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**Longfor Properties Co. Ltd.**

**龍湖地產有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 960)**

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED JUNE 30, 2017**

**FINANCIAL SUMMARY**

- Contracted sales increased by 140.0% to RMB92.63 billion over the same period last year.
- Revenue increased by 1.2% to RMB18.59 billion over the same period last year, of which the rental income from the property investment business increased by 28.8% to RMB1.14 billion.
- Profit attributable to shareholders was RMB4.40 billion. Excluding effects, such as minority interests and valuation gains, core net profit increased by 18.6% to RMB2.84 billion over the same period last year. Gross profit margin increased from 27.9% of the same period last year to 36.5%. Core net profit margin was 17.5%, and core net profit margin attributable to shareholders was 15.3%.
- The net debt to equity ratio (net debt divided by total equity) was 56.2%. Cash in hand was RMB22.65 billion.
- Average cost of borrowing decreased to 4.70%. Average maturity period of loan was 5.90 years.
- Fully diluted earnings per share were RMB0.75. The Board declared payment of an interim dividend of RMB0.20 per share.

## INTERIM RESULTS

The board of directors (the “Board”) of Longfor Properties Co. Ltd. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended June 30, 2017 with the comparative figures for the six months ended June 30, 2016 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2017

		Six months ended	
		June 30,	
	NOTES	2017	2016
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	18,594,189	18,368,539
Cost of sales		<u>(11,800,798)</u>	<u>(13,249,045)</u>
Gross profit		6,793,391	5,119,494
Other income	4	446,636	199,425
Other gains and losses	5	68,665	(40,820)
Fair value gain upon transfer to investment properties		190,226	47,154
Change in fair value of investment properties		2,147,581	1,725,074
Change in fair value of derivative financial instruments		(110,433)	7,955
Selling and marketing expenses		(519,176)	(411,173)
Administrative expenses		(905,262)	(685,510)
Finance costs	6	(21,859)	(36,556)
Share of results of associates		(44,284)	(21,619)
Share of results of joint ventures		<u>(27,325)</u>	<u>(8,559)</u>
Profit before taxation		8,018,160	5,894,865
Income tax expense	7	<u>(3,129,897)</u>	<u>(1,998,869)</u>
Profit for the period	8	<u>4,888,263</u>	<u>3,895,996</u>

		<b>Six months ended</b>	
		<b>June 30,</b>	
	<i>NOTES</i>	<b>2017</b>	<b>2016</b>
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Attributable to:			
Owners of the Company		4,404,890	3,730,451
Non-controlling interests		<u>483,373</u>	<u>165,545</u>
		<u><u>4,888,263</u></u>	<u><u>3,895,996</u></u>
Earnings per share, in RMB cents			
Basic	10	<u>76.0</u>	<u>63.9</u>
Diluted	10	<u>75.1</u>	<u>63.7</u>
Profit for the period		<u>4,888,263</u>	<u>3,895,996</u>
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value (loss) gain on hedging instruments		(364,479)	162,516
Loss (gain) on retranslating hedging instruments reclassified to profit and loss		<u>275,560</u>	<u>(205,163)</u>
		<u>(88,919)</u>	<u>(42,647)</u>
Total comprehensive income for the period		<u><u>4,799,344</u></u>	<u><u>3,853,349</u></u>
Total comprehensive income attributable to:			
Owners of the Company		4,315,971	3,687,804
Non-controlling interests		<u>483,373</u>	<u>165,545</u>
		<u><u>4,799,344</u></u>	<u><u>3,853,349</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2017**

	<i>NOTES</i>	At <b>June 30, 2017</b> <i>RMB'000</i> <i>(unaudited)</i>	At <b>December 31, 2016</b> <i>RMB'000</i> <i>(audited)</i>
<b>NON-CURRENT ASSETS</b>			
Investment properties		55,596,065	49,030,600
Property, plant and equipment		246,086	198,642
Prepaid lease payments		20,084,041	17,421,955
Interests in associates		2,862,691	1,585,693
Interests in joint ventures		4,147,743	2,737,328
Available-for-sale investments		180,021	180,021
Deposits paid for acquisition of land use rights		8,991,060	11,925,639
Derivative financial instruments		419,112	639,233
Deferred taxation assets		<u>2,903,154</u>	<u>2,622,641</u>
		<u>95,429,973</u>	<u>86,341,752</u>
<b>CURRENT ASSETS</b>			
Inventories		917,681	838,729
Properties under development for sales		119,107,515	89,426,431
Properties held for sales		10,497,089	10,246,730
Accounts and other receivables, deposits and prepayments	11	14,916,382	10,324,224
Amounts due from non-controlling interests		10,460,344	3,854,408
Amounts due from associates		3,744,635	—
Amounts due from joint ventures		5,731,773	2,248,153
Taxation recoverable		4,818,972	3,844,962
Derivative financial instruments		205,155	349,513
Pledged bank deposits		34,674	97,368
Bank balances and cash		<u>22,617,648</u>	<u>17,258,104</u>
		<u>193,051,868</u>	<u>138,488,622</u>

		At June 30, 2017 RMB'000 (unaudited)	At December 31, 2016 RMB'000 (audited)
<b>CURRENT LIABILITIES</b>			
Accounts and bills payables, deposits received and accrued charges	12	102,146,751	66,725,559
Amounts due to non-controlling interests		8,047,907	2,953,235
Amounts due to associates		2,259,905	1,823,964
Amounts due to joint ventures		4,426,429	1,686,533
Taxation payable		12,158,382	12,939,782
Bank and other borrowings - due within one year		5,772,633	5,333,349
Senior notes		<u>1,975,474</u>	<u>—</u>
		<u>136,787,481</u>	<u>91,462,422</u>
<b>NET CURRENT ASSETS</b>		<u>56,264,387</u>	<u>47,026,200</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>151,694,360</u>	<u>133,367,952</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		511,994	508,438
Reserves		<u>63,033,861</u>	<u>61,256,261</u>
Equity attributable to owners of the Company		63,545,855	61,764,699
Non-controlling interests		<u>19,938,832</u>	<u>13,350,481</u>
<b>TOTAL EQUITY</b>		<u>83,484,687</u>	<u>75,115,180</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings - due after one year		58,396,672	47,027,089
Senior notes		3,456,675	5,511,632
Other derivative financial instruments		356,290	215,915
Deferred taxation liabilities		<u>6,000,036</u>	<u>5,498,136</u>
		<u>68,209,673</u>	<u>58,252,772</u>
		<u>151,694,360</u>	<u>133,367,952</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE SIX MONTHS ENDED JUNE 30, 2017

#### 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. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2017 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2016.

