Longfor Properties Co. Ltd.

龍 湖 地 產 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, 2017

FINANCIAL SUMMARY

- Contracted sales increased by 77.1% to RMB156.08 billion as compared with that of last year.
- Revenue increased by 31.5% to RMB72.08 billion as compared with that of last year, of which the rental income from the property investment business increased by 35.6% to RMB2.59 billion.
- Profit attributable to shareholders was RMB12.60 billion. Excluding effects, such as minority interest and valuation gains, core net profit increased by 25.9% to RMB9.77 billion as compared with that of last year. Gross profit increased 53.3% year-on-year to RMB24.44 billion, gross profit margin was 33.9%. Core net profit margin was 18.3%, and core net profit margin attributable to shareholders was 13.6%.
- The net debt to equity ratio (net debt divided by total equity) was 47.7%. Cash in hand was RMB26.76 billion.
- Total consolidated borrowings amounted to RMB77.40 billion. Average cost of borrowing decreased from 4.92% to 4.5% per annum. Average maturity period of loan was 5.92 years.
- Basic earnings per share is RMB2.17 and core earnings per share after excluding the effects of valuation gains is RMB1.68. The Board recommends a final dividend of RMB0.473 per share, meanwhile, recommends a special dividend of RMB0.085 per share for the 25th anniversary of the Company. Together with the interim dividend of RMB0.20 per share, the total dividend was increased by 62.7% year-on-year to RMB0.758 per share.

ANNUAL RESULTS

The Board of Directors (the "Board") of Longfor Properties Co., Ltd. ("Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended December 31, 2017 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, 2017

	NOTES	**2017** *RMB'000*	**2016** *RMB'000*
Revenue	2	72,075,041	54,799,495
Cost of sales		(47,639,212)	(38,864,114)
Gross profit		24,435,829	15,935,381
Other income	3	794,813	336,045
Other gains and losses	4	52,707	(155,308)
Fair value gain upon transfer to investment properties		503,080	47,154
Change in fair value of investment properties		4,420,207	1,970,958
Change in fair value of derivative financial instruments		(411,889)	(109,031)
Selling and marketing expenses		(1,796,698)	(1,427,723)
Administrative expenses		(3,267,424)	(2,022,328)
Finance costs	5	(45,275)	(53,059)
Share of results of associates		1,214,682	1,051,011
Share of results of joint ventures		653,553	383,210
Profit before taxation		26,553,585	15,956,310
Income tax expense	6	(10,075,097)	(6,021,444)
Profit for the year	7	16,478,488	9,934,866
Profit attributable to:			
Owners of the Company		12,598,597	9,152,953
Non-controlling interests		3,879,891	781,913
		16,478,488	9,934,866

	NOTES	2017	2016
		RMB'000	RMB'000
Earnings per share, in RMB			
Basic	9	2.17	1.57
Diluted	9	2.13	1.57
Profit for the year		16,478,488	9,934,866
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value (loss) gain on hedging instruments		(409,268)	287,663
Loss (gain) on hedging instruments reclassified to profit and loss		104,250	(248,592)
		(305,018)	39,071
Total comprehensive income for the year		16,173,470	9,973,937
Total comprehensive income attributable to:			
Owners of the Company		12,293,579	9,192,024
Non-controlling interests		3,879,891	781,913
		16,173,470	9,973,937

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2017

	NOTES	**2017**	**2016**
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Investment properties		68,094,745	49,030,600
Property, plant and equipment		862,903	198,642
Prepaid lease payments		37,139,443	17,421,955
Land use rights		434,607	—
Interests in associates		7,780,744	1,585,693
Interests in joint ventures		5,412,043	2,737,328
Available-for-sale investments		201,133	180,021
Deposits paid for acquisition of land use rights		5,477,350	11,925,639
Derivative financial instruments		229,965	639,233
Deferred taxation assets		3,462,687	2,622,641
		129,095,620	86,341,752
CURRENT ASSETS			
Inventories		798,921	838,729
Properties under development for sales		151,421,146	89,426,431
Properties held for sales		10,779,489	10,246,730
Accounts and other receivables, deposits and prepayments	10	14,183,557	10,324,224
Amounts due from non-controlling interests		17,462,283	3,854,408
Amounts due from associates		2,541,177	—
Amounts due from joint ventures		6,057,689	2,248,153
Taxation recoverable		3,662,699	3,844,962
Derivative financial instruments		—	349,513
Pledged bank deposits		119,119	97,368
Bank balances and cash		26,642,154	17,258,104
		233,668,234	138,488,622

	NOTES	**2017**	**2016**
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Accounts and bills payables, deposits received and accrued charges	11	32,212,781	22,734,726
Receipt in advance from property sales		93,217,477	43,990,833
Amounts due to non-controlling interests		18,578,643	2,953,235
Amounts due to associates		6,488,710	1,823,964
Amounts due to joint ventures		6,196,936	1,686,533
Taxation payable		15,211,025	12,939,782
Bank and other borrowings - due within one year		3,610,754	5,333,349
Senior notes - due within one year		1,977,843	—
		177,494,169	91,462,422
NET CURRENT ASSETS		56,174,065	47,026,200
TOTAL ASSETS LESS CURRENT LIABILITIES		185,269,685	133,367,952
CAPITAL AND RESERVES			
Share capital		514,209	508,438
Reserves		70,052,455	61,256,261
Equity attributable to owners of the Company		70,566,664	61,764,699
Non-controlling interests		35,612,011	13,350,481
TOTAL EQUITY		106,178,675	75,115,180
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year		65,527,956	47,027,089
Senior notes - due after one year		6,287,640	5,511,632
Other derivative financial instruments		657,746	215,915
Deferred taxation liabilities		6,617,668	5,498,136
		79,091,010	58,252,772
		185,269,685	133,367,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

1. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014 - 2016 Cycle

Except as described below, the application of the 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.

Amendments to IAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries; (iii) changes in fair values; and (iv) other changes.

New and revised *IFRSs in issue but not yet effective*

The new and amendments to IFRSs that have been issued but are not yet effective are as follows:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 - 2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015 - 2017 Cycle[2]

1 Effective for annual periods beginning on or after January 1, 2018

2 Effective for annual periods beginning on or after January 1, 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after January 1, 2021

Except for the new and amendments to IFRSs and Interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

Early adopted before mandatory effective dates

IFRS 15 "Revenue from Contracts with Customers and the related Amendments", scheduled to be effective for annual periods beginning on or after January 1, 2018, has been early adopted by the Group in the preparation of the consolidated financial statements for the year ended December 31, 2017. In accordance with the transition provisions set out in IFRS 15, the Group has chosen to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balances as at January 1, 2017 and comparative figures have not been used.

In prior years, sale of properties in the ordinary course of business is recognised upon delivery of the properties to the customers, at which time all of the following criteria are satisfied:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

On the application of IFRS 15, the Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

IFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.

For contract where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a significant financing component.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that provide a faithful depiction of the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer relative to the remaining goods or services promised under the contract; or

- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of that performance obligation ("Input Method").

The Group recognises contract liabilities when the excess of cumulative billings to customers of properties over the cumulative revenue recognition recognised in profit or loss. The contract liabilities are shown as receipt in advance from property sales on the consolidated statement of financial position.

Upon the adoption of IFRS 15, revenue from sales of properties that have no alternative use to the Group and when the Group has an enforceable right to payment from the customers for performance completed to date, after considering any laws that apply to the contract, are recognised over time by using the Input Method. The initial application of IFRS 15 has an insignificant effect to the revenue, cost of sales, basic and diluted earnings per share for the year.

