as compared to last year. Contracted sales from Pan Bohai Rim, Yangtze River Delta, western China, southern China and central China were RMB68.97 billion, RMB55.92 billion, RMB47.24 billion, RMB21.51 billion and RMB7.00 billion respectively, accounting for 34.4%, 27.9%, 23.5%, 10.7% and 3.5% of the contracted sales of the Group, respectively.

Table 2: Details of contracted sales of the Group in 2018

* Amount including tax

City	Contracted sales		Total GFA	
	2018	2017	2018	2017
	RMB million	RMB million	Sqm	Sqm
Chongqing	26,340	18,524	2,144,580	1,583,242
Beijing	22,746	17,455	542,351	509,094
Jinan	18,072	11,801	1,266,599	981,702
Hangzhou	16,110	23,176	635,699	957,062
Chengdu	12,834	13,657	962,362	1,157,708
Qingdao	10,725	9,664	800,355	837,394
Ningbo	9,408	5,389	525,972	304,189
Shanghai	8,394	2,733	205,004	85,900
Guangzhou	7,905	3,905	235,347	94,471
Xi'an	6,700	4,542	479,899	408,970
Hefei	6,325	3,594	415,496	257,020
Quanzhou	6,101	3,008	633,348	360,667
Shenyang	5,733	4,665	545,772	532,271
Changsha	4,671	2,804	379,314	294,932

City	Contracted sales		Total GFA	
	2018 <i>RMB million</i>	2017 <i>RMB million</i>	2018 <i>Sqm</i>	2017 <i>Sqm</i>
Xiamen	4,441	8,312	239,681	292,553
Wuxi	4,429	3,594	319,323	297,824
Nanjing	3,957	4,114	227,768	150,078
Dalian	3,718	3,064	206,131	205,797
Jiaxing	2,961	—	188,977	—
Yantai	2,634	1,012	252,170	113,373
Tianjin	2,448	2,662	134,249	142,626
Fuzhou	2,116	—	149,059	—
Baoding	2,006	—	144,124	—
Changzhou	1,859	3,523	120,534	268,757
Nantong	1,626	—	110,232	—
Guiyang	1,204	—	106,254	—
Nanchang	882	—	81,029	—
Wuhan	850	—	68,801	—
Suzhou	836	2,758	32,591	115,385
Shijiazhuang	786	—	54,180	—
Zhuhai	510	—	19,479	—
Foshan	441	1,399	55,325	114,823
Zhengzhou	423	—	35,865	—
Changde	176	—	22,672	—
Kunming	164	7	15,785	1,259
Weihai	106	—	6,116	—
Shaoxing	6	720	863	99,683
Total	<u>200,643</u>	<u>156,082</u>	<u>12,363,306</u>	<u>10,166,780</u>

As at December 31, 2018, the Group had sold but unrecognized contracted sales of RMB195.1 billion (with an area of 11.74 million square meters), which formed a solid basis for the Group's sustainable and stable growth in the core net profit in the future.

PROPERTY INVESTMENT

The Group maintains a prudent property investment strategy. Currently, investment properties of the Group are mainly shopping malls under three major product series, namely Paradise Walk series, which are one-stop experiencing shopping malls, Starry Street series, which are community shopping malls, and MOCO, which are mid to high-end household and lifestyle shopping centers. In addition to the shopping malls, Champion Apartments, which provide new generation with comprehensive rental services, have gradually commenced operation in several Tier-1 and Tier-2 cities such as Beijing, Shanghai, Shenzhen, Hangzhou, Nanjing, Chongqing, and Chengdu.

In 2018, the rental income, net of tax, of the Group's property investment business was RMB4.09 billion[#], representing an increase of 57.7% as compared to last year. Shopping malls, Champion Apartments and others accounted for 87.8%[#], 10.4% and 1.8% of the total rental income respectively. As at December 31, 2018, 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 97.4%. Over 53,000 apartments of Champion Apartments have commenced operation with the occupancy rate of 50.1%. The occupancy rate of Champion Apartments which have commenced operation for three months to six months (included sixth month) was 70.2%, and which have commenced operation for more than six months was 87.4%.