#### **Application of amendments to International Financial Reporting Standards (“IFRS”)**

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

Amendments to IFRS 7	Disclosure Initiative
Amendments to IFRS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS	Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle

The directors of the Company concluded that the application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) (i.e., the executive directors of the Company) in order to allocate resources to the segment and to assess its performance.

The Group is organised into business units based on their types of activities, based on which information is prepared and reported to the Group’s CODM for the purposes of resource allocation and assessment of performance. The Group’s operating segments under IFRS 8 *Operating Segments* are identified as the following three main operations:

- Property development: this segment develops and sells office premises, commercial and residential properties. All the Group’s activities in this regard are carried out in the People’s Republic of China (the “PRC”).
- Property investment: this segment leases investment properties, which are developed by the Group to generate rental income and to gain from the appreciation in the properties’ values in the long term. Currently the Group’s investment property portfolio is mainly comprised of retail properties and are all located in the PRC.
- Property management and related services: this segment mainly represents the income generated from property management. Currently the Group’s activities in this regard are carried out in the PRC.

#### (a) Segment results

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

Revenue and expenses are allocated to the operating segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit does not include the Group’s share of results arising from the activities of the Group’s associates and joint ventures.

The measure used for reporting segment profit is adjusted earnings before interest, other gains and losses, taxes, depreciation, share of results of associates and joint ventures, change in fair value of investment properties and upon transfer to investment properties, change in fair value of derivative financial instruments and finance costs (“Adjusted Earnings”), where “interest” is regarded as including investment income and “depreciation” is regarded as including impairment losses on non-current assets. To arrive at Adjusted Earnings, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as directors’ and auditor’s remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning segment profits, 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, 2017 (unaudited)</b>			
	<b>Property development</b>	<b>Property investment</b>	<b>Property management and related services</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	16,589,751	1,137,281	867,157	18,594,189
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>88,364</u>	<u>88,364</u>
Segment revenue	<u>16,589,751</u>	<u>1,137,281</u>	<u>955,521</u>	<u>18,682,553</u>
Segment profit (Adjusted Earnings)	<u>5,230,907</u>	<u>825,974</u>	<u>217,334</u>	<u>6,274,215</u>

	<b>Six months ended June 30, 2016 (unaudited)</b>			
	<b>Property development</b>	<b>Property investment</b>	<b>Property management and related services</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	16,902,559	883,213	582,767	18,368,539
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>82,180</u>	<u>82,180</u>
Segment revenue	<u>16,902,559</u>	<u>883,213</u>	<u>664,947</u>	<u>18,450,719</u>
Segment profit (Adjusted Earnings)	<u>3,881,067</u>	<u>637,876</u>	<u>189,378</u>	<u>4,708,321</u>

In addition to receiving segment information concerning segment profit, the CODM is provided with information concerning the Group's consolidated amount of interests in associates and related share of results, interests in joint ventures and related share of results, changes in fair value of investment properties and upon transfer to investment properties, change in fair value of derivative financial instruments, other income, other gains and losses, finance costs from borrowings, depreciation and impairment losses (if any) which are not allocated to operating segments.



(b) Reconciliations of segment revenue and profit or loss

	Six months ended	
	June 30,	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Revenue</b>		
Segment revenue	18,682,553	18,450,719
Elimination of inter-segment revenue	<u>(88,364)</u>	<u>(82,180)</u>
Consolidated revenue	<u>18,594,189</u>	<u>18,368,539</u>
<b>Profit</b>		
Segment profit	6,274,215	4,708,321
Other income	446,636	199,425
Other gains and losses	68,665	(40,820)
Fair value gain upon transfer to investment properties	190,226	47,154
Change in fair value of investment properties	2,147,581	1,725,074
Change in fair value of derivative financial instruments	(110,433)	7,955
Finance costs	(21,859)	(36,556)
Share of results of associates	(44,284)	(21,619)
Share of results of joint ventures	(27,325)	(8,559)
Depreciation	(17,573)	(20,034)
Unallocated expenses	<u>(887,689)</u>	<u>(665,476)</u>
Consolidated profit before taxation	<u>8,018,160</u>	<u>5,894,865</u>

(c) Segment assets

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

	At	At
	June 30,	December 31,
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Sales of properties	142,504,889	110,640,994
Leasing of properties (Note)	35,769,081	28,684,847
Provision of property management services	<u>227,892</u>	<u>298,366</u>
Total segment assets	<u>178,501,862</u>	<u>139,624,207</u>

Note:

The above amount of segment assets relating to leasing of properties represents the cost of investment properties.

#### 4. OTHER INCOME

	Six months ended June 30,	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Interest income	105,743	82,414
Government subsidies (Note a)	140,620	47,491
Penalty income (Note b)	28,693	39,979
Consultancy income (Note c)	118,742	—
Sundry income	<u>52,838</u>	<u>29,541</u>
Total	<u>446,636</u>	<u>199,425</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 venture and associate in relation to the property development projects.

#### 5. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Gain on disposal of property, plant and equipment	3,279	7,466
Net exchange gain (loss) (Note)	340,946	(253,449)
Reclassification of fair value (loss) gain of hedging instruments from hedging reserve	<u>(275,560)</u>	<u>205,163</u>
	<u>68,665</u>	<u>(40,820)</u>

*Note:*

It represents exchange difference arising from 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</b>	
	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest on bank and other borrowings		
Wholly repayable within five years	(1,020,220)	(916,990)
Not wholly repayable within five years	(366,406)	(317,998)
Interest expense on senior notes	(184,601)	(273,458)
Less: Amount capitalised to properties under development for sales and investment properties under development	<u>1,549,368</u>	<u>1,471,890</u>
	<u>(21,859)</u>	<u>(36,556)</u>

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 4.65% (six months ended June 30, 2016: 5.4%) per annum for the six months ended June 30, 2017 to expenditure on the qualifying assets.

## 7. INCOME TAX EXPENSE

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current tax		
PRC Enterprise Income Tax (“EIT”)	(1,621,655)	(965,619)
Land Appreciation Tax (“LAT”)	<u>(1,246,852)</u>	<u>(596,193)</u>
	(2,868,507)	(1,561,812)
(Underprovision) overprovision in prior periods		
LAT*	<u>(40,003)</u>	<u>71,373</u>
	(2,908,510)	(1,490,439)
Deferred taxation		
Current period	<u>(221,387)</u>	<u>(508,430)</u>
	<u>(3,129,897)</u>	<u>(1,998,869)</u>

\* The calculation of actual appreciation value of several property projects had been finalised and the development plan for several property projects had been revised in which the revised estimated appreciation value was different with the appreciation value made in prior periods, resulting in an underprovision (six months ended June 30, 2016: 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 certain tax holidays and concessions and were exempted from PRC EIT for both periods.