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 developing and selling office premises, commercial and residential properties. All of the Group's activities in this regard are carried out in the PRC.

- Property investment: this segment represents leasing 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. 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, 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, deposits received and receipt in advance from property sales 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" is regarded as including investment income and "depreciation" is regarded as including impairment losses on non-current assets. To arrive at Adjusted Earnings, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment sales) 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, 2017			
	Property development	**Property investment**	**Property management and related services and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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	67,462,452	2,593,240	2,207,043	72,262,735
Segment profit (Adjusted Earnings)	20,414,464	1,729,033	495,634	22,639,131
Segment assets	177,179,367	43,015,829	1,015,736	221,210,932
Segment liabilities	115,903,374	865,445	30,833	116,799,652

	Year ended December 31, 2016			
	Property development	**Property investment**	**Property management and related services and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	51,441,402	1,913,093	1,445,000	54,799,495
Inter-segment revenue	—	—	396,434	396,434
Segment revenue	51,441,402	1,913,093	1,841,434	55,195,929
Segment profit (Adjusted Earnings)	12,443,324	1,331,460	732,874	14,507,658
Segment assets	110,640,994	28,684,847	298,366	139,624,207
Segment liabilities	58,600,985	471,119	46,051	59,118,155

Other segment information

	Property development	**Property investment**	**Property management and related services and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment assets:				
2017				
Additions to non-current assets (Note)	148,038	4,172,418	35,836	4,356,292
2016				
Additions to non-current assets (Note)	36,345	2,955,063	4,981	2,996,389

Note: Amounts comprise 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 impairment losses (if any) which are not allocated to operating segments.

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

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Segment revenue	72,262,735	55,195,929
Elimination of inter-segment revenue	(187,694)	(396,434)
Consolidated revenue	72,075,041	54,799,495
Profit		
Segment profit	22,639,131	14,507,658
Other income	794,813	336,045
Other gains and losses	52,707	(155,308)
Fair value gain upon transfer to investment properties	503,080	47,154
Change in fair value of investment properties	4,420,207	1,970,958
Change in fair value of derivative financial instruments	(411,889)	(109,031)
Finance costs	(45,275)	(53,059)
Share of results of associates	1,214,682	1,051,011
Share of results of joint ventures	653,553	383,210
Depreciation	(28,687)	(46,255)
Unallocated expenses	(3,238,737)	(1,976,073)
Consolidated profit before taxation	26,553,585	15,956,310
Assets		
Segment assets	221,210,932	139,624,207
Cumulative change in fair value of investment properties	25,364,436	20,441,149
Prepaid lease payments	37,139,443	17,421,955
Interests in associates	7,780,744	1,585,693
Interests in joint ventures	5,412,043	2,737,328
Available-for-sale investments	201,133	180,021
Deposits paid for acquisition of land use rights	5,477,350	11,925,639
Deferred taxation assets	3,462,687	2,622,641
Derivative financial instruments	229,965	988,746
Taxation recoverable	3,662,699	3,844,962
Unallocated head office and other assets	52,822,422	23,458,033
Consolidated total assets	362,763,854	224,830,374

	2017	2016
	RMB'000	*RMB'000*
Liabilities		
Segment liabilities	116,799,652	59,118,155
Taxation payable	15,211,025	12,939,782
Deferred taxation liabilities	6,617,668	5,498,136
Bank and other borrowings	69,138,710	52,360,438
Senior notes	8,265,483	5,511,632
Other derivative financial instruments	657,746	215,915
Unallocated head office and other liabilities	39,894,895	14,071,136
Consolidated total liabilities	256,585,179	149,715,194

(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:

	2017	2016
	RMB'000	*RMB'000*
Sales of properties	67,462,452	51,441,402
Leasing of properties	2,593,240	1,913,093
Provision of property management services	2,019,349	1,445,000
	72,075,041	54,799,495

(d) Geographic 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	
	2017	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beijing	7,923,315	1,933,241	18,935,431	13,714,539
Chengdu	6,356,412	4,741,258	12,654,623	7,295,322
Chongqing	14,322,533	12,426,394	27,678,650	22,872,727
Hangzhou	6,842,741	8,301,344	12,650,533	6,067,935
Nanjing	5,717,691	2,685,901	4,066,807	101,679
Shanghai	4,153,302	4,714,772	14,828,763	9,109,454
Sunan	4,161,408	2,915,546	1,984,840	1,186,119
Suzhou	2,056,992	2,054,169	6,077,902	2,551,739
Xiamen	6,738,650	1,906,687	3,925,042	6,609,364
Other cities in the PRC	13,801,997	13,120,183	22,399,244	13,390,979
	72,075,041	54,799,495	125,201,835	82,899,857

Note: Non-current assets excluded available-for-sale investments, 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

	2017	2016
	RMB'000	*RMB'000*
Interest income	315,390	141,046
Dividend income from available-for-sale investments	802	1,252
Government subsidies (Note a)	140,620	47,826
Penalty income (Note b)	73,194	68,096
Consultancy income (Note c)	231,890	—
Sundry income	32,917	77,825
Total	794,813	336,045

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 party in relation to the property development projects.

4. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
(Loss) gain on disposal of property, plant and equipment	(6,354)	15,700
Net exchange gain (loss) (Note)	186,945	(302,374)
Reclassification of fair value (loss) gain of hedging instruments from hedging reserve	(104,250)	248,592
Loss on early redemption of senior notes	—	(117,226)
Others	(23,634)	—
	52,707	(155,308)

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").

5. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank and other borrowings		
Wholly repayable within five years	(1,895,052)	(1,849,214)
Not wholly repayable within five years	(1,078,215)	(638,928)
Interest expense on senior notes	(432,835)	(537,576)
Less: Amount capitalised to properties under development for sales and investment properties under development	3,360,827	2,972,659
	(45,275)	(53,059)

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 4.89% (2016: 5.32%) per annum for the year ended December 31, 2017, to expenditure on the qualifying assets.

6. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("EIT")	(5,241,484)	(3,470,064)
Land Appreciation Tax ("LAT")	(4,605,383)	(2,732,472)
	(9,846,867)	(6,202,536)
Overprovision (underprovision) in prior years:		
EIT (Note a)	177,747	106,927
LAT (Note b)	(63,509)	95,097
	114,238	202,024
	(9,732,629)	(6,000,512)
Deferred taxation		
Current year	(342,468)	65,882
Underprovision in prior years	—	(86,814)
	(342,468)	(20,932)
	(10,075,097)	(6,021,444)

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 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 underprovision (2016: overprovision) 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.

Pursuant to the relevant PRC corporate income tax rules and regulations, preferential corporate income tax rates have been granted to certain PRC subsidiaries of the Company 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.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	**2016**
	RMB'000	*RMB'000*
Profit before taxation	26,553,585	15,956,310
PRC EIT at 25%	(6,638,396)	(3,989,078)
Tax effect of share of results of associates	303,671	262,753
Tax effect of share of results of joint ventures	163,388	95,803
Tax effect of expenses not deductible for tax purposes (Note a)	(506,141)	(436,361)
Tax effect of income not taxable for tax purposes	16,779	1,184
LAT	(4,605,383)	(2,732,472)
Tax effect of LAT	1,151,345	683,118
Overprovision in prior years	114,238	115,210
Tax effect of tax losses not recognised	(55,059)	(40,410)
Effect of tax exemption and preferential rates granted to certain PRC subsidiaries	21,010	10,345
Withholding tax on retained profits to be distributed (Note b)	(40,549)	—
Withholding tax levied on dividend paid	—	8,464
Tax charge for the year	(10,075,097)	(6,021,444)

Notes:

(a) The amount mainly comprises the tax effect of non-deductible corporate expenses of the Group and the expenses of certain subsidiaries in excess of the allowable deduction limits in accordance with the relevant tax regulations.