[#] excluding Chengdu Xichen Paradise Walk

Table 3: Breakdown of rental income of the Group in 2018

* Amount excluding tax

Table 3.1: Shopping malls^{##}

	2018				2017				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		
Chongqing North Paradise Walk	120,778	466,756	13.0%	97.8%	428,202	16.9%	99.3%	9.0%	
Chongqing West Paradise Walk	76,031	160,760	4.5%	94.4%	161,908	6.4%	96.2%	-0.7%	
Chongqing Time Paradise Walk Phase I	160,168	330,349	9.2%	98.5%	279,497	11.0%	94.9%	18.2%	
Chongqing Time Paradise Walk Phase II	154,460	200,580	5.6%	97.1%	160,700	6.3%	98.0%	24.8%	
Chongqing Time Paradise Walk Phase III	73,774	73,079	2.0%	96.4%	61,328	2.4%	98.4%	19.2%	
Chengdu Three Thousand Paradise Walk	38,043	37,272	1.0%	100.0%	33,628	1.3%	100.0%	10.8%	
Chengdu North Paradise Walk	215,536	151,626	4.2%	92.1%	129,679	5.1%	86.4%	16.9%	
Chengdu Time Paradise Walk Phase I	61,989	44,555	1.2%	100.0%	35,831	1.4%	100.0%	24.3%	
Beijing Changying Paradise Walk	221,286	374,015	10.4%	99.0%	288,348	11.4%	88.0%	29.7%	
Hangzhou Jinsha Paradise Walk	151,135	219,579	6.1%	99.3%	195,332	7.7%	99.4%	12.4%	
Chengdu Jinnan Paradise Walk	91,638	113,203	3.1%	100.0%	103,662	4.1%	100.0%	9.2%	
Beijing Daxing Paradise Walk	144,565	180,930	5.0%	98.3%	140,686	5.6%	99.3%	28.6%	
Shanghai Hongqiao Paradise Walk	170,450	99,491	2.8%	90.3%	68,786	2.7%	83.4%	44.6%	
Chongqing U-City Paradise Walk Phase I	15,516	14,314	0.4%	99.2%	14,164	0.6%	95.8%	1.1%	
Chongqing U-City Paradise Walk Phase II	96,411	81,146	2.3%	96.2%	23,322	0.9%	98.7%	247.9%	
Chongqing Hometown Paradise Walk	93,152	84,565	2.3%	99.8%	42,087	1.7%	99.2%	100.9%	
Hangzhou Binjiang Paradise Walk Phase I	158,067	233,511	6.5%	99.5%	64,942	2.6%	98.6%	259.6%	
Suzhou Shishan Paradise Walk	197,466	214,898	6.0%	96.5%	63,446	2.5%	98.3%	238.7%	
Shanghai Baoshan Paradise Walk	98,339	162,669	4.5%	98.7%	11,877	0.5%	98.9%	1269.6%	

	2018				2017			
	GFA	Rental income	% of Rental	Occupancy rate	Rental income	% of Rental	Occupancy rate	Change of rental income
	<i>sqm</i>	<i>RMB'000</i>			<i>RMB'000</i>			
Changzhou Longcheng Paradise Walk	119,328	30,583	0.8%	98.9%	—	—	—	
Beijing Fangshan Paradise Walk	103,688	53,073	1.5%	99.3%	—	—	—	
Chengdu Xichen Paradise Walk	152,639	10,134	0.3%	100.0%	—	—	—	
Paradise Walk Subtotal	2,714,459	3,337,088	92.7%	97.3%	2,307,425	91.1%	95.3%	44.6%
Chongqing Crystal Castle	16,161	21,872	0.6%	98.4%	18,929	0.7%	100.0%	15.5%
Chongqing Chunsen Starry Street	54,618	30,365	0.8%	91.5%	24,536	1.0%	82.9%	23.8%
Chongqing Fairy Castle	29,413	11,936	0.3%	100.0%	11,795	0.5%	99.8%	1.2%
Beijing Summer Palace Starry Street	6,320	23,637	0.7%	100.0%	20,619	0.8%	100.0%	14.6%
Xi'an Daxing Starry Street	44,227	50,178	1.4%	100.0%	45,002	1.8%	99.9%	11.5%
Xi'an Qujiang Starry Street	63,206	61,814	1.7%	100.0%	54,829	2.1%	99.5%	12.7%
Others	—	27,871	0.8%	N/A	14,788	0.6%	N/A	88.5%
Starry Street Subtotal	213,945	227,673	6.3%	97.6%	190,498	7.5%	95.1%	19.5%
Chongqing MOCO	29,104	35,494	1.0%	97.7%	34,583	1.4%	97.6%	2.6%
MOCO Subtotal	29,104	35,494	1.0%	97.7%	34,583	1.4%	97.6%	2.6%
Total for projects that had commenced operation	<u>2,957,508</u>	<u>3,600,255</u>	<u>100.0%</u>	<u>97.4%</u>	<u>2,532,506</u>	<u>100.0%</u>	<u>95.3%</u>	<u>42.2%</u>

