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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)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**FINANCIAL SUMMARY**

- Contracted sales increased by 61.6% to RMB88.14 billion as compared with that of last year.
- Revenue increased by 15.6% to RMB54.80 billion as compared with that of last year, of which the rental income from the property investment business increased by 35.2% to RMB1.91 billion.
- Profit attributable to shareholders was RMB9.15 billion. Excluding effects, such as minority interest and valuation gains, core net profit increased by 11.8% to RMB7.76 billion as compared with that of last year. Gross profit margin increased by 1.7% to 29.1%. Core net profit margin attributable to shareholders was 14.2%.
- The net debt to equity ratio (net debt divided by total equity) was 53.9%. Cash in hand was RMB17.36 billion.
- Total consolidated borrowings amounted to RMB57.87 billion. Average cost of borrowing decreased from 5.74% to 4.92% per annum. Average maturity period of loan was 5.90 years.
- Fully diluted earnings per share were RMB1.57. The Board recommends a final dividend of RMB0.466 per share, representing an increase of 30.5% as compared with that of last year.

## 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, 2016 with comparative figures for the preceding financial year, are follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

|  | <i>NOTES</i> | <b>2016</b><br><i>RMB'000</i> | <b>2015</b><br><i>RMB'000</i> |
|--|--------------|-------------------------------|-------------------------------|
| Revenue  | 2            | 54,799,495                    | 47,423,099                    |
| Cost of sales  |              | <u>(38,864,114)</u>           | <u>(34,408,307)</u>           |
| Gross profit   |              | 15,935,381                    | 13,014,792                    |
| Other income   | 3            | 336,045                       | 453,445                       |
| Other gains and losses   | 4            | (155,308)                     | (155,988)                     |
| Fair value gain upon transfer of properties held<br>for sales to investment properties |              | 47,154                        | 434,251                       |
| Change in fair value of investment properties  |              | 1,970,958                     | 2,439,626                     |
| Change in fair value of derivative financial<br>instruments                            |              | (109,031)                     | —                             |
| Selling and marketing expenses   |              | (1,427,723)                   | (1,017,951)                   |
| Administrative expenses  |              | (2,022,328)                   | (1,435,026)                   |
| Finance costs  | 5            | (53,059)                      | (43,119)                      |
| Share of results of associates   |              | 1,051,011                     | (18,707)                      |
| Share of results of joint ventures   |              | <u>383,210</u>                | <u>266,864</u>                |
| Profit before taxation   |              | 15,956,310                    | 13,938,187                    |
| Income tax expense   | 6            | <u>(6,021,444)</u>            | <u>(4,574,070)</u>            |
| Profit for the year  | 7            | <u>9,934,866</u>              | <u>9,364,117</u>              |
| Profit attributable to:  |              |                               |                               |
| Owners of the Company  |              | 9,152,953                     | 8,988,037                     |
| Non-controlling interests  |              | <u>781,913</u>                | <u>376,080</u>                |
|  |              | <u>9,934,866</u>              | <u>9,364,117</u>              |

|   | <i>NOTES</i> | <b>2016</b><br><i>RMB'000</i> | <b>2015</b><br><i>RMB'000</i> |
|---|--------------|-------------------------------|-------------------------------|
| Earnings per share, in RMB  |              |                               |                               |
| Basic   | 9            | <u>1.57</u>                   | <u>1.54</u>                   |
| Diluted   | 9            | <u>1.57</u>                   | <u>1.53</u>                   |
| Profit for the year   |              | <u>9,934,866</u>              | <u>9,364,117</u>              |
| Other comprehensive income (expense):                                     |              |                               |                               |
| <i>Items that may be reclassified subsequently to profit or loss:</i>     |              |                               |                               |
| Net fair value gain on hedging instruments                                |              | 287,663                       | 518,720                       |
| Gain on retranslating hedging instruments reclassified to profit and loss |              | <u>(248,592)</u>              | <u>(613,754)</u>              |
|   |              | 39,071                        | (95,034)                      |
| Total comprehensive income for the year                                   |              | <u>9,973,937</u>              | <u>9,269,083</u>              |
| Total comprehensive income attributable to:                               |              |                               |                               |
| Owners of the Company   |              | 9,192,024                     | 8,893,003                     |
| Non-controlling interests   |              | <u>781,913</u>                | <u>376,080</u>                |
|   |              | <u>9,973,937</u>              | <u>9,269,083</u>              |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT DECEMBER 31, 2016**

|  | <i>NOTES</i> | <b>2016</b><br><i>RMB'000</i> | <b>2015</b><br><i>RMB'000</i> |
|--|--------------|-------------------------------|-------------------------------|
| <b>NON-CURRENT ASSETS</b>                                |              |                               |                               |
| Investment properties                                    |              | 49,030,600                    | 43,385,100                    |
| Property, plant and equipment                            |              | 198,642                       | 208,374                       |
| Prepaid lease payments                                   |              | 17,421,955                    | 11,774,585                    |
| Interests in associates                                  |              | 1,585,693                     | 355,793                       |
| Interests in joint ventures                              |              | 2,737,328                     | 882,285                       |
| Available-for-sale investments                           |              | 180,021                       | 130,920                       |
| Deposits paid for acquisition of land use rights         |              | 11,925,639                    | 4,849,295                     |
| Derivative financial instruments                         |              | 639,233                       | 701,083                       |
| Deferred taxation assets                                 |              | <u>2,622,641</u>              | <u>1,623,857</u>              |
|  |              | <u>86,341,752</u>             | <u>63,911,292</u>             |
| <b>CURRENT ASSETS</b>                                    |              |                               |                               |
| Inventories  |              | 838,729                       | 777,384                       |
| Properties under development for sales                   |              | 89,426,431                    | 70,829,748                    |
| Properties held for sales                                |              | 10,246,730                    | 10,428,963                    |
| Accounts and other receivables, deposits and prepayments | 10           | 10,324,224                    | 9,920,130                     |
| Amounts due from non-controlling interests               |              | 3,854,408                     | 2,301,758                     |
| Amounts due from associates                              |              | —                             | 2,695,676                     |
| Amounts due from joint ventures                          |              | 2,248,153                     | 1,772,453                     |
| Taxation recoverable                                     |              | 3,844,962                     | 3,291,225                     |
| Derivative financial instruments                         |              | 349,513                       | —                             |
| Pledged bank deposits                                    |              | 97,368                        | 240,313                       |
| Bank balances and cash                                   |              | <u>17,258,104</u>             | <u>17,919,664</u>             |
|  |              | <u>138,488,622</u>            | <u>120,177,314</u>            |