Pursuant to the relevant PRC corporate income tax rules and regulations, preferential corporate income tax rates have been granted to certain of the Company’s PRC subsidiaries which were established in western regions and engaged in the encouraged business. These companies are subject to a preferential rate of 15% in 2017 (2016: 15%) subject to approval of the tax authority, if the annual income derived from the encouraged business is more than 70% of the annual total income.

## 8. PROFIT FOR THE PERIOD

<b>Six months ended</b>	
<b>June 30,</b>	
<b>2017</b>	<b>2016</b>
<i>RMB'000</i>	<i>RMB'000</i>
<i>(unaudited)</i>	<i>(unaudited)</i>

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

Depreciation of property, plant and equipment	17,573	20,034
Gain on disposal of property, plant and equipment	(3,279)	(7,466)
Operating lease rentals	<u>26,759</u>	<u>15,925</u>

## 9. DIVIDEND

<b>Six months ended</b>	
<b>June 30,</b>	
<b>2017</b>	<b>2016</b>
<i>RMB'000</i>	<i>RMB'000</i>
<i>(unaudited)</i>	<i>(unaudited)</i>

Dividend recognised as distribution during the period:

Final dividend recognised in respect of 2016 of RMB0.466

(six months ended June 30, 2016: in respect of 2015 of RMB0.357) per share

<u>2,739,175</u>	<u>2,083,332</u>
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Subsequent to the end of the reporting period, the Board declared the payment of an interim dividend of RMB1,176,307,000 representing RMB0.20 per share, based on the number of shares in issue as at June 30, 2017, in respect of the six months ended June 30, 2017 (six months ended June 30, 2016: nil).

## 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:

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	<u>4,404,890</u>	<u>3,730,451</u>
	<b>2017</b>	<b>2016</b>
	<i>'000</i>	<i>'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	5,792,185	5,834,901
Effect of dilutive potential ordinary shares in respect of - Share options and share awards	<u>70,920</u>	<u>18,852</u>
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	<u>5,863,105</u>	<u>5,853,753</u>

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.

For the six months ended June 30, 2016, the outstanding share options issued on January 17, 2011 under the Post-IPO share option scheme adopted on December 23, 2009 are not included in the calculation of diluted earnings per share as the adjusted exercise price was greater than the average market price of the Company's shares during the outstanding period in 2016.

## 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 agreements.

	At June 30, 2017 RMB'000 (unaudited)	At December 31, 2016 RMB'000 (audited)
Trade receivables (Note a)	2,183,506	2,632,834
Other receivables, net of allowance for doubtful debts (Note b)	2,172,011	2,497,046
Advances to suppliers	728,427	432,265
Prepaid business tax and other taxes	2,480,108	1,920,336
Prepayments and utilities deposits (Note c)	<u>7,352,330</u>	<u>2,841,743</u>
	<u>14,916,382</u>	<u>10,324,224</u>

Notes:

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

	At June 30, 2017 RMB'000 (unaudited)	At December 31, 2016 RMB'000 (audited)
Within 60 days	1,303,567	1,966,533
61 - 180 days	731,104	500,792
181 - 365 days	110,104	148,986
1 - 2 years	<u>38,731</u>	<u>16,523</u>
	<u>2,183,506</u>	<u>2,632,834</u>

- (b) Included in other receivables are rental deposits, refundable deposits for land auction and deposits for construction work.
- (c) Included in the prepayments and utilities deposits, there are prepaid lease payments amounting to RMB7,287,228,000 (2016: RMB2,830,804,000) 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, 2017 RMB'000 (unaudited)	At December 31, 2016 RMB'000 (audited)
Trade payables and accrued expenditure on construction (Note a)	13,442,321	14,103,934
Bills payables (Note a)	767,286	889,372
Deposits received and receipt in advance from property sales	75,316,779	44,124,849
Other payables and accrued charges (Note b)	<u>12,620,365</u>	<u>7,607,404</u>
	<u>102,146,751</u>	<u>66,725,559</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 measured by the Group.

The following is an aged analysis of trade and bills payables, based on the invoice date and issuance date of each bill, at the end of the reporting period:

	At June 30, 2017 RMB'000 (unaudited)	At December 31, 2016 RMB'000 (audited)
Within 60 days	5,052,642	5,992,338
61 - 180 days	2,685,915	3,151,211
181 - 365 days	2,842,603	1,665,536
1 - 2 years	1,843,819	1,720,493
2 - 3 years	613,476	415,574
Over 3 years	<u>96,239</u>	<u>36,222</u>
	<u>13,134,694</u>	<u>12,981,374</u>

- (b) Other payables and accrued charges comprise mainly tax received and payable to the government on behalf of customers, dividend payable, accrued salaries and accrued staff welfare.

## CHAIRMAN’S STATEMENT

I am pleased to present to the shareholders the business review and outlook of Longfor Properties Co. Ltd. (the “Company”), together with its subsidiaries (the “Group”), of the interim period for the six months ended June 30, 2017.

## RESULTS

From January to June 2017, contracted sales of the Group increased by 140.0% to RMB92.63 billion over the same period last year. Revenue increased by 1.2% to RMB18.59 billion over the same period last year, of which rental income from property investment business grew by 28.8% to RMB1.14 billion. Profit attributable to shareholders was RMB4.40 billion. Excluding the effects, such as minority interests and valuation gains, core net profit increased by 18.6% to RMB2.84 billion over the same period last year. Core net profit margin attributable to shareholders was 15.3%. The Board declared payment of an interim dividend of RMB0.20 per share.

Since January, housing policy controls remained largely the same as fourth quarter of 2016, focusing on differentiation by region with flexibility to support or suppress when required. Restrictions on purchases, price and loan growth were carried out in ‘hot’ cities one after another, which helped to curb speculation and resulting in lower transaction volumes but stable prices. The spill-over demand from core cities brought both prices and volumes up in Tier 2 and 3 cities for several months. As such, regulatory measures were gradually put in place to stabilize the property market and control risks.

The overall tightening environment has resulted in an increasing divergence among real estate companies and accelerating industry consolidation. In the first half of 2017, total sales of the Top 10 developers spiked to 26.5%\* from 18.7%. Longfor was able to ride on the momentum through our established presence in higher tier cities, well-positioned and diversified product range, and strategically planned front-loaded sellable resources. During the reporting period, contracted sales reached a record high of RMB92.63 billion, representing an increase of 140.0% over the same period last year. Of the 24 sales-contributing cities, 14 saw Longfor ranking among the Top 10 in terms of contracted sales. We see this as the harvest of our hard work in prior years, and we remain confident that growth is sustainable.