(b) According to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuifa [2008]112, where the Hong Kong resident company directly owns at least 25% of the capital of the Mainland company, 5% dividend withholding tax rate is applicable. The amount represents the withholding income tax provided on the undistributed profits arisen during the year ended December 31, 2017 of certain PRC subsidiaries.

7. PROFIT FOR THE YEAR

	2017 *RMB'000*	2016 *RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	5,762	4,504
Cost of property inventories included in cost of sales	45,364,050	37,257,201
Gain on deemed disposal of interests in joint ventures	(429,979)	(84,845)
Depreciation of property, plant and equipment	28,687	46,255
Minimum lease payment of operating lease rentals	72,698	43,903
Staff costs		
Directors' emoluments (including equity-settled share-based payments)	83,241	73,785
Other staff costs		
Retirement benefit contributions	260,289	182,287
Equity-settled share-based payments	132,145	52,217
Other staff costs	2,550,642	1,977,293
Total staff costs	3,026,317	2,285,582
Less: Amount capitalised to properties under development	(613,915)	(486,291)
	2,412,402	1,799,291
Minimum lease income from investment properties	(2,354,998)	(1,724,813)
Contingent rental income	(238,242)	(188,280)
Less: direct expenses that generated rental income	710,270	498,353
	(1,882,970)	(1,414,740)

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividend recognised as distribution during the year:		
Interim dividend recognised in respect of 2017 of RMB0.2 (2016: nil) per share	1,179,953	—
Final dividend paid in respect of 2016 of RMB0.466 (2016: in respect of 2015 of RMB0.357) per share	2,739,175	2,083,332
	3,919,128	2,083,332

Subsequent to the end of the reporting period, a final dividend of RMB2,794,297,000, representing RMB0.473 per share, based on the number of shares in issue as at December 31, 2017, in respect of the year ended December 31, 2017 (2016: final dividend of RMB2,722,014,000, representing RMB0.466 per share, in respect of the year ended December 31, 2016) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming Annual General Meeting. Meanwhile, the Board recommends a special dividend of RMB502,146,000, representing RMB0.085 per share.

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:

	2017	2016
	RMB'000	*RMB'000*
Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share	12,598,597	9,152,953

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	5,805,659	5,817,674
Effect of dilutive potential ordinary shares in respect of - Share options and share awards	98,662	21,173
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	5,904,321	5,838,847

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.

For the year ended December 31, 2016, the share options granted 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.

10. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	**2016**
	RMB'000	*RMB'000*
Trade receivables (Note a)	2,253,231	2,632,834
Other receivables, net of allowance for doubtful debts (Note b)	4,401,554	2,497,046
Advances to contractors	1,192,787	432,265
Prepaid taxes	2,782,515	1,920,336
Prepayments and utilities deposits (Note c)	3,553,470	2,841,743
	14,183,557	10,324,224

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 at the end of the reporting period based on the date of delivery of properties and issuing of invoices:

	2017	**2016**
	RMB'000	*RMB'000*
Within 60 days	1,968,612	1,966,533
61 - 180 days	162,163	500,792
181 - 365 days	91,260	148,986
1 - 2 years	31,196	16,523
	2,253,231	2,632,834

At December 31, 2017, 6% (2016: 2%) of the trade receivables are neither past due nor impaired and with satisfactory credit quality.

Included in the Group's accounts receivable balance are trade receivables with a carrying amount of RMB2,119,986,000 (2016: RMB2,567,240,000) at December 31, 2017 which are past due at the end of the reporting period for which the Group has not provided for impairment as the Group has retained the legal titles of the properties sold to these customers and the estimated fair value of the relevant properties is expected to be higher than the outstanding receivable amount.

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

	2017	2016
	RMB'000	*RMB'000*
Within 60 days	1,835,367	1,900,939
61 - 180 days	162,163	500,792
181 - 365 days	91,260	148,986
1 - 2 years	31,196	16,523
Total	2,119,986	2,567,240

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.

Before accepting any customers, the Group uses an internal credit assessment system to assess the potential customers' credit quality and considers adequate allowance has been made at the end of the reporting period. Balances which are neither past due nor impaired are all with good credit quality.

(b) Other receivables mainly comprise rental deposits, receivable of refund of the deposit for land auction, deposits for construction work, temporary payments and miscellaneous projects related deposits paid which are refundable upon maturity. Included in other receivables was an amount of RMB12,000,000 (2016: RMB12,000,000) which has been impaired as at December 31, 2017 because the counterparties are in severe financial difficulties and the Group does not hold any collateral over these balances. The remaining balance was not yet due for repayment.

Movements in the allowance for doubtful debts on other receivables:

	2017	2016
	RMB'000	*RMB'000*
Balance at the beginning of the year and at the end of the year	12,000	12,000

(c) Included in the prepayments and utilities deposits, there are mainly prepaid lease payments amounting to RMB3,256,896,000 (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.

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

	2017	2016
	RMB'000	*RMB'000*
Trade payables and accrued expenditure on construction (Note a)	21,938,084	14,103,934
Bills payables (Note a)	1,374,910	889,372
	23,312,994	14,993,306
Deposits received	269,181	134,016
Other payables and accrued charges (Note b)	7,811,254	7,607,404
Consideration payable within 1 year for acquisition of assets and liabilities through acquisition of subsidiaries	819,352	—
	32,212,781	22,734,726

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 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:

	2017	2016
	RMB'000	*RMB'000*
Within 60 days	9,123,583	5,992,338
61 - 180 days	4,271,838	3,151,211
181 - 365 days	3,543,843	1,665,536
1 - 2 years	1,957,950	1,720,493
2 - 3 years	754,589	415,574
Over 3 years	186,829	36,222
	19,838,632	12,981,374

(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"), for the year ended December 31, 2017.

RESULTS

In 2017, the Group achieved contracted sales of RMB156.08 billion, representing a year-on-year growth of 77.1%. Revenue increased by 31.5% year-on-year to RMB72.08 billion, of which rental income from investment properties amounted to RMB2.59 billion, representing a year-on-year increase of 35.6%. Excluding the effects, such as minority interest and valuation gains, core net profit was RMB9.77 billion, representing an increase of 25.9% over 2016. Core net profit margin was 18.3%, core net profit margin attributable to shareholders was 13.6% and the dividend payout ratio was 40% of core net profit. A special dividend commemorating the business's 25th anniversary of RMB0.085 per share was recommended. The total amount of dividend for the year was RMB0.758 per share.

REVIEW OF 2017

In 2017, the property market fever was gradually stabilized under the regulatory direction of "property for living but not for speculation". Against the backdrop of a general improvement of economic conditions in China, the strong demand of urban population for commodity housing for end-users and upgraders and the spillover demand as a result consolidation of city clusters had driven the national commodity housing market with "rising volume but with stable price". The total sales volume and transaction values hit record highs. The Company has capitalized on this market opportunity and recorded contracted sales of RMB156.08 billion during the period, representing a year-on-year growth of 77.1% and remaining as one of the top 10 developers *(in term of contract sales)* in the industry.

In addition to the substantial growth in size, we are fortunate to maintain satisfactory profitability. The Company recorded a gross profit margin of 33.9% and an increase in core net profit attributable to shareholders of by 25.9% to RMB9.77 billion. The dividend payout ratio increased by 5% to 40%.