^{##} In 2018, the total retail sales of shopping malls were RMB21.4 billion, representing an increase of 37% year-on-year. Total foot traffic was approximately 460 million, representing an increase of 45% year-on-year.

Table 3.2: Champion Apartments and others

	2018		2017		Change of rental income
	Rental income	Occupancy rate	Rental income	Occupancy rate	
	<i>RMB'000</i>		<i>RMB'000</i>		
Champion Apartments projects that had commenced operation	426,559	50.1%	40,188	46.0%	961.4%
Other projects that had commenced operation	73,785	84.9%	20,545	87.0%	259.1%

The Group has 21 shopping malls under construction with a total GFA of about 2.09 million square meters.

Table 4: Breakdown of the major investment properties under construction of the Group in 2019 to 2021

	Estimated Commencement of Operation	Planned GFA Sqm
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
Chengdu Binjiang Paradise Walk	2019	140,000
Hangzhou Xixi Paradise Walk	2019	130,042
Chengdu Shangcheng Paradise Walk	2020	120,000
Nanjing Longwan Paradise Walk	2020	114,470
Nanjing Jiangbei Paradise Walk	2020	143,000
Nanjing Hexi Paradise Walk	2020	112,216
Hangzhou Zijing Paradise Walk	2020	83,000
Chongqing Jinsha Paradise Walk	2020	204,374
Suzhou Xinghu Paradise Walk	2020	112,106
Changsha Yanghu Paradise Walk	2020	99,988
Chengdu Wuhou Starry Street	2020	31,469
Chengdu Time Paradise Walk Phase II	2020	63,013
Xi'an Xiangti Paradise Walk	2020	78,962
Suzhou Dongwu Paradise Walk	2020	123,785
Chongqing Gongyuan Paradise Walk	2021	<u>138,034</u>
Projects under construction in total		<u>2,089,045</u>

Due to the rental increase of shopping malls in operation, continuous investments in projects under construction and the development of long-term rental apartments “Champion Apartments”, the valuation gain of investment properties of the Group amounted to RMB4.70 billion in 2018.

COST CONTROL

In 2018, the Group started business in several new cities. In order to support the rapid development of our business, enhance headquarters functions and reserve of talents

in regional management teams, the Group's general and administrative expenses to the total contracted sales increased by 0.6% to 2.7% as compared to 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 0.4% to 1.6% as compared to last year.

SHARE OF RESULTS OF JOINT VENTURES

In 2018, the contribution of joint ventures was mainly from the Group's 34.0%-owned Beijing Rose & Ginkgo Mansion. The attributable profit after tax of the Group in joint ventures was RMB454 million.

SHARE OF RESULTS OF ASSOCIATES

In 2018, the contribution of associates was mainly from the Group's 25.1%-owned Qingdao Haijing. The attributable profit after tax of the Group in associates was RMB189 million.

INCOME TAX EXPENSE

Income tax expenses comprised PRC enterprise income tax and land appreciation tax. In 2018, the enterprise income tax and the land appreciation tax of the Group were RMB8.27 billion and RMB8.32 billion, respectively. The total income tax expenses for the year amounted to RMB16.59 billion.

PROFITABILITY

In 2018, the Group's core net profit margin (i.e. after excluding the effects of valuation gains, the ratio of the core profit after tax to the revenue) was 14.7%, while that of last year was 18.3%; 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 11.1%, while that of last year was 13.6%. The above is mainly due to the increase of revenue during the current year and the combined effects of expenses, share of results of joint ventures and associates and the changes of income tax expenses.