Strong contracted sales growth by the major players is bound to push up the demand for land, especially in those highly competitive Tier 1 and 2 cities, where land prices has remained high yet developers still have the appetite to compete for quality resources. We are sticking to the strategy of exploring opportunities in high-potential metropolitan circles and city clusters with a firm discipline, focusing on acquisition channels diversification and cost control. During the reporting period, we have acquired 40 pieces of high-quality land with an average land price of only RMB5,930/m<sup>2</sup>. Moreover, we have set foot in Hefei, Shenzhen, Hong Kong, Hebei Baoding, and Fuzhou for the first time, enabling us now to cover 31 cities in China.

\* Source of data: CRIC, China Real Estate Appraisal



With substantial increase in cash collection from presales and higher operation capability of a mature business team, our investment property portfolio has continued to enjoy an accelerated growth. During the period, 8 Paradise Walk projects in Chongqing, Hangzhou, Nanjing, Suzhou, Tianjin and other cities were added to the land bank portfolio. Hometown Paradise Walk in Chongqing was opened as scheduled and recorded a occupancy rate of 99%, and 4 shopping malls including Suzhou Shishan Paradise Walk and Hangzhou Binjiang Paradise Walk Phase I will also be opened within this year. Longfor's "Paradise Walk" portfolio is now taking shape after years of development. It helps to not only bring in more rental income and higher credit rating, but also accumulate more ammunition to fuel our future growth.

In March, Moody's officially upgraded our rating to Baa3, making Longfor a rare non-SOE developer that has attained full investment grade status (stable outlook from all rating agencies). This is a strong testimony to our balanced growth, sound profitability, and defensiveness. In July, Longfor tapped the USD debt market for the first time as an investment-grade issuer (5 years, 450 million dollars). The transaction was well received by investors, with the coupon rate coming at 3.875%. Our multi-channel, low-cost financing capacity was further strengthened.

With the central government's emphasis on residential properties, in major cities such as Beijing and Hangzhou, new regulation on long-term holding was put into place for the land auction process. How to cultivate and develop a residential leasing product has become an important element of the comprehensive strength of a developer. The leasing market has begun to take off, and the "sales + long-term holding" model turned out to be more demanding on the comprehensive capability of all property developers. Our long-term rental "Champion Apartments", a new mainstream product launched last year, became an effective complement to this business dimension. By leveraging on our presence in multiple cities and our brand advantage, Champion Apartments was rolled out rapidly. As of July, 10 projects in 7 cities are already in operation. By the end of the year, over 15,000 apartments will be launched to the market. The "Champion Apartments" will cover 16 cities in the future and the rental income from which will achieve more than 2 billion in 2020. Rental Apartments will grow into a high-quality, Longfor-character, new business line of the Company. Together with our residential property development and commercial investment property portfolio, we will have a full spectrum of coverage of customers' needs.

In the face of increasing divergence and ever-changing competitive landscape, we have been thinking about the evolution of organizational ecology. On April 8, Longfor held the first general assembly of partners, marking the official launch of the partnership system. Our partnership does not involve any monetary investment by our employees. All partners are born through a multi-layer election system. Partners' performance will be linked with the Company's overall business performance, defined with clear rights and responsibilities, and serves as a material-spiritual common body. Through the partnership system, we hope to develop a core team of managers who are entrepreneurship-oriented, highly devoted, and strong in delivering so as to keep improving organizational efficiency and ensure in-depth institutionalization in the Company.

With the transformation of people, lifestyle, digitization and playing fields, the acceleration of mergers and acquisitions, the surge in urban population and migration, the industry has come to a critical point where new and old rules collide, where new city clusters emerge and divide. We are fortunate that after years of focus on strategic discipline and rational approach, we have built up not only a sound and diversified business, but also capacity, capital and a pool of talent reserves. Based on this, we are able to explore new realms of asset intensive business such as shopping malls and long-term residential rental, while strengthening our core business and realizing scale growth. Only in this way can we deliver both short-term growth and long-term sustainability. Our pace of development is fast yet steady. We remain bold and determined. We will strive to seek new development and create value in this gigantic real estate market in China!

Finally, on behalf of the Board of Directors, I thank all the employees for your hard work and all shareholders for your great support.

**Longfor Properties Co. Ltd.**

**Wu Yajun**

*Chairperson*

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROPERTY DEVELOPMENT

From January to June 2017, revenue from property development business of the Group was RMB16.59 billion, representing a slightly decrease of 1.9% over the same period last year. The Group delivered 1.41 million square meters of property in terms of gross floor area (GFA). Gross profit margin of overall property development business increased by 8.7% to 34.5% over the same period last year. Recognized average selling price was RMB11,779 per square meter from January to June 2017.

*Table 1: Breakdown of property development revenue of the Group from January to June 2017*

\* Amount excluding tax

City	Revenue		Total GFA	
	January to June 2017 RMB'000	January to June 2016 RMB'000	January to June 2017 Sqm	January to June 2016 Sqm
Chongqing	6,010,040	2,549,592	529,609	311,139
Shanghai	3,330,809	162,789	120,327	8,958
Hangzhou	2,057,383	4,173,385	131,245	209,680
Chengdu	1,286,596	1,722,072	160,825	150,453
Qingdao	677,586	851,569	97,077	124,960
Quanzhou	671,157	312,650	69,596	50,985
Shaoxing	392,042	51,426	53,078	9,290
Changzhou	351,925	497,208	28,298	56,092
Wuxi	286,960	645,170	40,080	70,229
Dalian	251,256	446,876	19,948	34,432
Yantai	227,922	12,835	31,293	2,355
Changsha	200,618	595,474	15,624	56,214
Xi'an	177,523	410,483	24,246	52,761
Suzhou	157,234	62,590	10,169	10,600
Shenyang	129,806	181,375	25,071	37,945
Ningbo	117,437	1,118,471	15,610	114,864
Nanjing	90,919	—	5,741	—
Jinan	70,531	530,868	16,774	70,100
Xiamen	63,938	1,268,659	7,150	95,368
Foshan	30,096	—	5,638	—
Kunming	7,973	48,365	985	3,754
Beijing	—	1,260,702	—	72,871
<b>Total</b>	<b><u>16,589,751</u></b>	<b><u>16,902,559</u></b>	<b><u>1,408,384</u></b>	<b><u>1,543,050</u></b>

From January to June 2017, the Group achieved contracted sales of RMB92.63 billion, representing an increase of 140.0% over the same period last year. The Group sold 5.95 million square meters in total GFA, representing an increase of 132.7% over the same period last year. Average selling price of GFA sold was RMB15,567 per square meter, representing an increase of 3.2% over the same period last year. Contracted sales from Pan Bohai Rim, Yangtze River Delta, western China, southern China and central China were RMB30.30 billion, RMB28.17 billion, RMB23.27 billion, RMB9.81 billion and RMB1.08 billion respectively, accounting for 32.7%, 30.4%, 25.1%, 10.6% and 1.2% of the contracted sales of the Group, respectively.