The Company has adhered to a proactive and prudent investment discipline. During the period, the Company acquired 76 new land sites with an average land price of RMB6,445 per square meter. We also entered into 7 new cities, covering first tier leading cities such as Shenzhen, international metropolis like Hong Kong and key cities surrounding metropolitan circles, such as Hefei, Baoding, Fuzhou, Jiaxing and Zhuhai. We have actively mapped out plans to adapt to the increasingly porous administrative boundary, rapid shortening of physical distances between metropolitan circles and development logic of city clusters.

Our conviction in new investments was supported by our solid financial backdrop. In an environment of tightening liquidity, the Company has been adhering to the discipline of maintaining a high cash collection ratio from our contracted sales. Our proven capability to tap into diversified financing channels at competitive costs has further strengthened our competitive advantages. During the period, Longfor has attained full investment grade status by the domestic and overseas rating agencies as a non-SOE enterprise, and successfully issued investment grade US dollar bonds with a total financing size of US$1.25 billion in July 2017 and January 2018. Together with the domestic green bonds and overseas syndicated loan, the Company remained in control and enjoy financial flexibility amid the industry volatilities.

The Longfor 'Paradise Walk' brand has become a commercial landmark with considerable influence in the industry after years of development. During the period, 5 Paradise Walk shopping malls opened with an occupancy rate of over 95%. We have acquired 17 commercial projects and set foot in 4 new cities. Our portfolio has expanded to important traffic nodes of our target cities, and through leveraging on detailed customer segmentation and experience driven operational updates, this has become the company's frontline in connecting with people and services.

To cater for the transitional and cyclical housing demands of people, we are increasingly focused on providing a long-term solution of "equal stress on rental housing and housing sales", which received strong support by all levels of government. Leveraging on our outstanding product quality, the Company also responded in a proactive manner through rapidly rolling out our Champion Apartments, covering 17 first- and second-tier cities and launched 15,000 apartments as of the end of the period. Champion Apartments has built up brand recognition and has become one of the top 3 players in the long-term rental apartment area.

OUTLOOK FOR 2018

Looking forward, we are firmly optimistic about the economy of China and hold a positive view towards the sustainable development of the industry. On the other hand, stringent regulations have become the new normal and the industry is undergoing deep reforms. It is therefore vital for enterprises to respect discipline and explore new opportunities.

The Company will maintain its proactive sales strategy, striving to remain as one of top 10 developers in the industry with scale advantage. Meanwhile, we will continue to develop our two other main business areas, namely commercial property and long-term rental apartments, to fuel continuous growth of rental income. In view of the intense competition for land, the Company will insist on capitalizing opportunities in first- and second-tier cities and their metropolitan circles and adjust our strategies accordingly, to reap the fruits of new city clusters. Since January, we have tapped into Nanchang, Zhengzhou and Nantong and our portfolio has expanded to 36 cities. Confronted with a new cycle of industry mergers and consolidation, we will keep a close eye on the latest trend and strive to take a share of the opportunities.

The changes in monetary conditions and policy controls are important factors leading to volatilities for the industry. However, the end game is an upgrade of living standards and consumption demand, reshaping of metropolitan values arising from the "Eight Vertical and Eight Horizontal High Speed Railway", continuous optimization of new economic structure and other positive catalysts, which will bring about positive energies to the real estate industry. We believe the gradual implementation of an effective long term system, and a 'back to basics' for the industry, will more likely bring sustainable prosperity.

The intrinsic quality of housing is a space to enjoy better living, while the covers residential, retail, offices, education and rehabilitation. The continual consumption upgrades is promising for the real estate industry, as the desire for housing has changed from owning of space to enjoyment of space. We foresee the demand for space and integration of will play an important role in driving the future development of the industry.

We are fortunate that we are a forerunner of the industry. We have well established businesses in property development, commercial property, long-term rental apartments and property management services. We will capitalize on our existing operational advantages and evolution of different market segments, striving to capture opportunities arising from the connection of space and people. We will shape the Company into a long-term winner in this traditional industry by carrying out proactive reforms and continuous re-engineering through big data and new technologies. We will also enhance our competitiveness and increase barriers to entry, so that we can capture these unique opportunities and join hands with our shareholders, property owners and employees for shared prosperity.

Finally, on behalf of the board of directors, I would like to extend my sincere thanks to the communities who have given us tremendous support.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

In 2017, revenue from property development business of the Group was RMB67.46 billion, representing an increase of 31.1% as compared to last year. The Group delivered 5.50 million square meters of property in gross floor area (GFA) terms. The gross profit margin of the overall property development business increased by 5.2% to 32.8% as compared to last year. Recognized average selling price was RMB12,261 per square meter in 2017.

Table 1: Breakdown of property development revenue of the Group in 2017

* *Amount excluding tax*

City	**Revenue**		**Total GFA**	
	2017	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*Sqm*	*Sqm*
Chongqing	12,269,033	10,796,830	1,283,966	1,245,790
Beijing	7,244,295	1,409,532	239,877	75,688
Hangzhou	6,043,951	7,184,100	423,699	382,460
Chengdu	5,735,477	4,257,137	621,134	394,459
Nanjing	5,709,104	2,685,888	214,877	125,907
Xiamen	5,384,366	1,462,853	188,397	114,667
Shanghai	3,950,434	4,632,538	141,439	176,187
Xi'an	3,171,838	2,397,446	382,635	280,169
Qingdao	3,025,001	2,182,120	343,882	339,025
Changzhou	2,619,438	1,646,778	290,410	218,156
Suzhou	1,970,222	2,047,704	113,224	128,684
Shenyang	1,832,177	1,169,211	272,748	182,512
Changsha	1,530,963	1,211,506	155,101	161,642
Wuxi	1,446,378	1,197,178	162,064	131,215
Jinan	1,353,854	1,637,697	154,283	227,646
Quanzhou	1,308,706	427,431	166,941	70,338
Foshan	842,574	679,589	108,912	97,155
Yantai	817,592	254,216	88,637	25,391
Dalian	598,962	844,315	42,225	61,484
Shaoxing	419,468	890,338	83,700	135,843
Ningbo	172,222	1,730,687	22,224	214,309
Kunming	16,395	66,308	2,001	5,524
Total	**67,462,450**	**51,441,402**	**5,502,376**	**4,794,251**

In 2017, the Group achieved contracted sales of RMB156.08 billion, representing an increase of 77.1% as compared to last year. The Group sold 10.17 million square meters in total GFA, representing an increase of 68.9% as compared to last year. Average selling price of GFA sold was RMB15,352 per square meter, representing an increase of 4.9% as compared to last year. Contracted sales from Pan Bohai Rim, Yangtze River Delta, western China, southern China and central China were RMB50.32 billion, RMB49.60 billion, RMB36.73 billion, RMB16.63 billion and RMB2.80 billion respectively, accounting for 32.2%, 31.8%, 23.5%, 10.7% and 1.8% of the contracted sales of the Group, respectively.