|  | <i>NOTES</i> | <b>2016</b><br><i>RMB'000</i> | <b>2015</b><br><i>RMB'000</i> |
|--|--------------|-------------------------------|-------------------------------|
| <b>CURRENT LIABILITIES</b>   |              |                               |                               |
| Accounts and bills payables, deposits received and accrued charges | 11           | 66,725,559                    | 52,942,119                    |
| Amounts due to non-controlling interests                           |              | 2,953,235                     | —                             |
| Amounts due to associates  |              | 1,823,964                     | 179,612                       |
| Amounts due to joint ventures                                      |              | 1,686,533                     | 772,930                       |
| Amount due to a controlling shareholder of an associate            |              | —                             | 669,363                       |
| Taxation payable   |              | 12,939,782                    | 10,304,622                    |
| Bank and other borrowings  |              |                               |                               |
| - due within one year  |              | <u>5,333,349</u>              | <u>6,177,916</u>              |
|  |              | <u>91,462,422</u>             | <u>71,046,562</u>             |
| <b>NET CURRENT ASSETS</b>  |              | <u>47,026,200</u>             | <u>49,130,752</u>             |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                       |              | <u>133,367,952</u>            | <u>113,042,044</u>            |
| <b>CAPITAL AND RESERVES</b>  |              |                               |                               |
| Share capital  |              | 508,438                       | 507,823                       |
| Reserves   |              | <u>61,256,261</u>             | <u>54,616,826</u>             |
| Equity attributable to owners of the Company                       |              | 61,764,699                    | 55,124,649                    |
| Non-controlling interests  |              | <u>13,350,481</u>             | <u>7,343,005</u>              |
| <b>TOTAL EQUITY</b>  |              | <u>75,115,180</u>             | <u>62,467,654</u>             |
| <b>NON-CURRENT LIABILITIES</b>                                     |              |                               |                               |
| Bank and other borrowings  |              |                               |                               |
| - due after one year   |              | 47,027,089                    | 38,158,492                    |
| Senior notes   |              | 5,511,632                     | 7,929,172                     |
| Other derivative financial instruments                             |              | 215,915                       | —                             |
| Deferred taxation liabilities                                      |              | <u>5,498,136</u>              | <u>4,486,726</u>              |
|  |              | <u>58,252,772</u>             | <u>50,574,390</u>             |
|  |              | <u>133,367,952</u>            | <u>113,042,044</u>            |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 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 IFRS 11                     | Accounting for Acquisitions of Interests in Joint Operations         |
| Amendments to IAS 1                       | Disclosure Initiative  |
| Amendments to IAS 16 and IAS 38           | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to IAS 16 and IAS 41           | Agriculture: Bearer Plants   |
| Amendments to IAS 27                      | Equity Method in Separate Financial Statements                       |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception            |
| Amendments to IFRSs                       | Annual Improvements to IFRSs 2012 - 2014 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 1 Disclosure Initiative*

The Group has applied the amendments to IAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to IAS 1 clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

In addition, the amendments clarify that an entity’s share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The ordering of certain notes to the consolidated financial statements have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, profit for the year and information in relation to directors', chief executive's and employees' emoluments were reordered in consolidated financial statements. Other than the above presentation and disclosure changes, the application of the amendments to IAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

|                                  |  |
|----------------------------------|--|
| IFRS 9                           | Financial Instruments <sup>1</sup>   |
| IFRS 15                          | Revenue from Contracts with Customers <sup>1</sup>   |
| IFRS 16                          | Leases <sup>2</sup>  |
| IFRIC 22                         | Foreign Currency Transactions and Advance Consideration <sup>1</sup>                               |
| Amendments to IFRSs              | Annual Improvements to IFRS Standards 2014 - 2016 Cycle <sup>5</sup>                               |
| Amendments to IFRS 2             | Classification and Measurement of Share-based Payment Transaction <sup>1</sup>                     |
| Amendments to IFRS 4             | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts <sup>1</sup>                 |
| Amendments to IFRS 15            | Clarification to IFRS 15 Revenue from Contracts with Customers <sup>1</sup>                        |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup> |
| Amendments to IAS 7              | Disclosure Initiative <sup>4</sup>   |
| Amendments to IAS 12             | Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>                              |
| Amendments to IAS 40             | Transfers of Investment Property <sup>1</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2018

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2017

<sup>5</sup> Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate

## 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 develops and sells 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 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 mainly comprises 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, 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 of properties held for sales 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 segments is set out below.

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

**Year ended December 31, 2015**

|                                    | <b>Property<br/>development</b> | <b>Property<br/>investment</b> | <b>Property<br/>management<br/>and related<br/>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    | 44,992,984                      | 1,415,187                      | 1,014,928   | 47,423,099        |
| Inter-segment revenue              | <u>—</u>                        | <u>—</u>                       | <u>383,639</u>  | <u>383,639</u>    |
| Segment revenue                    | <u>44,992,984</u>               | <u>1,415,187</u>               | <u>1,398,567</u>  | <u>47,806,738</u> |
| Segment profit (Adjusted Earnings) | <u>10,415,923</u>               | <u>990,443</u>                 | <u>590,475</u>  | <u>11,996,841</u> |
| Segment assets                     | 91,710,136                      | 25,048,193                     | 368,333   | 117,126,662       |
| Segment liabilities                | <u>46,946,184</u>               | <u>429,470</u>                 | <u>23,409</u>   | <u>47,399,063</u> |

**Other segment information**

|  | <b>Property<br/>development</b> | <b>Property<br/>investment</b> | <b>Property<br/>management<br/>And related<br/>services</b> | <b>Total</b>   |
|--|---------------------------------|--------------------------------|---|----------------|
|  | <i>RMB'000</i>                  | <i>RMB'000</i>                 | <i>RMB'000</i>  | <i>RMB'000</i> |

Amounts included in the measure of  
segment assets:

**2016**

|   |               |                  |              |                  |
|---|---------------|------------------|--------------|------------------|
| Additions to non-current assets<br>(Note) | <u>36,345</u> | <u>2,955,063</u> | <u>4,981</u> | <u>2,996,389</u> |
|---|---------------|------------------|--------------|------------------|

**2015**

|   |               |                  |              |                  |
|---|---------------|------------------|--------------|------------------|
| Additions to non-current assets<br>(Note) | <u>49,362</u> | <u>3,285,790</u> | <u>5,710</u> | <u>3,340,862</u> |
|---|---------------|------------------|--------------|------------------|