LAND BANK REPLENISHMENT

As at December 31, 2018, the Group's total land bank was 66.36 million square meters or 45.59 million square meters on an attributable basis. The average unit land cost was RMB5,218 per square meter, accounting for 32.2% of unit price of current

contracted sales. In terms of regional breakdown, land bank in Pan Bohai Rim, western China, Yangtze River Delta, central China, southern China and Hong Kong Region accounted for 34.0%, 30.5%, 20.7%, 8.8%, 5.9% and 0.1% of the total land bank, respectively.

In 2018, the Group has acquired new land bank with total GFA of 21.89 million square meters or 13.72 million square meters on an attributable basis. Average cost of acquisition on an attributable basis was RMB5,297 per square meter. In terms of regional breakdown, the area of western China, Yangtze River Delta, Pan Bohai Rim, central China and southern China accounted for 35.9%, 24.9%, 22.7%, 12.3% and 4.2% 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 2.58 million square meters or 1.80 million square meters on an attributable basis. In terms of regional breakdown, land bank in western China, southern China, central China, Pan Bohai Rim and Yangtze River Delta accounted for 37.3%, 28.0%, 15.8%, 10.1% and 8.8% of the total GFA of the land bank acquired subsequent to the end of the reporting period, respectively.

Currently, there are 47 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 February 28, 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 Spm	% Of Total	Attributable GFA Spm	% Of Total
Pan Bohai Rim	Beijing	2,944,641	4.4%	855,351	1.9%
	Shenyang	2,451,410	3.7%	2,068,138	4.5%
	Qingdao	2,811,882	4.2%	1,818,116	4.0%
	Yantai	7,052,063	10.7%	7,052,063	15.5%
	Jinan	4,666,181	7.0%	2,483,704	5.4%
	Dalian	524,174	0.8%	305,241	0.7%
	Tianjin	1,050,093	1.6%	716,994	1.6%
	Baoding	783,966	1.2%	548,776	1.2%
	Shijiazhuang	165,903	0.3%	91,246	0.2%
	Weihai	95,167	0.1%	57,100	0.1%
	Subtotal	22,545,480	34.0%	15,996,729	35.1%

Region	City	Total GFA <i>Spm</i>	% Of Total	Attributable GFA <i>Spm</i>	% Of Total
Central China	Changsha	2,173,569	3.3%	1,118,416	2.4%
	Wuhan	2,734,119	4.2%	1,057,590	2.3%
	Nanchang	152,523	0.2%	99,140	0.2%
	Zhengzhou	165,335	0.2%	165,335	0.4%
	Changde	393,800	0.6%	393,800	0.9%
	Ganzhou	228,300	0.3%	82,188	0.2%
	Subtotal	5,847,646	8.8%	2,916,469	6.4%
Western China	Chongqing	10,658,142	16.2%	8,330,763	18.3%
	Chengdu	4,199,521	6.3%	3,200,408	7.0%
	Xi'an	1,290,275	1.9%	815,459	1.8%
	Yuxi	737,578	1.1%	737,578	1.6%
	Guiyang	2,004,367	3.0%	1,022,227	2.2%
	Kunming	1,333,498	2.0%	495,856	1.1%
	Subtotal	20,223,381	30.5%	14,602,291	32.0%
Yangtze River Delta	Shanghai	1,176,778	1.8%	662,471	1.5%
	Wuxi	979,947	1.5%	803,821	1.8%
	Changzhou	434,872	0.7%	434,872	1.0%
	Hangzhou	2,652,838	4.0%	1,665,994	3.6%
	Ningbo	1,340,368	2.0%	1,056,375	2.3%
	Suzhou	1,422,767	2.1%	1,028,505	2.3%
	Nanjing	2,297,345	3.5%	1,850,400	4.0%
	Hefei	1,853,126	2.8%	1,209,293	2.6%
	Jiaxing	534,944	0.8%	349,352	0.8%
	Nantong	753,591	1.1%	340,871	0.7%
	Wenzhou	98,819	0.1%	69,173	0.2%
	Shaoxing	216,202	0.3%	110,263	0.2%
	Subtotal	13,761,597	20.7%	9,581,390	21.0%
Southern China	Xiamen	1,256,434	1.8%	573,816	1.3%
	Quanzhou	730,466	1.1%	730,466	1.5%
	Guangzhou	775,304	1.2%	459,741	1.0%
	Foshan	62,392	0.1%	31,820	0.1%
	Shenzhen	113,354	0.2%	108,168	0.2%
	Fuzhou	367,957	0.6%	166,583	0.4%
	Zhuhai	391,776	0.6%	221,950	0.5%
	Dongguan	137,855	0.2%	137,855	0.3%
	Nanning	92,024	0.1%	31,288	0.1%
	Subtotal	3,927,562	5.9%	2,461,687	5.4%