*Table 2: Details of contracted sales of the Group from January to June 2017*

*\* Amount including tax*

City	Contracted sales		Total GFA	
	January to June 2017 <i>RMB million</i>	January to June 2016 <i>RMB million</i>	January to June 2017 <i>Sqm</i>	January to June 2016 <i>Sqm</i>
Hanzhou	13,293	5,552	561,682	303,527
Beijing	12,061	4,066	359,248	94,635
Chongqing	10,075	3,978	900,765	432,985
Chengdu	9,992	2,462	784,970	245,868
Qingdao	7,264	1,298	590,411	142,581
Xiamen	5,748	2,339	196,806	109,085
Jinan	5,083	213	489,063	28,770
Xi'an	3,199	1,428	293,282	191,632
Nanjing	3,018	2,622	108,808	93,381
Shenyang	2,514	791	312,201	104,639
Ningbo	2,467	612	172,095	72,591
Changzhou	2,397	440	192,621	57,510
Shanghai	2,332	5,447	69,255	225,613
Suzhou	2,284	3,285	81,258	116,266
Guangzhou	1,994	1,584	35,963	49,353
Wuxi	1,675	648	140,169	68,641
Dalian	1,636	331	108,979	26,346
Quanzhou	1,507	338	185,659	46,843
Tianjin	1,323	—	66,150	—
Changsha	1,080	464	100,573	58,087
Shaoxing	702	243	96,387	36,193
Foshan	564	246	53,786	33,217
Yantai	417	188	49,553	18,033
Kunming	1	11	374	1,126
<b>Total</b>	<b><u>92,626</u></b>	<b><u>38,586</u></b>	<b><u>5,950,058</u></b>	<b><u>2,556,922</u></b>

As at June 30, 2017, the Group had sold but unrecognized contracted sales of RMB145.9 billion (with an area of 9.22 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 metropolitan 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 malls, Champion Apartments (冠寓) which provide white-collar population with high quality comprehensive rental services have commenced operation in Chongqing, Chengdu and other cities. As at June 30, 2017, the Group has investment properties of 2.08 million square meters (2.74 million square meters in GFA with parking space included) which have commenced operation with an occupancy rate of 94.7%. Rental income, net of tax, was RMB1.14 billion, representing an increase of 28.8% over the same period last year. The series of Paradise Walk, Starry Street, MOCO and Champion Apartments accounted for 87.1%, 10.7%, 1.5% and 0.3% of the total rental income respectively, among them, the series of Paradise Walk, Starry Street and MOCO recorded increases of 31.2%, 8.9% and 3.7% respectively.

Table 3: Breakdown of rental income of the Group from January to June 2017

\* Amount excluding tax

	January to June 2017				January to June 2016			Change of rental income
	GFA	Rental income	% of Rental	Occupancy rate	Rental income	% of Rental	Occupancy rate	
	sqm	RMB'000			RMB'000			
Chongqing North Paradise Walk	120,778	202,324	18.0%	99.7%	198,678	22.5%	100.0%	1.8%
Chongqing West Paradise Walk	76,031	78,924	6.9%	92.6%	76,193	8.6%	99.4%	3.6%
Chongqing Time Paradise Walk Phase I	160,168	134,515	11.8%	95.2%	119,590	13.5%	95.8%	12.5%
Chongqing Time Paradise Walk Phase II	154,460	76,303	6.7%	98.0%	57,476	6.5%	95.4%	32.8%
Chengdu North Paradise Walk	215,536	63,935	5.6%	78.6%	54,151	6.1%	84.6%	18.1%
Chengdu Time Paradise Walk Phase I	61,989	15,527	1.4%	100.0%	13,637	1.5%	93.4%	13.9%
Beijing Changying Paradise Walk	221,286	141,704	12.4%	99.5%	112,765	12.8%	96.0%	25.7%
Hangzhou Jinsha Paradise Walk	151,135	93,913	8.3%	99.7%	78,110	8.8%	99.0%	20.2%
Chengdu Jinnan Paradise Walk	91,638	50,284	4.4%	99.6%	43,714	4.9%	94.3%	15.0%
Beijing Daxing Paradise Walk	144,565	64,231	5.6%	99.3%	—	—	—	—
Chongqing Time Paradise Walk Phase III	73,774	28,609	2.5%	99.1%	—	—	—	—
Shanghai Hongqiao Paradise Walk	170,450	33,241	2.9%	92.7%	—	—	—	—
Chongqing Hometown Paradise Walk	93,073	6,518	0.6%	99.0%	—	—	—	—
<b>Paradise Walk Subtotal</b>	<b>1,734,883</b>	<b>990,028</b>	<b>87.1%</b>	<b>95.2%</b>	<b>754,314</b>	<b>85.2%</b>	<b>96.9%</b>	<b>31.2%</b>
Chongqing Crystal Castle	16,161	8,639	0.8%	99.7%	9,168	1.0%	100.0%	-5.8%
Chengdu Three Thousand Mall	38,043	16,112	1.4%	100.0%	15,238	1.7%	92.3%	5.7%
Chongqing Chunsen Starry Street	54,618	12,676	1.1%	77.8%	13,661	1.5%	72.6%	-7.2%
Chongqing Fairy Castle	29,413	5,906	0.5%	100.0%	5,824	0.7%	100.0%	1.4%
Beijing Summer Palace Starry Street	6,320	10,031	0.9%	100.0%	9,374	1.1%	100.0%	7.0%
Chongqing University City	15,516	7,258	0.6%	99.4%	7,015	0.8%	91.6%	3.5%
Xi'an Daxing Starry Street	44,227	21,404	1.9%	99.7%	18,318	2.1%	87.0%	16.8%
Xi'an Qujiang Starry Street	63,206	26,078	2.2%	99.7%	19,141	2.2%	89.7%	36.2%
Others	—	14,548	1.3%	N/A	14,838	1.9%	N/A	-2.0%
<b>Starry Street Subtotal</b>	<b>267,504</b>	<b>122,652</b>	<b>10.7%</b>	<b>94.9%</b>	<b>112,577</b>	<b>13.0%</b>	<b>91.2%</b>	<b>8.9%</b>
Chongqing MOCO	29,104	16,922	1.5%	96.3%	16,323	1.8%	99.9%	3.7%
<b>MOCO Subtotal</b>	<b>29,104</b>	<b>16,922</b>	<b>1.5%</b>	<b>96.3%</b>	<b>16,323</b>	<b>1.8%</b>	<b>99.9%</b>	<b>3.7%</b>
<b>Champion Apartments</b>	<b>44,686</b>	<b>3,173</b>	<b>0.3%</b>	<b>80.7%</b>	—	—	—	—
<b>Others</b>	—	<b>4,506</b>	<b>0.4%</b>	<b>N/A</b>	—	—	—	—
<b>Total for projects that had commenced operation</b>	<b><u>2,076,177</u></b>	<b><u>1,137,281</u></b>	<b><u>100.0%</u></b>	<b><u>94.7%</u></b>	<b><u>883,214</u></b>	<b><u>100.0%</u></b>	<b><u>96.0%</u></b>	<b><u>28.8%</u></b>