*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, changes in fair value of investment properties and upon transfer of properties held for sales 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**

|   | <b>2016</b>        | <b>2015</b>        |
|---|--------------------|--------------------|
|   | <i>RMB'000</i>     | <i>RMB'000</i>     |
| <b>Revenue</b>  |                    |                    |
| Segment revenue   | 55,195,929         | 47,806,738         |
| Elimination of inter-segment revenue  | <u>(396,434)</u>   | <u>(383,639)</u>   |
| Consolidated revenue  | <u>54,799,495</u>  | <u>47,423,099</u>  |
| <b>Profit</b>   |                    |                    |
| Segment profit  | 14,507,658         | 11,996,841         |
| Other income  | 336,045            | 453,445            |
| Other gains and losses  | (155,308)          | (155,988)          |
| Fair value gain upon transfer of properties held for sales to investment properties | 47,154             | 434,251            |
| Change in fair value of investment properties                                       | 1,970,958          | 2,439,626          |
| Change in fair value of derivative financial instruments                            | (109,031)          | —                  |
| Finance costs   | (53,059)           | (43,119)           |
| Share of results of associates  | 1,051,011          | (18,707)           |
| Share of results of joint ventures  | 383,210            | 266,864            |
| Depreciation  | (46,255)           | (33,164)           |
| Unallocated expenses  | <u>(1,976,073)</u> | <u>(1,401,862)</u> |
| Consolidated profit before taxation   | <u>15,956,310</u>  | <u>13,938,187</u>  |
| <b>Assets</b>   |                    |                    |
| Segment assets  | 139,624,207        | 117,126,662        |
| Cumulative change in fair value of investment properties                            | 20,441,149         | 18,423,037         |
| Prepaid lease payments  | 17,421,955         | 11,774,585         |
| Interests in associates   | 1,585,693          | 355,793            |
| Interests in joint ventures   | 2,737,328          | 882,285            |
| Available-for-sale investments  | 180,021            | 130,920            |
| Deposits paid for acquisition of land use rights                                    | 11,925,639         | 4,849,295          |
| Deferred taxation assets  | 2,622,641          | 1,623,857          |
| Derivative financial instruments  | 988,746            | 701,083            |
| Taxation recoverable  | 3,844,962          | 3,291,225          |
| Unallocated head office and other assets  | <u>23,458,033</u>  | <u>24,929,864</u>  |
| Consolidated total assets   | <u>224,830,374</u> | <u>184,088,606</u> |

|   | <b>2016</b>        | <b>2015</b>        |
|---|--------------------|--------------------|
|   | <i>RMB'000</i>     | <i>RMB'000</i>     |
| <b>Liabilities</b>                            |                    |                    |
| Segment liabilities                           | 59,118,155         | 47,399,063         |
| Taxation payable                              | 12,939,782         | 10,304,622         |
| Deferred taxation liabilities                 | 5,498,136          | 4,486,726          |
| Bank and other borrowings                     | 52,360,438         | 44,336,408         |
| Senior notes                                  | 5,511,632          | 7,929,172          |
| Other derivative financial instruments        | 215,915            | —                  |
| Unallocated head office and other liabilities | <u>14,071,136</u>  | <u>7,164,961</u>   |
| Consolidated total liabilities                | <u>149,715,194</u> | <u>121,620,952</u> |

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

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

|   | <b>2016</b>       | <b>2015</b>       |
|---|-------------------|-------------------|
|   | <i>RMB'000</i>    | <i>RMB'000</i>    |
| Sales of properties                       | 51,441,402        | 44,992,984        |
| Leasing of properties                     | 1,913,093         | 1,415,187         |
| Provision of property management services | <u>1,445,000</u>  | <u>1,014,928</u>  |
|   | <u>54,799,495</u> | <u>47,423,099</u> |

**(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       |                   | Non-current assets |                   |
|-------------------------|--------------------|-------------------|--------------------|-------------------|
|                         | external customers |                   |                    |                   |
|                         | 2016               | 2015              | 2016               | 2015              |
|                         | RMB'000            | RMB'000           | RMB'000            | RMB'000           |
| Beijing                 | 1,933,241          | 2,993,063         | 13,714,539         | 9,092,667         |
| Chengdu                 | 4,741,258          | 4,260,967         | 7,295,322          | 7,074,754         |
| Chongqing               | 12,426,394         | 10,658,671        | 22,872,727         | 19,764,571        |
| Hangzhou                | 8,301,344          | 6,520,638         | 6,067,935          | 5,616,167         |
| Nanjing                 | 2,685,901          | —                 | 101,679            | 945               |
| Qingdao                 | 2,861,144          | 2,084,107         | 590,526            | 106,101           |
| Shanghai                | 4,714,772          | 4,487,061         | 9,109,454          | 6,304,061         |
| Sunan                   | 2,915,546          | 1,918,047         | 1,186,119          | 1,424,239         |
| Suzhou                  | 2,054,169          | 1,219,565         | 2,551,739          | 2,027,959         |
| Xiamen                  | 1,906,687          | 2,866,437         | 6,609,364          | 4,367,170         |
| Xi'an                   | 2,558,747          | 1,601,811         | 1,282,771          | 726,039           |
| Other cities in the PRC | <u>7,700,292</u>   | <u>8,812,732</u>  | <u>11,517,682</u>  | <u>4,950,759</u>  |
|                         | <u>54,799,495</u>  | <u>47,423,099</u> | <u>82,899,857</u>  | <u>61,455,432</u> |

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

|   | 2016           | 2015           |
|---|----------------|----------------|
|   | RMB'000        | RMB'000        |
| Interest income                                     | 141,046        | 238,024        |
| Dividend income from available-for-sale investments | —              | 626            |
| Government subsidies (Note a)                       | 47,826         | 80,106         |
| Penalty income (Note b)                             | 68,096         | 59,865         |
| Sundry income                                       | <u>79,077</u>  | <u>74,824</u>  |
| Total   | <u>336,045</u> | <u>453,445</u> |

Notes:

- (a) The amount represents the grants received from the relevant PRC government to encourage the investments in specific regions. The subsidies are unconditional and granted on a discretionary basis to the Group during the year.
- (b) It represents penalty received from property buyers who do not execute sales and purchase agreements on property sales or from tenants who early terminate tenancy agreements.

#### 4. OTHER GAINS AND LOSSES

|   | <b>2016</b>      | <b>2015</b>      |
|---|------------------|------------------|
|   | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Gain on disposal of property, plant and equipment                               | 15,700           | 2,997            |
| Net exchange losses (Note)  | (302,374)        | (772,739)        |
| Reclassification of fair value gain of hedging instruments from hedging reserve | 248,592          | 613,754          |
| Loss on early redemption of senior notes  | <u>(117,226)</u> | <u>—</u>         |
|   | <u>(155,308)</u> | <u>(155,988)</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”).