Region	City	Total GFA <i>Spm</i>	% Of Total	Attributable GFA <i>Spm</i>	% Of Total
Hong Kong Region	Hong Kong	<u>54,416</u>	<u>0.1%</u>	<u>27,208</u>	<u>0.1%</u>
	Subtotal	<u>54,416</u>	<u>0.1%</u>	<u>27,208</u>	<u>0.1%</u>
	Total	<u>66,360,082</u>	<u>100.0%</u>	<u>45,585,774</u>	<u>100.0%</u>

Table 6: Land acquisition in 2018

Region	Project	City	Attributable Interest %	Total GFA <i>Sqm</i>	Attributable GFA <i>Sqm</i>
Pan Bohai Rim	High-tech Zone Plot	Ji'nan	34.0%	500,494	170,168
	Zhangmatun Project	Ji'nan	25.0%	243,412	60,853
	Hanyu Plot	Ji'nan	35.0%	250,105	87,537
	Shunshan Fu	Qingdao	62.6%	366,363	229,380
	Legend of City	Qingdao	70.0%	1,052,640	736,848
	Longfor Mansion	Qingdao	100.0%	155,345	155,345
	Shique Beach B Plot	Qingdao	51.0%	30,297	15,451
	Shique Beach D Plot	Qingdao	51.0%	34,103	17,393
	Shuanghe Road Plot	Qingdao	70.0%	255,245	178,672
	Shunshan Fu	Dalian	51.0%	223,818	114,147
	Longwangtang Street Project	Dalian	51.0%	76,940	39,239
	Longwangtang Street II Plot	Dalian	51.0%	207,442	105,795
	Emerald Legend	Dalian	100.0%	73,222	73,222
	Ji Mei Wan Xiang	Shenyang	34.0%	178,424	60,664
	Dong Bei Da Ma Lu Plot	Shenyang	100.0%	41,888	41,888
	Shunshan Fu	Shenyang	100.0%	212,573	212,573
	Dongling South Street Plot	Shenyang	50.0%	485,734	242,867
	Tianchen Longfor Mansion	Shijiazhuang	55.0%	165,903	91,246
	Longfor Mansion	Yantai	100.0%	59,229	59,229
	Ruiyue Fu	Beijing	9.0%	163,837	14,744
Gaoliying II Plot	Beijing	25.0%	106,275	26,569	
Emerald Legend	Weihai	60.0%	<u>95,167</u>	<u>57,100</u>	
	Subtotal			<u>4,978,456</u>	<u>2,790,930</u>
Western China	Zhaomushan III Plot	Chongqing	100.0%	91,335	91,335
	Chunjiang Heaven	Chongqing	70.0%	1,102,636	771,845
	Longxing Fusheng II Plot	Chongqing	51.0%	502,812	256,434
	Ascension to the Throne	Chongqing	70.0%	465,327	325,729
	Fengxiang Lake I Plot	Chongqing	100.0%	144,502	144,502
	Fengxiang Lake II Plot	Chongqing	100.0%	306,820	306,820