The Group has 10 shopping malls under construction with a total GFA of about 1.09 million square meters.

Table 4: Breakdown of investment properties under construction of the Group in 2017 to 2019

	<b>Estimated Commencement of Operation</b>	<b>Planned GFA Sqm</b>
Suzhou Shishan Paradise Walk	2017	190,553
Hangzhou Binjiang Paradise Walk Phase I	2017	158,067
Chongqing U-City Paradise Walk	2017	102,365
Shanghai Baoshan Paradise Walk	2017	96,803
Changzhou Longcheng Paradise Walk	2018	119,139
Chengdu Xichen Paradise Walk	2018	150,281
Nanjing Longwan Paradise Walk	2019	120,367
Shanghai Maqiao Starry Street	2019	26,986
Shanghai Zhuanqiao Paradise Walk	2019	100,988
Hangzhou Binjiang Paradise Walk Phase II	2019	<u>21,576</u>
<b>Projects under construction in total</b>		<b><u>1,087,125</u></b>

Due to the rental increase of shopping malls in operation as well as continuous investments in projects under construction, the valuation gain of investment properties of the Group amounted to RMB2.34 billion from January to June 2017.

## **COST CONTROL**

From January to June 2017, due to the excellent performance of sales and group's strategy to acquire projects in first and second tier cities, which diluted fixed expenses such as staff compensation. As a result, the Group's general and administrative expenses to the total contracted sales decreased by 0.80% to 0.98% over the same period last year. Meanwhile, as the sales of several projects such as Hangzhou Chunjiang Mansion, Xiamen Chunjiang Land and Chongqing New Bamboo Grove were strong, the selling expenses to the total contracted sales decreased by 0.51% to 0.56% over the same period last year.

## **SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES**

From January to June 2017, the attributable loss after tax of the Group in joint ventures and associates was RMB72 million, which was mainly attributable to the preliminary expense of the projects not due for delivery.

## **INCOME TAX EXPENSE**

Income tax expenses comprised of PRC enterprise income tax and land appreciation tax. From January to June 2017, the enterprise income tax and the land appreciation tax of the Group were RMB1.84 billion and RMB1.29 billion, respectively. The total income tax expenses for the period amounted to RMB3.13 billion.

## **PROFITABILITY**

From January to June 2017, 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) increased from 13.9% of the corresponding period of last year to 17.5% 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) increased from 13.0% of the corresponding period of last year to 15.3%. The above is mainly due to the increase of gross profit 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, 2017, the Group's total land bank was 50.02 million square meters or 37.11 million square meters on an attributable basis. The average unit land cost was RMB4,845 per square meter, accounting for 31.1% of unit price of current contracted sales. In terms of regional breakdown, land bank in Pan Bohai Rim, western China, Yangtze River Delta, southern China, central China and Hong Kong Region accounted for 39.4%, 26.7%, 20.3%, 7.5%, 6.0% and 0.1% of the total land bank, respectively.

From January to June 2017, the Group has acquired new land bank with total GFA of 10.75 million square meters or 6.46 million square meters on an attributable basis. Average cost of acquisition on an attributable basis was RMB 5,930 per square meter. In terms of regional breakdown, the area of Pan Bohai Rim, Yangtze River Delta, central China, western China, southern China and Hong Kong Region accounted for 34.5%, 32.8%, 14.1%, 11.7%, 6.3% and 0.6% of the total GFA of the newly acquired land bank.

As at June 30, 2017, there were 31 cities covered by the Group. The locations of the projects were moving closer to city cores. The project size was controlled at an appropriate level, which laid a well foundation for improving the turnover cycle of the Group's properties available for sale.



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

Table 5: Breakdown of land bank of the Group

Region	City	GFA Sqm	% of Total	Attributable GFA Sqm	% of Total
Pan Bohai Rim	Beijing	3,511,493	7.0%	1,090,485	2.9%
	Shenyang	1,991,073	4.0%	1,915,858	5.2%
	Qingdao	1,739,203	3.5%	906,348	2.4%
	Yantai	7,132,742	14.4%	7,132,742	19.3%
	Jinan	2,372,243	4.7%	1,166,130	3.2%
	Dalian	966,289	1.9%	631,427	1.7%
	Tianjin	1,153,364	2.3%	824,977	2.2%
	Baoding	818,518	1.6%	572,963	1.5%
	<b>Subtotal</b>	<b>19,684,925</b>	<b>39.4%</b>	<b>14,240,930</b>	<b>38.4%</b>
Central China	Changsha	991,551	2.0%	863,881	2.3%
	Wuhan	2,007,292	4.0%	692,124	1.9%
	<b>Subtotal</b>	<b>2,998,843</b>	<b>6.0%</b>	<b>1,556,005</b>	<b>4.2%</b>
Western China	Chongqing	8,093,972	16.2%	6,765,238	18.3%
	Chengdu	3,415,193	6.8%	2,485,202	6.7%
	Xi'an	1,056,898	2.1%	1,056,898	2.8%
	Yuxi	790,407	1.6%	790,407	2.1%
	<b>Subtotal</b>	<b>13,356,470</b>	<b>26.7%</b>	<b>11,097,745</b>	<b>29.9%</b>
Yangtze River Delta	Shanghai	1,055,410	2.1%	759,084	2.0%
	Wuxi	827,078	1.7%	827,078	2.2%
	Changzhou	723,354	1.4%	723,354	1.9%
	Hangzhou	2,603,508	5.2%	1,700,519	4.6%
	Ningbo	1,363,350	2.7%	1,152,091	3.1%
	Suzhou	983,787	2.0%	597,922	1.6%
	Nanjing	1,567,698	3.1%	1,254,745	3.5%
	Hefei	1,042,243	2.1%	442,729	1.2%
	<b>Subtotal</b>	<b>10,166,428</b>	<b>20.3%</b>	<b>7,457,522</b>	<b>20.1%</b>
Southern China	Xiamen	1,101,629	2.2%	623,800	1.7%
	Quanzhou	1,083,494	2.2%	1,083,494	2.9%
	Guangzhou	1,088,597	2.2%	663,358	1.8%
	Foshan	244,620	0.5%	195,745	0.5%
	Shenzhen	13,000	0.03%	7,800	0.02%
	Fuzhou	222,552	0.4%	155,786	0.4%
	<b>Subtotal</b>	<b>3,753,892</b>	<b>7.5%</b>	<b>2,729,983</b>	<b>7.3%</b>
Hong Kong Region	Hong Kong	60,545	0.1%	30,273	0.1%
	<b>Subtotal</b>	<b>60,545</b>	<b>0.1%</b>	<b>30,273</b>	<b>0.1%</b>
	<b>Total</b>	<b>50,021,103</b>	<b>100.0%</b>	<b>37,112,458</b>	<b>100.0%</b>