#### 5. FINANCE COSTS

|  | <b>2016</b>      | <b>2015</b>      |
|--|------------------|------------------|
|  | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Interest on bank and other borrowings  |                  |                  |
| Wholly repayable within five years   | (1,849,214)      | (2,250,350)      |
| Not wholly repayable within five years   | (638,928)        | (203,508)        |
| Interest expense on senior notes   | (537,576)        | (533,678)        |
| Less: Amount capitalised to properties under development for sales and investment properties under development | <u>2,972,659</u> | <u>2,944,417</u> |
|  | <u>(53,059)</u>  | <u>(43,119)</u>  |

Borrowing costs capitalised arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of 5.32% (2015: 6.55%) per annum for the year ended December 31, 2016, to expenditure on the qualifying assets.

## 6. INCOME TAX EXPENSE

|                                      | 2016               | 2015               |
|--------------------------------------|--------------------|--------------------|
|                                      | <i>RMB'000</i>     | <i>RMB'000</i>     |
| Current tax                          |                    |                    |
| PRC Enterprise Income Tax (“EIT”)    | (3,470,064)        | (2,577,985)        |
| Land Appreciation Tax (“LAT”)        | <u>(2,732,472)</u> | <u>(1,844,446)</u> |
|                                      | <u>(6,202,536)</u> | <u>(4,422,431)</u> |
| Overprovision in prior years:        |                    |                    |
| EIT (Note a)                         | 106,927            | 161,017            |
| LAT (Note b)                         | <u>95,097</u>      | <u>287,444</u>     |
|                                      | <u>202,024</u>     | <u>448,461</u>     |
|                                      | <u>(6,000,512)</u> | <u>(3,973,970)</u> |
| Deferred taxation                    |                    |                    |
| Current year                         | 65,882             | (724,542)          |
| (Under) overprovision in prior years | <u>(86,814)</u>    | <u>124,442</u>     |
|                                      | <u>(20,932)</u>    | <u>(600,100)</u>   |
|                                      | <u>(6,021,444)</u> | <u>(4,574,070)</u> |

### Notes:

- (a) The assessment and computation of EIT payable in respect of certain subsidiaries which held completed property projects were finalised which differed from the management’s estimation on EIT in prior years, resulting in an overprovision of EIT in respect of prior years.
- (b) The actual appreciation value of several property projects had been finalised and the development plan for property projects had been revised in which the revised estimated appreciation value was different with the appreciation value made in prior years, resulting in an overprovision 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 2016 (2015: 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:

|  | <b>2016</b>        | <b>2015</b>        |
|--|--------------------|--------------------|
|  | <i>RMB'000</i>     | <i>RMB'000</i>     |
| Profit before taxation   | <u>15,956,310</u>  | <u>13,938,187</u>  |
| PRC EIT at 25%   | (3,989,078)        | (3,484,547)        |
| Tax effect of share of results of associates                                       | 262,753            | (4,677)            |
| Tax effect of share of results of joint ventures                                   | 95,803             | 66,716             |
| Tax effect of expenses not deductible for tax purposes (Note a)                    | (436,361)          | (410,968)          |
| Tax effect of income not taxable for tax purposes                                  | 1,184              | 2,260              |
| LAT  | (2,732,472)        | (1,844,446)        |
| Tax effect of LAT  | 683,118            | 461,112            |
| Overprovision in prior years   | 115,210            | 572,903            |
| Tax effect of tax losses not recognised  | (40,410)           | (24,465)           |
| Effect of tax exemption and preferential rates granted to certain PRC subsidiaries | 10,345             | 18,704             |
| Withholding tax on retained profits to be distributed (Note b)                     | —                  | (19,151)           |
| Withholding tax levied on dividend paid  | <u>8,464</u>       | <u>92,489</u>      |
| Tax charge for the year  | <u>(6,021,444)</u> | <u>(4,574,070)</u> |

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, 2016 of certain PRC subsidiaries.



## 7. PROFIT FOR THE YEAR

|  | <b>2016</b>        | <b>2015</b>        |
|--|--------------------|--------------------|
|  | <i>RMB'000</i>     | <i>RMB'000</i>     |
| Profit for the year has been arrived at after charging<br>(crediting):             |                    |                    |
| Auditor's remuneration   | 4,504              | 4,300              |
| Cost of property inventories included in cost of sales                             | 37,257,201         | 32,901,651         |
| Gain on deemed disposal of interests in joint ventures                             | (84,845)           | (285,414)          |
| Depreciation of property, plant and equipment                                      | 46,255             | 33,164             |
| Minimum lease payment of operating lease rentals                                   | 43,903             | 44,355             |
| Staff costs  |                    |                    |
| Directors' emoluments (including equity-settled share-based<br>payments)           | 73,785             | 64,509             |
| Other staff costs  |                    |                    |
| Retirement benefit contributions   | 182,287            | 205,995            |
| Equity-settled share-based payments  | 52,217             | 81,866             |
| Other staff costs  | <u>1,977,293</u>   | <u>1,823,651</u>   |
| Total staff costs  | 2,285,582          | 2,176,021          |
| Less: Amount capitalised to properties under development                           | <u>(486,291)</u>   | <u>(631,157)</u>   |
|  | <u>1,799,291</u>   | <u>1,544,864</u>   |
| Minimum lease income from investment properties                                    | (1,724,813)        | (1,217,514)        |
| Contingent rental income   | (188,280)          | (197,673)          |
| Less: direct expenses that generated rental income                                 | <u>498,353</u>     | <u>413,150</u>     |
|  | <u>(1,414,740)</u> | <u>(1,002,037)</u> |
| Share of tax of joint ventures<br>(included in share of results of joint ventures) | <u>135,227</u>     | <u>91,442</u>      |

## 8. DIVIDEND

|  | <b>2016</b>      | <b>2015</b>      |
|--|------------------|------------------|
|  | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Dividend recognised as distribution during the year:   |                  |                  |
| Final dividend paid in respect of 2015 of RMB0.357<br>(2015: in respect of 2014 of RMB0.284) per share | <u>2,083,332</u> | <u>1,654,310</u> |

Subsequent to the end of the reporting period, a final dividend of RMB2,722,014,000, representing RMB0.466 per share, based on the number of shares in issue as at December 31, 2016, in respect of the year ended December 31, 2016 (2015: final dividend of RMB2,083,000,000, representing RMB0.357 per share, in respect of the year ended December 31, 2015) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming Annual General Meeting.