Table 2: Details of contracted sales of the Group in 2017

* *Amount including tax*

City	**Contracted sales**		**Total GFA**	
	2017	**2016**	**2017**	**2016**
	RMB million	*RMB million*	*Sqm*	*Sqm*
Hangzhou	23,176	9,032	957,062	479,407
Chongqing	18,524	9,159	1,583,242	951,723
Beijing	17,455	13,601	509,094	375,094
Chengdu	13,657	7,050	1,157,708	665,821
Jinan	11,801	2,061	981,702	198,750
Qingdao	9,664	4,014	837,394	400,616
Xiamen	8,312	5,540	292,553	222,414
Ningbo	5,389	1,734	304,189	181,982
Shenyang	4,665	2,451	532,271	306,471
Xi'an	4,542	3,416	408,970	426,954
Nanjing	4,114	5,304	150,078	183,323
Guangzhou	3,905	3,134	94,471	92,791
Wuxi	3,594	2,291	297,824	240,271
Hefei	3,594	—	257,020	—
Changzhou	3,523	1,528	268,757	166,272
Dalian	3,064	920	205,797	69,443
Quanzhou	3,008	1,081	360,667	150,411
Changsha	2,804	1,346	294,932	172,028
Suzhou	2,758	4,381	115,385	163,076
Shanghai	2,733	7,715	85,900	306,615
Tianjin	2,662	373	142,626	19,560
Foshan	1,399	993	114,823	118,849
Yantai	1,012	472	113,373	48,143
Shaoxing	720	527	99,683	77,544
Kunming	7	21	1,259	2,539
Total	**156,082**	**88,144**	**10,166,780**	**6,020,097**

As at December 31, 2017, the Group had sold but unrecognized contracted sales of RMB134.2 billion (with an area of 8.52 million square meters), which formed a solid basis for the Group's sustainable and stable growth in profit attributable to shareholders in the future.

PROPERTY INVESTMENT

The Group maintains a prudent property investment strategy. Currently, investment properties of the Group are mainly shopping malls under three major product series. namely Paradise Walk series, which are one-stop experiencing shopping malls, Starry Street series, which are community shopping malls, and MOCO, which are mid to high-end household and lifestyle shopping centers.In addition to the shopping malls, Champion Apartments, which provide young customers with high quality comprehensive rental services, have gradually commenced operation in 14 first tier and leading second tier cities such as Beijing, Shanghai, Hangzhou, Nanjing, Chongqing and Chengdu.

In 2017, the rental income, net of tax, of the Group's property investment business was RMB2.59 billion, representing an increase of 35.6% as compared to last year. The sectors of Shopping malls, Champion Apartments and others accounted for 97.7%, 1.5% and 0.8% of the total rental income respectively. As at 31 December 2017, the Group has shopping malls of 2.58 million square meters (3.37 million square meters in GFA with parking space included) which have commenced operation with an occupancy rate of 95.3%. The GFA of Champion Apartments which have commenced operation is 0.58 million square meters, with an occupancy rate of 46.0%, among which, the average occupancy rate of projects which have commenced operation for more than three months is 67.1% while that of projects which have commenced operation for more than six months is 91.7%.

Table 3: Breakdown of rental income of the Group in 2017
** Amount excluding tax*

Table 3.1: Shopping Malls#

		2017				2016			Change of
	GFA	Rental income	% of Rental	Occupancy rate	Rental income	% of Rental	Occupancy rate	rental income
	Sqm	*RMB'000*			*RMB'000*			
Chongqing North Paradise Walk	120,778	428,202	16.9%	99.3%	401,506	21.0%	87.0%	6.6%
Chongqing West Paradise Walk	76,031	161,908	6.4%	96.2%	156,723	8.2%	96.1%	3.3%
Chongqing Time Paradise Walk Phase I	160,168	279,497	11.0%	94.9%	249,992	13.1%	96.0%	11.8%
Chongqing Time Paradise Walk Phase II	154,460	160,700	6.3%	98.0%	122,129	6.4%	94.6%	31.6%
Chengdu Three Thousand Paradise Walk	38,043	33,628	1.3%	100.0%	30,283	1.6%	98.8%	11.0%
Chengdu North Paradise Walk	215,536	129,679	5.1%	86.4%	109,955	5.7%	93.2%	17.9%
Chengdu Time Paradise Walk Phase I	61,989	35,831	1.4%	100.0%	29,045	1.5%	99.3%	23.4%
Beijing Changying Paradise Walk	221,286	288,348	11.4%	88.0%	242,169	12.6%	99.1%	19.1%
Hangzhou Jinsha Paradise Walk	151,135	195,332	7.7%	99.4%	160,129	8.4%	99.0%	22.0%
Chengdu Jinnan Paradise Walk	91,638	103,662	4.1%	100.0%	91,256	4.8%	99.9%	13.6%
Beijing Daxing Paradise Walk	144,565	140,686	5.6%	99.3%	64,571	3.4%	99.0%	117.9%
Chongqing Time Paradise Walk Phase III	73,774	61,328	2.4%	98.4%	25,676	1.3%	98.6%	138.9%
Shanghai Hongqiao Paradise Walk	170,450	68,786	2.7%	83.4%	7,256	0.4%	92.4%	848.0%
Chongqing U-City Paradise Walk Phase I	15,516	14,164	0.6%	95.8%	14,725	0.8%	96.7%	-3.8%
Chongqing U-City Paradise Walk Phase II	96,411	23,322	0.9%	98.7%	—	—	—	
Chongqing Hometown Paradise Walk	93,152	42,087	1.7%	99.2%	—	—	—	
Hangzhou Binjiang Paradise Walk Phase I	158,067	64,942	2.6%	98.6%	—	—	—	
Suzhou Shishan Paradise Walk	197,466	63,446	2.5%	98.3%	—	—	—	
Shanghai Baoshan Paradise Walk	98,339	11,877	0.5%	98.9%	—	—	—	
Paradise Walk Subtotal	**2,338,804**	**2,307,425**	**91.1%**	**95.3%**	**1,705,415**	**89.2%**	**95.3%**	**35.3%**
Chongqing Crystal Castle	16,161	18,929	0.7%	100.0%	18,747	1.0%	86.3%	1.0%
Chongqing Chunsen Starry Street	54,618	24,536	1.0%	82.9%	27,223	1.4%	72.9%	-9.9%
Chongqing Fairy Castle	29,413	11,795	0.5%	99.8%	11,668	0.6%	100.0%	1.1%
Beijing Summer Palace Starry Street	6,320	20,619	0.8%	100.0%	19,070	1.0%	100.0%	8.1%
Xi'an Daxing Starry Street	44,227	45,002	1.8%	99.9%	37,354	2.0%	96.4%	20.5%
Xi'an Qujiang Starry Street	63,206	54,829	2.1%	99.5%	44,047	2.3%	98.6%	24.5%
Others	—	14,788	0.6%	N/A	15,771	0.7%	N/A	-6.2%
Starry Street Subtotal	**213,945**	**190,498**	**7.5%**	**95.1%**	**173,880**	**9.0%**	**90.4%**	**9.6%**
Chongqing MOCO	29,104	34,583	1.4%	97.6%	33,798	1.8%	100.0%	2.3%
MOCO Subtotal	**29,104**	**34,583**	**1.4%**	**97.6%**	**33,798**	**1.8%**	**100.0%**	**2.3%**
Total for projects that had commenced operation	**2,581,853**	**2,532,506**	**100.0%**	**95.3%**	**1,913,093**	**100.0%**	**95.1%**	**32.4%**

\# *In 2017, the total retail sales of malls reached RMB15.6 billion, with an increase of 33% year-on-year; the total foot traffic was 320 million, with an increase of 30% year-on-year.*

Table 3.2: Champion Apartments and others

			2017			2016		Change of
	GFA	**Rental income**	**% of Rental**	**Occupancy rate**	**Rental income**	**% of Rental**	**Occupancy rate**	**rental income**
	Sqm	*RMB'000*			*RMB'000*			
Champion Apartments								
Commenced operation for within three months	373,643	9,304	23.2%	34.4%	—	—	—	
Commenced operation for more than three months	206,752	30,884	76.8%	67.1%	—	—	—	
Among which: commenced operation for more than six months	*63,749*	*14,189*	*35.3%*	*91.7%*	—	—	—	
Total for projects that had commenced operation	**580,395**	**40,188**	**100.0%**	**46.0%**	**—**	**—**	**—**	
Total for other projects that had commenced operation	**66,779**	**20,545**	**100.0%**	**87.0%**	**—**	**—**	**—**	

The Group has 14 shopping malls under construction with a total GFA of about 1.45 million square meters.