Table 6: Land acquisition from January to June 2017

Region	Project	City	Attributable	Attributable	
			Interest	GFA	GFA
			%	Sqm	Sqm
Pan Bohai Rim	Tanzhe Temple Plot	Beijing	10.0%	406,605	40,661
	Jinhai Lake Plot	Beijing	25.0%	317,433	79,358
	Liangxiang Town Plot	Beijing	20.0%	214,402	42,880
	Gaoliying Plot	Beijing	20.0%	374,681	74,936
	Gaobeidian Project	Baoding	70.0%	818,518	572,963
	Qinglong Lake Plot	Beijing	20.0%	378,777	75,755
	Ascendas IT Park Plot	Dalian	100.0%	87,590	87,590
	Wuqing Hongze Project	Tianjin	100.0%	556,822	556,822
	Beitang Plot	Tianjin	12.5%	219,322	27,415
	Liwang Road Plot	Qingdao	51.0%	168,030	85,695
	Olympic Sports Center Plot	Jinan	100.0%	<u>163,380</u>	<u>163,380</u>
	<b>Subtotal</b>			<b><u>3,705,560</u></b>	<b><u>1,807,455</u></b>
Western China	Xiyong W Plot	Chongqing	100.0%	425,580	425,580
	Shapingba Station Plot	Chongqing	100.0%	480,000	480,000
	Xiyong L Plot	Chongqing	60.0%	<u>356,373</u>	<u>213,824</u>
	<b>Subtotal</b>			<b><u>1,261,953</u></b>	<b><u>1,119,404</u></b>
Yangtze River Delta	Yinzhou Jiangshan Plot	Ningbo	40.0%	94,710	37,884
	Tangjiawan Plot	Ningbo	70.0%	110,495	77,347
	Jiufeng Mountain Plot	Ningbo	51.0%	136,788	69,762
	Chunxiao 161 Plot	Ningbo	100.0%	357,233	357,233
	Binhu Plot	Hefei	35.0%	481,114	168,390
	Yaohai E1701 Plot	Hefei	100.0%	202,642	202,642
	Gaoxin TF5 Plot	Hefei	20.0%	358,487	71,697
	Laodong Road Plot	Suzhou	51.0%	146,786	74,861
	Qingjian Lake Plot	Suzhou	100.0%	200,728	200,728
	Jianye Science Park Plot	Nanjing	100.0%	267,267	267,267
	Gaoxin Software Park Plot	Nanjing	100.0%	331,123	331,123
	Xingyi B30 Plot	Hangzhou	30.0%	84,848	25,454
	Zijin Harbour Plot	Hangzhou	100.0%	287,750	287,750
	Olympic and International Expo Center Plot	Hangzhou	25.0%	101,230	25,308
	Lanbao Project	Hangzhou	100.0%	21,019	21,019
	Huishan New Town Plot	Wuxi	100.0%	221,641	221,641
	Lingang Industrial Park Plot	Shanghai	100.0%	<u>122,357</u>	<u>122,357</u>
	<b>Subtotal</b>			<b><u>3,526,218</u></b>	<b><u>2,562,463</u></b>

Region	Project	City	Attributable	Attributable	
			Interest	GFA	GFA
			%	Sqm	Sqm
Central China	Chazishan Village Plot	Changsha	100.0%	73,834	73,834
	Liuyang River Plot	Changsha	50.0%	208,306	104,153
	Tianxin District Plot	Changsha	80.0%	117,586	94,069
	Yangsi Port Plot	Wuhan	10.0%	1,006,019	100,602
	Guangu Fifth Road Plot	Wuhan	52.0%	<u>115,518</u>	<u>60,069</u>
	<b>Subtotal</b>			<b><u>1,521,263</u></b>	<b><u>432,727</u></b>
Southern China	Sino-Singapore Knowledge City Plot	Guangzhou	77.0%	440,961	339,540
	Shatoujiao Plot	Shenzhen	60.0%	13,000	7,800
	Changle Heshang Plot	Fuzhou	70.0%	<u>222,552</u>	<u>155,786</u>
	<b>Subtotal</b>			<b><u>676,513</u></b>	<b><u>503,126</u></b>
Hong Kong Region	Kai Tak Plot	Hong Kong	50.0%	<u>60,545</u>	<u>30,273</u>
	<b>Subtotal</b>			<b><u>60,545</u></b>	<b><u>30,273</u></b>
	<b>Total</b>			<b><u>10,752,052</u></b>	<b><u>6,455,448</u></b>

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

	Project	Attributable City	Interest %	Expected GFA Sqm	Attributable GFA Sqm
Pan Bohai Rim	Zhongbei Town Plot	Tianjin	100.0%	78,232	78,232
	Ninghai Road Plot	Qingdao	100.0%	32,945	32,945
	Zhangjialou Project	Qingdao	100.0%	<u>103,564</u>	<u>103,564</u>
	<b>Subtotal</b>			<b><u>214,741</u></b>	<b><u>214,741</u></b>
Western China	Steel Tower Factory Plot	Chengdu	100.0%	508,632	508,632
	Cujin Sub-district Plot	Chengdu	100.0%	<u>136,233</u>	<u>136,233</u>
	<b>Subtotal</b>			<b><u>644,865</u></b>	<b><u>644,865</u></b>
Yangtze River Delta	Liuhe G16 Plot	Nanjing	100.0%	208,061	208,061
	Danghu Sub-district Plot	Jiaxing	100.0%	90,385	90,385
	Yongxing Road Plot	Jiaxing	100.0%	148,576	148,576
	Hongjian Road Plot	Jiaxing	100.0%	68,235	68,235
	Gucun Town Plot	Shanghai	100.0%	<u>28,255</u>	<u>28,255</u>
	<b>Subtotal</b>			<b><u>543,512</u></b>	<b><u>543,512</u></b>
Central China	Yanghu G Plot	Changsha	100.0%	<u>471,106</u>	<u>471,106</u>
	<b>Subtotal</b>			<b><u>471,106</u></b>	<b><u>471,106</u></b>
Southern China	Chancheng District Plot	Foshan	100.0%	<u>51,876</u>	<u>51,876</u>
	<b>Subtotal</b>			<b><u>51,876</u></b>	<b><u>51,876</u></b>
	<b>Total</b>			<b><u>1,926,100</u></b>	<b><u>1,926,100</u></b>