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

|  | <b>2016</b>      | <b>2015</b>      |
|--|------------------|------------------|
|  | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Earnings attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings per share | <u>9,152,953</u> | <u>8,988,037</u> |

|  | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
|  | <i>'000</i> | <i>'000</i> |

### Number of shares

|   |                  |                  |
|---|------------------|------------------|
| Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share   | 5,817,674        | 5,821,449        |
| Effect of dilutive potential ordinary shares in respect of - share options                              | <u>21,173</u>    | <u>41,412</u>    |
| Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share | <u>5,838,847</u> | <u>5,862,861</u> |

The weighted average number of ordinary shares adopted in the calculation of basic and diluted earnings per share for both years have been arrived at after deducting the shares held in trust for the Company by an independent trustee.

For the year ended December 31, 2016 and 2015, 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 and 2015.

#### 10. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

|   | <b>2016</b>       | <b>2015</b>      |
|---|-------------------|------------------|
|   | <i>RMB'000</i>    | <i>RMB'000</i>   |
| Trade receivables (Note a)                                      | 2,632,834         | 2,070,974        |
| Other receivables, net of allowance for doubtful debts (Note b) | 2,497,046         | 1,232,256        |
| Advances to suppliers   | 432,265           | 377,303          |
| Prepaid business tax and other taxes                            | 1,920,336         | 1,883,814        |
| Prepayments and utilities deposits (Note c)                     | <u>2,841,743</u>  | <u>4,355,783</u> |
|   | <u>10,324,224</u> | <u>9,920,130</u> |

Notes:

- (a) Trade receivables are mainly arisen from sales of properties and properties investment. Considerations in respect of sales of properties are paid by purchasers 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 rendering of services:

|                | <b>2016</b>      | <b>2015</b>      |
|----------------|------------------|------------------|
|                | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Within 60 days | 1,966,533        | 1,724,038        |
| 61 - 180 days  | 500,792          | 326,774          |
| 181 - 365 days | 148,986          | 11,753           |
| 1 - 2 years    | <u>16,523</u>    | <u>8,409</u>     |
|                | <u>2,632,834</u> | <u>2,070,974</u> |

At December 31, 2016, 2% (2015: 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 RMB2,567,240,000 (2015: RMB2,028,595,000) at December 31, 2016 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:

|                | <b>2016</b>      | <b>2015</b>      |
|----------------|------------------|------------------|
|                | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Within 60 days | 1,900,939        | 1,681,659        |
| 61 - 180 days  | 500,792          | 326,774          |
| 181 - 365 days | 148,986          | 11,753           |
| 1 - 2 years    | <u>16,523</u>    | <u>8,409</u>     |
| Total          | <u>2,567,240</u> | <u>2,028,595</u> |

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

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 (2015: RMB12,000,000) which has been impaired as at December 31, 2016 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:

|   | <b>2016</b>    | <b>2015</b>    |
|---|----------------|----------------|
|   | <i>RMB'000</i> | <i>RMB'000</i> |
| Balance at the beginning of the year and at the end of the year | <u>12,000</u>  | <u>12,000</u>  |

- (c) Included in the prepayments and utilities deposits, there are mainly prepaid lease payments amounting to RMB2,830,804,000 (2015: RMB4,334,750,000) which are paid on behalf of certain companies 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

|   | <b>2016</b>              | <b>2015</b>              |
|---|--------------------------|--------------------------|
|   | <i>RMB'000</i>           | <i>RMB'000</i>           |
| Trade payables and accrued expenditure on construction (Note a) | 14,103,934               | 13,403,567               |
| Bills payables (Note a)   | <u>889,372</u>           | <u>673,153</u>           |
|   | 14,993,306               | 14,076,720               |
| Deposits received and receipt in advance from property sales    | 44,124,849               | 33,322,343               |
| Other payables and accrued charges (Note b)                     | <u>7,607,404</u>         | <u>5,543,056</u>         |
|   | <u><u>66,725,559</u></u> | <u><u>52,942,119</u></u> |

Notes:

- (a) Trade and bills payables and accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress 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 at the end of the reporting period:

|                | <b>2016</b>              | <b>2015</b>              |
|----------------|--------------------------|--------------------------|
|                | <i>RMB'000</i>           | <i>RMB'000</i>           |
| Within 60 days | 5,992,338                | 7,057,469                |
| 61 - 180 days  | 3,151,211                | 4,109,307                |
| 181 - 365 days | 1,665,536                | 458,234                  |
| 1 - 2 years    | 1,720,493                | 693,811                  |
| 2 - 3 years    | 415,574                  | 280,129                  |
| Over 3 years   | <u>36,222</u>            | <u>7,319</u>             |
|                | <u><u>12,981,374</u></u> | <u><u>12,606,269</u></u> |

- (b) Other payables and accrued charges comprise mainly tax received and payable to the government on behalf of customers, 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, 2016.

### **RESULTS**

In 2016, the Group achieved contracted sales of RMB88.14 billion, representing a year-on-year growth of 61.6%. Revenue increased by 15.6% year-on-year to RMB54.80 billion, of which rental income from investment properties amounted to RMB1.91 billion, representing a year-on-year increase of 35.2%. Excluding effects, such as minority interest and valuation gains, core net profit was RMB7.76 billion, representing an increase of 11.8% over 2015. Core net profit margin was 14.2%. The dividend payout ratio increased from 30% to 35% of core net profit for three consecutive year.

### **REVIEW OF 2016**

The year 2016 saw China’s real estate market experiencing unprecedented volatility and differentiation. Despite the gradual unwinding of policy relaxation which became tightening by year end, property sales volume reached a new high. However, behind the strong contracted sales numbers, differentiation across regions and developers further intensified. Leveraging on our deep roots and brand advantage in major cities, we seized the opportunity and scaled up, with contracted sales during the period reaching a record high to RMB88.14 billion.

The enthusiasm for new land acquisitions was boosted by increasing sales volume and prices amid the relatively loose monetary conditions in the first three quarters of 2016. However, new land supply decreased by 11%\* for the year, which drove the land markets of tier-one and major tier-two cities into a feverish state and hence the frequent emergence of record price land plots. The Company insisted on focusing on core urban zones with high potentials and acquired 43 land plots at reasonable prices during the period, highly concentrated in Beijing, Shanghai, Hangzhou, Guangzhou, Chongqing, Xiamen and Jinan. The Company also acquired sites in Tianjin and Wuhan, two of the major cities along the high-speed rail network and entered the Hefei market in February 2017. The Company has expanded the breadth and depth of its national coverage, currently with exposure in 27 major strategic cities.