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

	Estimated Commencement of Operation	Planned GFA
		Sqm
Beijing Fangshan Paradise Walk	2018	101,317
Changzhou Longcheng Paradise Walk	2018	118,921
Chengdu Xichen Paradise Walk	2018	150,281
Shanghai Minhang Starry Street	2019	26,899
Nanjing Liuhe Paradise Walk	2019	110,179
Hangzhou Zijing Paradise Walk	2019	83,000
Shanghai Minhang Paradise Walk	2019	113,859
Hangzhou Binjiang Paradise Walk Phase II	2019	22,076
Chengdu Shangcheng Paradise Walk	2019	120,000
Hefei Yaohai Paradise Walk	2019	98,320
Nanjing Longwan Paradise Walk	2019	114,470
Chengdu Binjiang Paradise Walk	2020	140,000
Nanjing Hexi Paradise Walk	2020	112,216
Nanjing Jiangbei Paradise Walk	2020	143,000
Projects under construction in total		1,454,538

Due to the rental increase of shopping malls in operation, continuous investments in projects under construction as well as the development of new business of long-term rental apartments "Champion Apartments", the valuation gain of investment properties of the Group amounted to RMB4.92 billion in 2017.

COST CONTROL

In 2017, due to the excellent performance of sales and group's strategy to acquire projects in first and second tier cities, the fixed expenses such as staff compensation were diluted. As a result, the Group's general and administrative expenses to the total contracted sales decreased by 0.20% to 2.09% as compared to the corresponding period of last year. Meanwhile, as the newly launched sales of several projects such as Hangzhou Chunjiang Mansion, Xiamen Chunjiang Land, Ji'nan Chunjiang Central and Chongqing Shunshanfu were strong, the selling expenses to the total contracted sales decreased by 0.47% to 1.15% as compared to last year.

SHARE OF RESULTS OF JOINT VENTURES

In 2017, the contribution of joint ventures mainly came from the Group's 50.0%-owned Guangzhou Tian Chen Longfor Mansion. The attributable profit after tax of the Group in joint ventures was RMB654 million.

SHARE OF RESULTS OF ASSOCIATES

In 2017, the contribution of associates mainly came from the Group's 49.0%-owned Xiamen Chunjiang Central. The attributable profit after tax of the Group in associates was RMB1.21 billion.

INCOME TAX EXPENSE

Income tax expenses comprised of PRC enterprise income tax and land appreciation tax. In 2017, the enterprise income tax and the land appreciation tax of the Group were RMB5.41 billion and RMB4.67 billion, respectively. The total income tax expenses for the period amounted to RMB10.08 billion.

PROFITABILITY

In 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) was 18.3%, while that of last year was 15.6%; and the core net profit margin attributable to shareholders (i.e. after excluding the effects, such as minority interests and valuation gains, the ratio of the core net profit attributable to shareholders to the revenue) was 13.6%, while that of last year was 14.2%. The above is mainly due to the increase of turnover and the combined effects of expenses, share of results of joint ventures and associates and the changes of income tax expense during the year.

LAND BANK REPLENISHMENT

As at December 31, 2017, the Group's total land bank was 54.58 million square meters or 39.00 million square meters on an attributable basis. The average unit land cost was RMB5,032 per square meter, accounting for 32.8% 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 for38.4%, 27.8%, 19.8%, 7.4%, 6.5% and 0.1% of the total land bank, respectively.

In 2017, the Group has acquired new land bank with total GFA of 20.23 million square meters or 11.49 million square meters on an attributable basis. Average cost of acquisition on an attributable basis was RMB6,445 per square meters. In terms of regional breakdown, the area of Pan Bohai Rim, Yangtze River Delta, western China, central China, southern China and Hong Kong Region accounted for 30.0%, 28.8%, 22.6%, 10.9%, 7.4% and 0.3% of the total GFA of the newly acquired land bank.

Subsequent to the end of the reporting period, the Group has acquired new land bank with total GFA of 4.92 million square meters or 4.33 million square meters on an attributable basis. In terms of regional breakdown, land bank in Pan Bohai Rim, western China, Yangtze River Delta, southern China and central China accounted for 34.4%, 26.6%, 26.1%, 7.7% and 5.2% of the total land bank acquired subsequent to the end of the reporting period, respectively.

In 2017, the Group's business covered 33 cities. In addition to focusing on the first and second-tier cities, we also made appropriate investment in projects located in city clusters within metropolitan circles. The project size was also controlled at an appropriate level, which laid a well foundation for improving the turnover cycle of the Group's properties available for sale.

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

Table 5: Breakdown of land bank of the Group

Region	City	Total GFA *Sqm*	% Of Total	Attributable GFA *Sqm*	% Of Total
Pan Bohai Rim	Beijing	3,109,112	5.7%	1,055,955	2.7%
	Shenyang	1,989,052	3.6%	1,914,328	4.9%
	Qingdao	1,766,257	3.2%	928,586	2.4%
	Yantai	7,086,681	13.0%	7,086,681	18.2%
	Jinan	4,014,461	7.4%	2,046,772	5.2%
	Dalian	963,396	1.8%	628,534	1.6%
	Tianjin	1,207,368	2.2%	783,529	2.0%
	Baoding	835,651	1.5%	584,956	1.5%
	Subtotal	**20,971,978**	**38.4%**	**15,029,341**	**38.5%**
Central China	Changsha	1,498,537	2.7%	938,538	2.4%
	Wuhan	2,040,453	3.8%	696,488	1.8%
	Subtotal	**3,538,990**	**6.5%**	**1,635,026**	**4.2%**
Western China	Chongqing	9,058,903	16.6%	7,134,271	18.3%
	Chengdu	4,472,117	8.2%	3,127,035	8.0%
	Xi'an	865,565	1.6%	799,971	2.1%
	Yuxi	790,407	1.4%	790,407	2.0%
	Subtotal	**15,186,992**	**27.8%**	**11,851,684**	**30.4%**
Yangtze River Delta	Shanghai	1,385,873	2.5%	961,763	2.5%
	Wuxi	709,663	1.3%	603,913	1.5%
	Changzhou	627,014	1.1%	627,014	1.6%
	Hangzhou	2,770,614	5.1%	1,735,741	4.5%
	Ningbo	1,568,506	2.9%	1,214,432	3.1%
	Suzhou	479,169	0.9%	356,841	0.9%
	Nanjing	1,648,896	3.0%	1,369,396	3.5%
	Hefei	1,085,086	2.0%	473,212	1.2%
	Jiaxing	521,514	1.0%	340,535	0.9%
	Subtotal	**10,796,335**	**19.8%**	**7,682,847**	**19.7%**
Southern China	Xiamen	1,455,695	2.5%	737,064	1.8%
	Quanzhou	1,073,877	2.0%	1,073,877	2.8%
	Guangzhou	972,378	1.8%	608,079	1.6%
	Foshan	193,093	0.4%	136,396	0.3%
	Shenzhen	113,389	0.2%	113,389	0.3%
	Fuzhou	192,666	0.4%	69,360	0.2%
	Zhuhai	31,037	0.1%	31,037	0.1%
	Subtotal	**4,032,135**	**7.4%**	**2,769,202**	**7.1%**
Hong Kong Region	Hong Kong	54,416	0.1%	27,208	0.1%
	Subtotal	**54,416**	**0.1%**	**27,208**	**0.1%**
	Total	**54,580,846**	**100.0%**	**38,995,308**	**100.0%**