Region	Project	City	Attributable	Total GFA	Attributable
			Interest		GFA
			%	Sqm	Sqm
	Fengxiang Lake III Plot	Chongqing	100.0%	296,756	296,756
	Sapphire Peninsula	Kunming	100.0%	46,668	46,668
	He Yue Ming Zhu	Kunming	26.5%	158,597	42,028
	Huancheng South Road Plot	Kunming	100.0%	35,698	35,698
	Fanya New Zone Plot	Kunming	34.0%	1,092,535	371,462
	Violet Castle Phase I	Xi'an	51.0%	182,417	93,032
	Violet Castle Phase II	Xi'an	40.8%	261,287	106,605
	Fengcheng 7th Road I Plot	Xi'an	49.6%	127,286	63,147
	Fengcheng 7th Road II Plot	Xi'an	49.6%	223,725	110,990
	Sapphire Times	Chengdu	100.0%	36,335	36,335
	Tianfu 3rd Street Project	Chengdu	100.0%	8,255	8,255
	Starry Street	Chengdu	100.0%	100,782	100,782
	Dafeng Street III Plot	Chengdu	100.0%	168,359	168,359
	Ke Hua Road Project	Chengdu	100.0%	34,110	34,110
	Zhaojuesi South Road Plot	Chengdu	100.0%	75,507	75,507
	Shiling Street Plot	Chengdu	100.0%	251,772	251,772
	Huaxin Avenue Plot	Chengdu	100.0%	141,265	141,265
	Jing Lin Longfor Mansion	Guiyang	51.0%	<u>2,004,367</u>	<u>1,022,227</u>
	Subtotal			<u>7,859,153</u>	<u>4,901,663</u>
Yangtze River Delta	University Town Plot	Hangzhou	51.0%	208,292	106,229
	Dingqiao Plot	Hangzhou	100.0%	266,864	266,864
	Jade Mansion	Hangzhou	26.0%	153,721	39,968
	Du Hui Feng Hua	Hangzhou	40.0%	108,802	43,521
	Pengbu II Plot	Hangzhou	66.0%	133,546	88,140
	Wangjiang Street Plot	Hangzhou	16.0%	123,646	19,783
	Jisan Center East Plot	Suzhou	100.0%	183,834	183,834
	Jisan Center West Plot	Suzhou	100.0%	277,241	277,241
	Shihu East Road Plot	Suzhou	49.0%	364,240	178,478
	Fengqiao Street Plot	Suzhou	30.0%	122,648	36,794
	Pu Yue	Wuxi	55.0%	65,492	36,021
	Emerald Legend	Wuxi	100.0%	68,492	68,492
	Longfor Mansion	Wuxi	100.0%	203,586	203,586
	Tianchen Fu	Wuxi	50.0%	72,145	36,073
	Li Lake Mansion	Wuxi	100.0%	86,119	86,119
	ETD Plot	Nantong	40.0%	345,866	138,346
	ETD II Plot	Nantong	40.0%	342,000	136,800
	Changqing Road Plot	Nantong	100.0%	65,725	65,725
	Chunjiang Central	Hefei	100.0%	101,353	101,353
	Shanghai Road Plot	Hefei	100.0%	213,772	213,772

Region	Project	City	Attributable		
			Interest %	Total GFA Sqm	
	Xin'anjiang Road Plot	Hefei	100.0%	410,516	410,516
	Huajing Project	Shanghai	51.0%	76,230	38,877
	Dongqian Lake Plot	Ningbo	51.0%	156,525	79,828
	Luotuo Street Plot	Ningbo	100.0%	287,473	287,473
	Guandu No.2 Plot	Shaoxing	51.0%	216,202	110,263
	Haiqiao Road Plot	Nanjing	35.0%	193,055	67,569
	Pubin Road Plot	Nanjing	49.0%	302,386	148,169
	Tiexinqiao Street Plot	Nanjing	100.0%	192,729	192,729
	Nanbaixiang Street Plot	Wenzhou	70.0%	98,819	69,173
	Subtotal			<u>5,441,319</u>	<u>3,731,736</u>
Central China	Chunjiang Mansion	Nanchang	65.0%	152,523	99,140
	Tian Chen Longfor Mansion	Zhengzhou	100.0%	165,335	165,335
	Guanggu 5th Road II Plot	Wuhan	52.0%	694,080	360,922
	Longfor Mansion	Changde	100.0%	393,800	393,800
	Constellation	Changsha	51.0%	104,066	53,074
	Yanghu New City Plot	Changsha	49.0%	179,316	87,865
	Chashan Road A2 Plot	Changsha	51.0%	761,400	388,314
	Ouyada Project	Changsha	100.0%	23,432	23,432
	Nanshui New District Plot	Ganzhou	36.0%	228,300	82,188
	Subtotal			<u>2,702,252</u>	<u>1,654,070</u>
Southern China	Lake City	Zhuhai	50.0%	42,209	21,105
	Hu Cheng Da Jing	Zhuhai	50.0%	258,357	129,179
	Mansion	Zhuhai	100.0%	52,124	52,124
	Yun Feng Longfor Mansion	Fuzhou	60.0%	142,162	85,297
	Chunjiang Central	Quanzhou	100.0%	185,729	185,729
	Huayang Village Plot	Dongguan	100.0%	137,855	137,855
	Hepo Road Project	Nanning	34.0%	92,024	31,288
	Subtotal			<u>910,460</u>	<u>642,577</u>
	Total			<u>21,891,640</u>	<u>13,720,976</u>