\* Source: China Index Academy

Our conviction and determination in land acquisitions was supported by consistently high cash collection ratio from sales of over 90% and our capability to tap diversified financing channels at competitive costs. During the year, we issued corporate bonds amounting to RMB11.8 billion based on our domestic AAA investment grade credit rating, while our average borrowing costs further decreased to 4.92%. The Company remained vigilant in managing our foreign debt ratio, engaging in exchange rate swaps which helped the Company shield the impact of exchange rate fluctuations of our relatively small foreign currency exposure.

We have won the recognition of capital markets and offshore credit rating agencies with our stable financial performance and disciplined balance sheet management. During the year, the Company obtained an investment grade credit rating of BBB- from Standard & Poor, while Moody's raised our outlook to positive (Ba1) despite volatile market conditions. Together with the BBB- credit rating from Fitch, Longfor became the first non-SOE enterprise attaining investment grade credit ratings from three offshore credit agencies, and emerged with a brand new presence in the capital markets.

During the year, three Paradise Walks have commenced operations in the important traffic nodes of Beijing, Chongqing and Shanghai and became a popular landmark for locals, providing ease of access and good leisure experiences. To date, the Company has an investment property portfolio of approximately 1,940,000 square meters (21 shopping malls) in operation. Our investment property portfolio has entered a phase of steady growth, harvesting rental income with an annual growth of 35%.

Looking back to 2016, there were increasing differentiation among developers in terms of growth scale, strategic judgment and business choices. Longfor is committed to its main business, but yet continue to explore opportunities with new real estate business forms and micro-innovation. Our two new featured brands: Champion Apartments (冠寓) which provide white-collar population with high quality comprehensive rental and lifestyle services, and One Extendable Space (一展空間) our co-working office space venture, have successfully commenced operations in Shanghai, Chengdu, Chongqing and other major cities.

## **OUTLOOK FOR 2017**

Given the increasing city-specific macro policy controls, there will inevitably be price and volume corrections, and the divergence across regions will become more significant. However, we believe the real estate industry remains as a pillar of the national economy. With the backdrop of accelerating consolidation and complex changes, a company with a firm foundation and stable operations will be best positioned to capitalize on opportunities.

In terms of contracted sales scale, the Company is targeting to further scale up to reach RMB100 billion. There will be 5 new Paradise Walks completing in 2017, which will enable us to maintain a steady growth in rental income. Profit growth and profitability will remain stable. In view of fierce competition in the land market, the Company will continue to adhere to its strategic priorities and explore opportunities in core urban zones within tier-one and tier-two cities. The Company will be open to cooperative development, while approaching acquisition opportunities with a positive attitude and a certain level of prudence.

We anticipate changes in monetary conditions and policy controls will lead to short-term volatilities for the industry. However, from a historical perspective, urbanization and the formation and migration of the urban middle class are fundamental driving forces of China's real estate market's development. We should have bold imagination, while conducting in-depth research and careful analysis.

We believe that starting from the needs of people, connecting and integrating residential, retail, communities, offices and services will be critical in shaping the future trend of the industry. Therefore, in addition to residential development, commercial properties, property services and long-term rental apartments, we will explore other innovative real estate business forms and introduce new resources. We will lean on our core competence to further enhance the Company's competitive edge.

With the continual rapid development of the internet, the transformation of new technologies, changes in customer base and increasing competition within the industry, the Company will be facing unprecedented challenges and uncertainties. However, Longfor will remain confident and resolve amid these competitive challenges. Looking ahead, we will pursue growth, but at the same time remain disciplined. We hope to shape the company into a long-term winner in this traditional industry through continuously upgrading our organization and operating systems. We will be strategic in our decision making, embrace the virtue of patience, and look to stay ahead of the curve through the cycles.

Finally, on behalf of the board of directors, I would like to extend my sincere thanks to all the employees of the Group for their tireless efforts and the support of all shareholders.



## MANAGEMENT DISCUSSION AND ANALYSIS

### PROPERTY DEVELOPMENT

In 2016, revenue from property development business of the Group was RMB51.44 billion, representing an increase of 14.3% as compared to last year. The Group delivered 4,794,251 square meters of property in gross floor area (GFA) terms. The gross profit margin of the overall property development business increased by 1.4% to 27.6% as compared to last year. Recognized average selling price was RMB10,730 per square meter in 2016.

*Table 1: Breakdown of property development revenue by cities of the Group in 2016*

\* Amount excluding tax

| City         | Revenue                  |                          | Total GFA               |                         |
|--------------|--------------------------|--------------------------|-------------------------|-------------------------|
|              | 2016<br>RMB'000          | 2015<br>RMB'000          | 2016<br>Sqm             | 2015<br>Sqm             |
| Chongqing    | 10,796,830               | 9,301,158                | 1,245,790               | 1,219,908               |
| Hangzhou     | 7,184,100                | 5,344,004                | 382,460                 | 387,731                 |
| Shanghai     | 4,632,538                | 4,447,941                | 176,187                 | 188,428                 |
| Chengdu      | 4,257,137                | 3,925,345                | 394,459                 | 514,151                 |
| Qingdao      | 2,812,120                | 2,045,573                | 339,025                 | 292,808                 |
| Nanjing      | 2,685,888                | —                        | 125,907                 | —                       |
| Xi'an        | 2,397,446                | 1,515,152                | 280,169                 | 239,661                 |
| Suzhou       | 2,047,704                | 1,219,700                | 128,684                 | 79,617                  |
| Ningbo       | 1,730,687                | 752,762                  | 214,309                 | 116,193                 |
| Changzhou    | 1,646,778                | 479,156                  | 218,156                 | 89,146                  |
| Jinan        | 1,637,697                | —                        | 227,646                 | —                       |
| Xiamen       | 1,462,853                | 2,018,204                | 114,667                 | 162,722                 |
| Beijing      | 1,409,532                | 2,628,692                | 75,688                  | 200,250                 |
| Changsha     | 1,211,506                | 1,436,204                | 161,642                 | 199,216                 |
| Shenyang     | 1,169,211                | 2,211,785                | 182,512                 | 323,937                 |
| Shaoxing     | 890,338                  | 1,095,368                | 135,843                 | 165,939                 |
| Dalian       | 844,315                  | 2,922,965                | 61,484                  | 201,151                 |
| Wuxi         | 812,259                  | 984,633                  | 95,173                  | 125,291                 |
| Foshan       | 679,589                  | —                        | 97,155                  | —                       |
| Quanzhou     | 427,431                  | 837,571                  | 70,338                  | 118,670                 |
| Yixing       | 384,919                  | 408,742                  | 36,042                  | 41,069                  |
| Yantai       | 254,216                  | 297,974                  | 25,391                  | 35,919                  |
| Kunming      | 66,308                   | 1,120,055                | 5,524                   | 149,394                 |
| <b>Total</b> | <b><u>51,441,402</u></b> | <b><u>44,992,984</u></b> | <b><u>4,794,251</u></b> | <b><u>4,851,201</u></b> |