Table 6: Land acquisition in 2017

Region	Project	City	Attributable Interest	Total GFA	Attributable GFA
			%	*Sqm*	*Sqm*
Pan Bohai Rim	Tanyu West Mount	Beijing	10.0%	383,987	38,399
	Jinhai Lake Plot	Beijing	25.0%	314,224	78,556
	Jin Yue He Zhu	Beijing	20.0%	183,877	36,775
	Gaoliying Plot	Beijing	20.0%	374,681	74,936
	Qinglong Lake Plot	Beijing	20.0%	413,678	82,736
	Fang Shan Sheng Mao	Beijing	100.0%	129,911	129,911
	Gaobeidian Train New Town Phase I Project	Baoding	70.0%	751,001	525,701
	Gaobeidian Train New Town Phase III Project	Baoding	70.0%	32,749	22,924
	Gaobeidian Train New Town Phase II Project	Baoding	70.0%	51,901	36,331
	Glory Villa	Dalian	100.0%	88,070	88,070
	Sheng Shi Hua Fu	Tianjin	90.0%	518,471	466,624
	Beitang Plot	Tianjin	12.5%	211,577	26,447
	Zhongbei Town Plot	Tianjin	50.0%	100,449	50,225
	Jingchen Longfor Mansion	Qingdao	51.0%	170,466	86,937
	Zi Chen	Qingdao	100.0%	41,464	41,464
	Jasper Sky	Qingdao	100.0%	136,688	136,688
	Ao Dong No. 11	Jinan	100.0%	155,904	155,904
	Weizi Mount Plot	Jinan	60.0%	663,555	398,133
	Feiyue Avenue Plot	Jinan	100.0%	324,522	324,522
	CBD I Plot	Jinan	10.0%	173,888	17,389
	CBD II Plot	Jinan	45.0%	222,448	100,102
	Tang Town Plot	Jinan	20.0%	446,752	89,350
	Emerald Legend	Shenyang	100.0%	163,643	163,643
	Subtotal			**6,053,906**	**3,171,767**
Western China	Xichen Longfor Mansion	Chongqing	100.0%	410,863	410,863
	Shapingba Station Plot	Chongqing	100.0%	480,000	480,000
	Xiyong L Plot	Chongqing	60.0%	370,208	222,125
	Central Park Plot	Chongqing	51.0%	1,015,332	517,819
	Longxingfusheng Project	Chongqing	51.0%	541,524	276,177
	Tianchen Longfor Mansion	Chengdu	51.0%	146,252	74,589
	Tietachang Plot	Chengdu	51.0%	670,815	342,116
	Gaoxin District Plot	Chengdu	28.0%	204,804	57,345
	Xinhua Printing Plant Project	Chengdu	80.0%	579,364	463,490
	Yew Manor Project	Xi'an	60.0%	163,986	98,392
	Subtotal			**4,583,148**	**2,942,916**

Region	Project	City	Attributable Interest %	Total GFA *Sqm*	Attributable GFA *Sqm*
Yangtze River Delta	Chianti Central	Ningbo	40.0%	87,648	35,059
	Tang Jia Wan	Ningbo	70.0%	110,495	77,347
	Jiufengshan Plot	Ningbo	51.0%	139,229	71,007
	Chun Xiao 161 Plot	Ningbo	100.0%	278,114	278,114
	Chun Xiao 160 Plot	Ningbo	50.0%	283,895	141,948
	Zi Yun Fu	Hefei	35.0%	489,025	171,159
	Yao Hai E1701 Plot	Hefei	100.0%	228,551	228,551
	Wang Jiang Tai	Hefei	20.0%	367,510	73,502
	Laodong Road Plot	Suzhou	51.0%	147,493	75,221
	Qinghai Lake Plot	Suzhou	100.0%	229,521	229,521
	Jian Ye Science and Technology Park Plot	Nanjing	67.0%	313,556	210,083
	Polaris Constellation	Nanjing	100.0%	361,560	361,560
	Liu He G16 Plot	Nanjing	100.0%	287,481	287,481
	Gui Yu Jiang Nan	Hangzhou	30.0%	85,423	25,627
	Zi Jin Port plot	Hangzhou	100.0%	288,944	288,944
	Du Hui Shan	Hangzhou	25.0%	101,232	25,308
	Lan Bao Project	Hangzhou	100.0%	21,019	21,019
	Northeast Two Road Plot	Hangzhou	50.0%	528,655	264,328
	Huigang Science and Technology Park Project	Hangzhou	100.0%	40,463	40,463
	Jiang Cun Street Plot	Hangzhou	30.0%	179,387	53,815
	Tian Chen Longfor Mansion	Wuxi	51.0%	215,816	110,066
	Lingang Industrial Park Plot	Shanghai	100.0%	122,357	122,357
	Gucun Village Plot	Shanghai	100.0%	37,653	37,653
	Fengxian New Town Plot	Shanghai	58.0%	253,223	146,869
	Chunjiang Mansion	Jiaxing	100.0%	89,244	89,244
	Chunjiang Li Wan	Jiaxing	100.0%	67,381	67,381
	Yong Xing Road Plot	Jiaxing	51.0%	146,567	74,749
	Tongxiang Plot	Jiaxing	50.0%	218,322	109,161
	Feilongzhong Road Plot	Changzhou	100.0%	115,584	115,584
	Subtotal			**5,835,348**	**3,833,121**

Region	Project	City	Attributable Interest %	Total GFA Sqm	Attributable GFA Sqm
Central China	Crystal Central	Changsha	100.0%	72,948	72,948
	Tian Chen Longfor Mansion	Changsha	50.0%	208,306	104,153
	Chunjiang Central	Changsha	80.0%	117,033	93,626
	Lake Yang G Plot	Changsha	34.0%	655,211	222,772
	Yangsi Port Plot	Wuhan	10.0%	1,036,686	103,669
	Xin Yi Central	Wuhan	52.0%	118,013	61,367
	Subtotal			**2,208,197**	**658,535**
Southern China	Glory Villa	Guangzhou	77.0%	451,443	347,611
	Glory Villa	Shenzhen	100.0%	13,000	13,000
	Longjin Project	Shenzhen	100.0%	100,389	100,389
	Tian Chen Longfor Mansion	Fuzhou	36.0%	192,666	69,360
	Chancheng District Plot	Foshan	51.0%	62,430	31,839
	Commercial Town Plot	Xiamen	40.0%	648,871	259,548
	Beiwei Plot	Zhuhai	100.0%	31,037	31,037
	Subtotal			**1,499,836**	**852,784**
Hong Kong Region	Kai Tak Plot	Hong Kong	50.0%	54,416	27,208
	Subtotal			**54,416**	**27,208**
	Total			**20,234,851**	**11,486,331**