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	Huai'an Road Plot	Shijiazhuang	51.0%	145,100	74,001
	Weilaicheng Plot	Qingdao	95.0%	<u>116,166</u>	<u>110,358</u>
	Subtotal			<u>261,266</u>	<u>184,359</u>
Western China	Pitong Street Plot	Chengdu	100.0%	155,422	155,422
	Gongxing Street Plot	Chengdu	34.0%	155,000	52,700
	Southern 3rd Ring Plot	Chengdu	100.0%	12,743	12,743
	Caihong First Road Plot	Xianyang	74.8%	<u>638,554</u>	<u>477,638</u>
	Subtotal			<u>961,719</u>	<u>698,503</u>
Yangtze River Delta	Dongfang Road South Plot	Suzhou	51.0%	<u>227,300</u>	<u>115,923</u>
	Subtotal			<u>227,300</u>	<u>115,923</u>
Central China	Qingnian Road Plot	Wuhan	50.0%	262,500	131,250
	Guanggu 5th Road III Plot	Wuhan	60.0%	<u>144,200</u>	<u>86,520</u>
	Subtotal			<u>406,700</u>	<u>217,770</u>
Southern China	Ruijing Road Plot	Zhangzhou	100.0%	140,000	140,000
	Ronghua Middle Road Plot	Zhongshan	100.0%	110,502	110,502
	Yangxia Plot	Fuzhou	100.0%	259,848	259,848
	Nantong Plot	Fuzhou	37.0%	<u>209,900</u>	<u>77,663</u>
	Subtotal			<u>720,250</u>	<u>588,013</u>
	Total			<u>2,577,235</u>	<u>1,804,568</u>

As of February 28, 2019

FINANCIAL POSITION

As of December 31, 2018, the Group's consolidated borrowings amounted to RMB119.82 billion. The net debt to equity ratio (net debt divided by total equity) of the Group was 52.9%. Cash in hand reached RMB45.26 billion. The credit rating of the Group was BBB- by Standard & Poor, Baa3 by Moody's, BBB by Fitch, and AAA

by Dagong International*, CCXR* and Shanghai Brilliance, with positive outlook from Standard & Poor and stable outlook from others.

* The ratings of 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 RMB46.07 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 December 31, 2018, the proportion of fixed interest debt was 38% (December 31, 2017: 50%) of the total debt.

The Group's average cost of borrowing was 4.55% per annum. The average maturity period of loan was 5.88 years. The proportion of unsecured debt was 66%. The debt due within one year was RMB11.74 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 3.9.

In 2018, the Group successfully issued senior notes of US\$800 million in the international capital market, at a coupon rate ranging from 3.9% to 4.5% per annum and terms ranging from five years and three months to ten years; meanwhile, the Group successfully issued rental apartments special bonds of RMB5 billion and corporate bonds of RMB5 billion in the domestic capital market, at a coupon rate ranging from 4.8% per annum to 5.6% per annum with a term of five years.

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

EMPLOYEES AND COMPENSATION POLICY

As at December 31, 2018, the Group had 27,010 full-time employees in China. Of these employees, 8,274 worked in the property development division, 3,525 in the property investment division, and 15,211 in the property management division. Average age of our employees is 31.2 years old.

The Group remunerates its employees based on their performance, work experience and the prevailing market wage level. The total compensation of the employees consisted of base salary, cash bonus and share-based rewards. Cash bonus is a major part of senior employees' cash compensation. The gross amount of such bonus is determined from, amongst other things, the ranking of the Group's budget fulfillment ratio and loyalties of customers, which is then assessed and allocated to individual subsidiaries according to the results of a balanced scorecard and profitability.