In 2016, the Group achieved contracted sales of RMB88.14 billion, representing an increase of 61.6% as compared to last year. The Group sold 6,020,097 square meters in total GFA, representing an increase of 41.6% as compared to last year. Average selling price of GFA sold was RMB14,642 per square meter, representing an increase of 14.2% as compared to last year. Contracted sales from Yangtze River Delta, Pan Bohai Rim, western China, southern China and central China were RMB32.51 billion, RMB23.89 billion, RMB19.65 billion, RMB10.74 billion and RMB1.35 billion respectively, accounting for 36.9%, 27.1%, 22.3%, 12.2% and 1.5% of the contracted sales of the Group, respectively.

*Table 2: Details of contracted sales of the Group in 2016*

\* Amount including tax

| City         | Contracted sales     |                      | Total GFA               |                         |
|--------------|----------------------|----------------------|-------------------------|-------------------------|
|              | 2016<br>RMB million  | 2015<br>RMB million  | 2016<br>Sqm             | 2015<br>Sqm             |
| Beijing      | 13,601               | 7,820                | 375,094                 | 229,741                 |
| Chongqing    | 9,159                | 9,731                | 951,723                 | 1,016,092               |
| Hangzhou     | 9,032                | 6,513                | 479,407                 | 400,625                 |
| Shanghai     | 7,715                | 4,840                | 306,615                 | 201,578                 |
| Chengdu      | 7,050                | 3,805                | 665,821                 | 378,541                 |
| Xiamen       | 5,540                | 2,979                | 222,414                 | 174,216                 |
| Nanjing      | 5,304                | 2,705                | 183,323                 | 121,373                 |
| Suzhou       | 4,381                | 2,672                | 163,076                 | 128,869                 |
| Qingdao      | 4,014                | 2,205                | 400,616                 | 261,897                 |
| Xi'an        | 3,416                | 1,257                | 426,954                 | 178,494                 |
| Guangzhou    | 3,134                | 1,074                | 92,791                  | 21,893                  |
| Shenyang     | 2,451                | 1,702                | 306,471                 | 234,060                 |
| Jinan        | 2,061                | 812                  | 198,750                 | 112,255                 |
| Ningbo       | 1,734                | 1,217                | 181,982                 | 157,393                 |
| Wuxi         | 1,648                | 364                  | 183,293                 | 45,628                  |
| Changzhou    | 1,528                | 885                  | 166,272                 | 132,159                 |
| Changsha     | 1,346                | 566                  | 172,028                 | 79,374                  |
| Quanzhou     | 1,081                | 464                  | 150,411                 | 64,043                  |
| Foshan       | 993                  | 342                  | 118,849                 | 49,751                  |
| Dalian       | 920                  | 1,209                | 69,443                  | 91,638                  |
| Yixing       | 643                  | 261                  | 56,978                  | 25,722                  |
| Shaoxing     | 527                  | 462                  | 77,544                  | 72,277                  |
| Yantai       | 472                  | 268                  | 48,143                  | 27,027                  |
| Tianjin      | 373                  | —                    | 19,560                  | —                       |
| Kunming      | 21                   | 391                  | 2,539                   | 48,284                  |
| <b>Total</b> | <b><u>88,144</u></b> | <b><u>54,544</u></b> | <b><u>6,020,097</u></b> | <b><u>4,252,930</u></b> |

In 2016, the Group had RMB73.7 billion (derived from 4.76 million square meters) sold but unrecognized contracted sales which formed a solid basis for the Group's future sustainable and stable growth in profit attributable to shareholders.

## **PROPERTY INVESTMENT**

The Group maintains a prudent property investment strategy. Currently, all investment properties of the Group are 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. As of 31 December 2016, the Group has investment properties of 1,938,418 square meters (2,516,918 square meters in GFA with parking space included) which have commenced operation with an occupancy rate of 95.1%. Rental income, net of tax, was RMB1.91 billion, representing an increase of 35.2% as compared to last year. The series of Paradise Walk, Starry Street and MOCO accounted for 86.8%, 11.4% and 1.8% of the total rent respectively, and recorded increases of 37.2%, 26.7% and 5.3% respectively.