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

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

Region	Project	City	Attributable Interest	Expected GFA	Attributable GFA
			%	*Sqm*	*Sqm*
Pan Bohai Rim	Gaoxin District Plot	Jinan	100.00%	357,699	357,699
	Huaxun Fangzhou Plot	Qingdao	80.00%	266,728	213,382
	Jiaozhou Plot	Qingdao	70.00%	778,741	545,119
	Dahushanyu Plot	Dalian	100.00%	155,518	155,518
	Gaotie Street West Plot	Shenyang	34.00%	133,480	45,383
	Subtotal			**1,692,166**	**1,317,101**
Western China	Zhaomushan III Plot	Chongqing	100.00%	70,220	70,220
	Lijiatuo Plot	Chongqing	100.00%	816,700	816,700
	Bandao Plot	Kunming	100.00%	35,700	35,700
	Yanhuan Mid Road A Plot	Xi'an	100.00%	160,131	160,131
	Yanhuan Mid Road B Plot	Xi'an	80.00%	226,148	180,918
	Subtotal			**1,308,899**	**1,263,669**
Yangtze River Delta	University Town Plot	Hangzhou	100.00%	159,960	159,960
	Dingqiao Plot	Hangzhou	100.00%	162,153	162,153
	Jianqiao Plot	Hangzhou	100.00%	114,957	114,957
	Pengbu I Plot	Hangzhou	100.00%	83,875	83,875
	Pengbu II Plot	Hangzhou	50.00%	98,686	49,343
	Distribution Centre Station East Plot	Suzhou	100.00%	141,137	141,137
	Distribution Centre Station West Plot	Suzhou	100.00%	210,256	210,256
	Economic Development Zone Plot	Nantong	50.00%	242,000	121,000
	Yiguan Road North Plot	Wuxi	100.00%	72,738	72,738
	Subtotal			**1,285,762**	**1,115,419**
Central China	Loughu Town Plot	Zhengzhou	100.00%	130,431	130,431
	Xianghuer Road Plot	Nanchang	100.00%	125,842	125,842
	Subtotal			**256,273**	**256,273**
Southern China	Aerotropolis Plot	Zhuhai	100.00%	45,776	45,776
	Jinwan District Plot	Zhuhai	100.00%	222,355	222,355
	Wusi North Plot	Fuzhou	100.00%	108,352	108,352
	Subtotal			**376,483**	**376,483**
	Total			**4,919,583**	**4,328,945**

FINANCIAL POSITION

As at December 31, 2017, the Group's consolidated borrowings amounted toRMB77.40 billion. The net debt to equity ratio (net debt divided by total equity) of the Group was 47.7%. Cash in hand reached RMB26.76 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 them have stable outlook toward the Company.

* Fitch raised its credit rating of the Group to BBB on 5 January 2018 after the reporting period.

** 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 81% of the Group's total borrowings were denominated in RMB, while 19% were denominated in foreign currencies. The Group is reducing its proportion of borrowings in foreign currencies with a certain amount of exchange rate swap so as to reduce the risk in exchange losses.

Approximately RMB38.77 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 December 31, 2017, the proportion of fixed interest debt was 50% (31 December 2016: 62%) of the total debt.

In 2017, the Group issued green bonds of RMB4.04 billion at a fixed rate ranging from 4.40% to 4.75% per annum and terms ranging from five to seven years; and issued medium-term notes of RMB2 billion at a fixed rate ranging from 4.8% to 5.0% per annum and terms ranging from three to five years. Meanwhile, the Group issued five-year senior notes of US$450 million in the international capital market at a coupon rate of merely 3.875% per annum. The Group's average cost of borrowing further decreased to 4.5% per annum. The average maturity period of loan was 5.92 years. The proportion of unsecured debt was 74%.

Subsequent to the end of the reporting period, in January 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; in March 2018, the Group successfully issued rental apartments special bonds of RMB3 billion in the domestic capital market, at a coupon rate of 5.6% per annum with a term of five years.

EMPLOYEES AND COMPENSATION POLICY

As at December 31, 2017, the Group had 19,903 full-time employees in China. Of these employees, 5,811 worked in the property development division, 2,593 in the property investment division, and 11,499 in the property management division. Average age of our employees is 31.5 years old.

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

PROSPECTS

In 2017, regulatory policies continued to strengthen, and restriction measures on purchases, loans, and price were introduced frequently, and monetary and financial policies continued to tighten. However, as the implementation of different policies in different cities effectively matched the balance of supply and demand in such cities, the overall effect of destocking was significant. National properties sales have reached a record high during the year. In 2018, we believe that the real estate market will continue its decision-making logic of "living without speculating" and conduct differential regulation, and further develop a sound and effective long-term regulation mechanism. Enterprises with outstanding product ability, operation capability and sustainability can win out in the new round of complex landscape.

Under such circumstances, the Group adhered to the layout of multiple metropolitan areas and continued to invest in the four mainstream businesses of property development, commercial property, long-term rental apartments and property management services. In addition to being customer-oriented and scaling up, the Group took a cautious view of various cities and market segments and carried out multidimensional development. We optimized every system within the Group through in-depth city exploration, precise investment, flexible operation and refined construction. With the promotion of sales by accurate customer research and product positioning, we built up our internal strength and enhanced our core competencies.

In 2018, the Group has 111 key projects, among which 50 are brand new projects and 47 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 7.65 million square meters in GFA in 2017. The total GFA of properties planned to complete construction in 2018 will reach approximately 9.94 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, Chongqing Hometown Paradise Walk, Suzhou Shishan Paradise Walk, Hangzhou Binjiang Paradise Walk Phase I, Chongqing U-City Paradise Walk Phase II and Shanghai Baoshan Paradise Walk have commenced operation in 2017, while Beijing Fangshan Paradis Walk, Changzhou Longcheng Paradise Walk and Chengdu Xichen Paradise Walk are expected to commence operation in 2018. Meanwhile, in response to the national policy of “equal stress on rental housing and housing sales”, the Group will capture the development opportunities in residential leasing sector by continuously making well-planned investment in our long-term rental “Champion Apartment” as one of our mainstream businesses. Our long-term rental “Champion Apartments” have commencing operation in 14 first tier and leading second tier cities such as Beijing, Shanghai, Hangzhou, Nanjing, Chongqing and Chengdu, over 15,000 new rooms have been launched to the market in 2017. The investment and development of the above two mainstream business will lay a solid foundation for future growth of rental income from investment properties of the Group.

In the market structure with further improvement in industry concentration and diversified competition, 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.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board proposed the payment of a final dividend of RMB0.473 per share for the year ended December 31, 2017 and a special divided of RMB0.085 per share for the 25th anniversary of the Company to shareholders whose names appear on the register of members of the Company on Monday, June 25, 2018. The proposed final dividend and special dividend shall be paid on Tuesday, July 10, 2018 after approval by shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM"). The proposed final dividend and special dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable and special 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, June 4, 2018 to Wednesday, June 6, 2018.

ANNUAL GENERAL MEETING

The AGM is to be held on Wednesday, June 6, 2018 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 Friday, June 1, 2018 to Wednesday, June 6, 2018, 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 Wednesday, June 6, 2018, 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 Thursday, May 31, 2018.

The register of members of the Company will be closed from Friday, June 22, 2018 to Monday, June 25, 2018 (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 Thursday, June 21, 2018.

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, 2017.

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, Chairman of the Board, is responsible for the nomination and appointment of directors. In accordance with 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 responsible for the nomination directorship is more effective than the establishment of Nomination Committee.

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, 2017.

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 21,540,500 shares at total consideration of approximately HKD 308,015,371 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, 2017 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 Properties Co. Ltd.
Wu Yajun
Chairperson

Hong Kong, 23 March 2018

As at the date of this announcement, the Board comprises eight members: Madam Wu Yajun, Mr. Shao Mingxiao, Mr. Zhao Yi and Mr. Li Chaojiang who are executive Directors; and Mr. Frederick Peter Churchouse, Mr. Chan Chi On, Derek, Mr. Xiang Bing and Mr. Zeng Ming who are independent non-executive Directors.