PROSPECTS

In 2018, the government promulgated multiple tightened policies with strict enforcement. Credit squeeze and de-leveraging was the main emphasis. While the housing price stabilized with a notable decline in trading, and the size of real estate industry recorded a new high, the real estate changed from "engine" to "voltage regulator" in macro-economic development. In the new era with the theme of "stabilization", the competitions among enterprises are no longer based on simply their scale and speed, and will be gradually changed into comprehensive competitions in terms of product, service, operation and capital.

The Group upheld the strategy of "Space as a Service", with property development, commercial property, long-term rental apartments and smart services as the four core businesses. The Group aims at cultivating product and service ability featuring multiple space and full life cycle and maintaining multi-dimensional drive, and collaborative development. Meanwhile, the Group preserves its main business and its strategic insights, and proactively embraces changes, so as to achieve an enhancement in its operation capacity and efficiency.

In 2019, the Group has 207 key projects for sale currently on the market, among which 71 are brand new projects and 106 are new phases or new products of existing projects. The products will cater for different customer groups, including first-time home buyers, upgraders and business operators, while the proportion of different product types and features will be adjusted in response to changes in demand from customers, thus enabling the Group to have precise product positioning and to achieve our goals in such market.

The Group (including joint ventures and associates) has completed properties of approximately 9.50 million square meters in GFA in 2018. The total GFA of properties planned to complete construction in 2019 will reach approximately 15.00 million square meters, most of which will be completed in the second half of the year. The current construction and sales progress are on track.

Regarding to the investment properties, Beijing Fangshan Paradise Walk, Changzhou Longcheng Paradise Walk and Chengdu Xichen Paradise Walk have commenced operation in 2018, and Hangzhou Xixi Paradise Walk, Shanghai Minhang Paradise Walk and Hefei Yaohai Paradise Walk and more are expected to commence operation in 2019, while as one of the core businesses, lots of our long-term rental “Champion Apartments” has commenced operation in Tier-1 and Tier-2 cities such as Beijing, Shanghai, Shenzhen, Hangzhou, Nanjing, Chongqing and Chengdu in 2018 as scheduled. The investment and development of the above two core businesses will lay a solid foundation for future growth of rental income from investment properties of the Group.

In the constantly changing market and diversifying competition 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 cost and increase funding utilization rate through external co-operations and acquisitions in the secondary market.

FINAL DIVIDEND

The Board proposed the payment of a final dividend of RMB0.69 per share for the year ended December 31, 2018 to shareholders whose names appear on the register of members of the Company on Wednesday, June 26, 2019. The proposed final dividend shall be paid on Wednesday, July 10, 2019 after approval by shareholders of the Company at the forthcoming annual general meeting of the Company (the “AGM”). The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average middle rate of RMB to Hong Kong dollars as announced by the People’s Bank of China for the period from Monday, May 27, 2019 to Tuesday, May 28, 2019.

ANNUAL GENERAL MEETING

The AGM is to be held on Tuesday, May 28, 2019 and the notice of AGM will be published and dispatched to the shareholders of the Company within the prescribed time and in such manner as required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, May 23, 2019 to Tuesday, May 28, 2019, both days inclusive, during which period no transfer of

shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Tuesday, May 28, 2019, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, May 22, 2019.

The register of members of the Company will be closed from Monday, June 24, 2019 to Wednesday, June 26, 2019 (both days inclusive) during which period no transfer of shares will be effected. To qualify for the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, June 21, 2019.

AUDIT COMMITTEE

The Audit Committee of the Company comprises of three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management and internal controls systems and financial reporting matters including the review of the Group's audited consolidated results for the year ended December 31, 2018.

CORPORATE GOVERNANCE

During the year, the Company had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules except the following deviation:

During the year, 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 discharge 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.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted a code of conduct regarding securities transactions of directors (the “Securities Code”) on no less exacting the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules. All Directors confirmed that they have complied with the required standard set out in the Securities Code during the year ended December 31, 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the trustee of the Restricted Share Award Scheme purchased on the Stock Exchange a total of 21,502,840 shares at total consideration of approximately HKD438,973,035 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 had purchased sold, or redeemed any of the Company’s listed securities during the year.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.longfor.com). The annual report of the Company for the year ended December 31, 2018 containing all the information required by the Listing Rules will be dispatched to the Company’s shareholders and posted on the above websites in due course.

By Order of the Board
Longfor Group Holdings Limited
Wu Yajun
Chairperson

Hong Kong, 25 March 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.