## FINANCIAL POSITION

As at June 30, 2017, the Group's consolidated borrowings amounted to RMB69.60 billion. The net debt to equity ratio (net debt divided by total equity) of the Group was 56.2%. Cash in hand reached RMB22.65 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. All of the abovementioned rating outlook is stable.

\* 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 84% of the Group's total borrowings were denominated in RMB, while 16% were denominated in foreign currencies. The Group is maintaining its borrowings in foreign currencies in a low proportion with a certain amount of exchange rate swap so as to control the risk in exchange losses.

Approximately RMB37.55 billion of the Group's consolidated borrowings were with fixed rates ranging from 3.06% per annum to 6.75% per annum, depending on the terms of the loans, and the other loans were quoted at floating rates. As of June 30, 2017, the proportion of fixed interest debt was 54% (December 31, 2016: 62%) of the total debt.

In 2017, the Group issued green bonds of RMB4.04 billion with fixed rates ranging from 4.40% to 4.75% per annum and terms ranging from five to seven years. The Group's average cost of borrowing further decreased to 4.70% per annum. The average maturity period of loan was 5.90 years. The proportion of unsecured debt was 73%.

Subsequent to the end of the reporting period, in July 2017, the Group successfully issued five-year senior notes of US\$450 million in the international capital market, at a coupon rate of merely 3.875% per annum. In July 2017, the Group successfully issued RMB2 billion medium-term notes in the domestic capital market, at a fixed rate ranging from 4.8% to 5.0% per annum and a term ranging from three to five years.

## **EMPLOYEES AND COMPENSATION POLICY**

As at June 30, 2017, the Group had 18,051 full-time employees in China. Of these employees, 5,324 worked in the property development division, 2,067 in the property investment division, and 10,660 in the property management division. Average age of our employees is 31.7 years old.

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

## **PROSPECTS**

In the first half of 2017, regulation policies in the Chinese real estate market continued to strengthen, regulation efforts in major cities further increased, and progress was made in destocking in second and third tier cities. For the second half of 2017, the restriction on property purchases as well as the tightening of monetary and financial policies will contribute to striking a balance between supply and demand in real estate market. The differentiating competitive landscape will pose more challenges to the enterprises in terms of product ability, operation capability and sustainability.

Under these circumstances, the Group will increase its efforts in executing the strategy of in-depth development in target cities to ensure strong fundamentals and the sustainable development for our business. In addition to focusing on key businesses and scaling up, based on the market conditions in different cities, we will optimize the overall operation system by strengthening the management of supply and sales and boost sales through precise product research and development, customer research and positioning. Meanwhile, operational efficiency will be enhanced through emphasis on inventory management.

In the second half of 2017, the Group has 95 key projects for sale currently on the market, among which 37 are brand new projects and 24 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 2.15 million square meters in GFA from January to June in 2017. The total GFA of properties planned to complete construction in 2017 will reach approximately 7.5 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.

In our investment properties, Chongqing Hometown Paradise Walk has commenced operation in June 2017, while Suzhou Shishan Paradise Walk, Hangzhou Binjiang Paradise Walk Phase I, Chongqing U-City Paradise Walk and Shanghai Baoshan Paradise Walk are expected to commence operation in the second half of 2017. Over 15,000 new rooms of long-term rental apartments will be launched to the market by the end of 2017, covering first tier and leading second tier cities such as Beijing, Shanghai, Shenzhen, Guangzhou, Chongqing, Chengdu and Hangzhou. These projects will lay a solid foundation for future growth of rental income from investment properties of the Group.

In the market with accelerating integration and complicated changes, the Group will continue to maintain a prudent and rational financial management strategy in order to preserve stable and healthy financial position and gearing ratio. We will also control land cost and relieve funding pressure through external co-operations and acquisitions in the secondary market. At the same time, we will further expand our domestic and overseas financing channels, optimize the debt structure, extend debt maturity tenor and lower effective funding cost, thereby leading to a safer and healthier financial position of the Company.

## **PAYMENT OF INTERIM DIVIDEND**

The Board declared payment of an interim dividend of RMB0.20 per share for the six months ended June 30, 2017. 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 Thursday, December 7, 2017 to Wednesday, December 13, 2017. The interim dividend will be paid on or about Monday, January 8, 2018 to the shareholders whose names appear on the register of members of the Company on Wednesday, December 13, 2017.

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

The register of members of the Company will be closed from Monday, December 11, 2017 to Wednesday, December 13, 2017, 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, Computershare Hong Kong Investor Services Limited, at Shops 1712—1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, December 8, 2017.

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

During the period ended June 30, 2017, the trustee of the Restricted Share Award Scheme purchased on the Stock Exchange a total of 16,095,500 shares at a total consideration of approximately HKD204,989,421 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 period ended June 30, 2017.

## **CORPORATE GOVERNANCE**

During the period, 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 period, the Company has not established Nomination Committee as required by the provision A.5 of the Code. Madam Wu Yajun is responsible for the nomination and appointment of directors. In according to the Company's corporate strategy, Madam Wu will review and discuss with other Board members the structure, size and composition (including the skills, knowledge and experience) of the Board from time to time and identify individuals suitably qualified to become directors and make recommendations to the Board on the nomination for directorship. The Board is of view that Chairman being responsible for the nomination of directorship is more effective than the establishment of Nomination Committee.



## **AUDIT COMMITTEE**

The Audit Committee consists of three independent non-executive Directors, Mr. Chan Chi On, Derek, Mr. Frederick Peter Churchouse, and Mr. Xiang Bing and is chaired by Mr. Chan Chi On, Derek. The Group's unaudited condensed consolidated interim results for the six months ended June 30, 2017 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, 2017.

## **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 2017 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 Properties Co. Ltd.**  
**Wu Yajun**  
*Chairperson*

Hong Kong, August 16, 2017

*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.*