Table 3: Breakdown of rental income of the Group in 2016

\* Amount excluding tax

|  | 2016             |                              |                |                   | 2015                         |                |                   | Change of rental income |
|--|------------------|------------------------------|----------------|-------------------|------------------------------|----------------|-------------------|-------------------------|
|  | GFA<br>Sqm       | Rental<br>income<br>RMB' 000 | % of<br>Rental | Occupancy<br>rate | Rental<br>income<br>RMB' 000 | % of<br>Rental | Occupancy<br>rate |                         |
| Chongqing North Paradise Walk                          | 120,778          | 401,506                      | 21.0%          | 87.0%             | 387,885                      | 27.4%          | 100.0%            | 3.5%                    |
| Chongqing West Paradise Walk                           | 76,031           | 156,723                      | 8.2%           | 96.1%             | 151,909                      | 10.7%          | 99.1%             | 3.2%                    |
| Chongqing Time Paradise Walk Phase I                   | 160,168          | 249,992                      | 13.1%          | 96.0%             | 230,362                      | 16.3%          | 95.9%             | 8.5%                    |
| Chongqing Time Paradise Walk Phase II                  | 154,460          | 122,129                      | 6.4%           | 94.6%             | 79,168                       | 5.6%           | 92.1%             | 54.3%                   |
| Chengdu North Paradise Walk                            | 215,536          | 109,955                      | 5.7%           | 93.2%             | 94,394                       | 6.7%           | 86.6%             | 16.5%                   |
| Chengdu Time Paradise Walk Phase I                     | 61,989           | 29,045                       | 1.5%           | 99.3%             | 21,339                       | 1.5%           | 87.2%             | 36.1%                   |
| Beijing Changying Paradise Walk                        | 221,286          | 242,169                      | 12.6%          | 99.1%             | 182,664                      | 12.9%          | 91.8%             | 32.6%                   |
| Hangzhou Jinsha Paradise Walk                          | 151,135          | 160,129                      | 8.4%           | 99.0%             | 44,420                       | 3.1%           | 99.6%             | 260.5%                  |
| Chengdu Jinnan Paradise Walk                           | 91,638           | 91,256                       | 4.8%           | 99.9%             | 18,142                       | 1.3%           | 92.9%             | 403.0%                  |
| Beijing Daxing Paradise Walk                           | 144,565          | 64,571                       | 3.4%           | 99.0%             | —                            | —              | —                 |                         |
| Chongqing Time Paradise Walk Phase III                 | 73,774           | 25,676                       | 1.3%           | 98.6%             | —                            | —              | —                 |                         |
| Shanghai Hongqiao Paradise Walk                        | 170,450          | 7,256                        | 0.4%           | 92.4%             | —                            | —              | —                 |                         |
| <b>Paradise Walk Subtotal</b>                          | <b>1,641,810</b> | <b>1,660,407</b>             | <b>86.8%</b>   | <b>95.6%</b>      | <b>1,210,283</b>             | <b>85.5%</b>   | <b>96.0%</b>      | <b>37.2%</b>            |
| Chongqing Crystal Castle                               | 16,161           | 18,747                       | 1.0%           | 86.3%             | 20,823                       | 1.5%           | 100.0%            | -10.0%                  |
| Chengdu Three Thousand Mall                            | 38,043           | 30,283                       | 1.6%           | 98.8%             | 29,561                       | 2.1%           | 98.4%             | 2.4%                    |
| Chongqing Chunsen Starry Street                        | 54,618           | 27,223                       | 1.4%           | 72.9%             | 28,126                       | 2.0%           | 83.9%             | -3.2%                   |
| Chongqing Fairy Castle                                 | 29,413           | 11,668                       | 0.6%           | 100.0%            | 11,428                       | 0.8%           | 100.0%            | 2.1%                    |
| Beijing Summer Palace Starry Street                    | 6,320            | 19,070                       | 1.0%           | 100.0%            | 18,120                       | 1.3%           | 100.0%            | 5.2%                    |
| Chongqing University City                              | 15,516           | 14,725                       | 0.8%           | 96.7%             | 12,056                       | 0.9%           | 93.4%             | 22.1%                   |
| Xi'an Daxing Starry Street                             | 44,227           | 37,354                       | 2.0%           | 96.4%             | 34,870                       | 2.5%           | 91.7%             | 7.1%                    |
| Xi'an Qujiang Starry Street                            | 63,206           | 44,047                       | 2.3%           | 98.6%             | —                            | —              | —                 |                         |
| Others   | —                | 15,771                       | 0.7%           | N/A               | 17,818                       | 1.3%           | N/A               | -11.5%                  |
| <b>Starry Street Subtotal</b>                          | <b>267,504</b>   | <b>218,888</b>               | <b>11.4%</b>   | <b>91.8%</b>      | <b>172,802</b>               | <b>12.2%</b>   | <b>95.0%</b>      | <b>26.7%</b>            |
| Chongqing MOCO   | 29,104           | 33,798                       | 1.8%           | 100.0%            | 32,102                       | 2.3%           | 100.0%            | 5.3%                    |
| <b>MOCO Subtotal</b>                                   | <b>29,104</b>    | <b>33,798</b>                | <b>1.8%</b>    | <b>100.0%</b>     | <b>32,102</b>                | <b>2.3%</b>    | <b>100.0%</b>     | <b>5.3%</b>             |
| <b>Total for projects that had commenced operation</b> | <b>1,938,418</b> | <b>1,913,093</b>             | <b>100.0%</b>  | <b>95.1%</b>      | <b>1,415,187</b>             | <b>100.0%</b>  | <b>95.9%</b>      | <b>35.2%</b>            |

The Group has 6 shopping malls under construction with a total GFA of about 760,000 square meters.

Table 4: Breakdown of investment properties under construction of the Group in 2017 to 2018

|   | <b>Estimated<br/>Commencement<br/>of Operation</b> | <b>Planned<br/>GFA<br/>Sqm</b> |
|---|--|--------------------------------|
| Chongqing Hometown Paradise Walk            | 2017   | 93,343                         |
| Suzhou Shishan Paradise Walk                | 2017   | 190,553                        |
| Hangzhou Binjiang Paradise Walk             | 2017   | 158,067                        |
| Chongqing U-City Paradise Walk              | 2017   | 102,365                        |
| Shanghai Baoshan Paradise Walk              | 2017   | 96,803                         |
| Changzhou Longcheng Paradise Walk           | 2018   | <u>119,139</u>                 |
| <b>Projects under construction in total</b> |  | <u><u>760,270</u></u>          |

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 RMB2.02 billion in 2016.

## **COST CONTROL**

In 2016, 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 0.34% to 2.29% as compared to the corresponding period of last year. Meanwhile, as the newly launched sales of several projects such as Nanjing Chunjiang Central, Xiamen Chunjiang Land and Chengdu Jasper Sky was strong, the selling expenses to the total contracted sales decreased by 0.25% to 1.62% as compared to the corresponding period of last year.

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

In 2016, the contribution of joint ventures mainly came from the Group's 34.0%-owned Beijing Rose & Ginkgo Mansion. The attributable profit after tax of the Group in joint ventures was RMB380 million.

## **SHARE OF RESULTS OF ASSOCIATES**

In 2016, the contribution of associates mainly came from the Group's 50.0%-owned Beijing Jade Mansion, 49.0%-owned Xiamen Chunjiang Central. The attributable profit after tax of the Group in associates was RMB1.05 billion.

## **INCOME TAX EXPENSE**

Income tax expenses comprised of PRC enterprise income tax and land appreciation tax. In 2016, the enterprise income tax and the land appreciation tax of the Group were RMB3.38 billion and RMB2.64 billion, respectively. The total income tax expenses for the period amounted to RMB6.02 billion.

## **PROFITABILITY**

In 2016, the core net profit margin of the Group (the ratio of core net profit excluding effects, such as minority interest and valuation gains, to revenue) was 14.2%, while that of the corresponding period of last year was 14.6%, which was mainly attributable to the increase of turnover and the combined effects of fees, shares of results of joint ventures and associates and changes of income tax expense during the period.

## **LAND BANK REPLENISHMENT**

As at December 31, 2016, the Group's total land bank was 41.47 million square meters or 32.94 million square meters on an attributable basis. The average unit land cost was RMB4,039 per square meter, accounting for 27.6% 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 and central China accounted for 39.2%, 31.1%, 18.5%, 7.6% and 3.6% of the total land bank, respectively.

In 2016, the Group has acquired new land bank with total GFA of 12.55 million square meters, 37.7%, 32.3%, 17.5%, 7.1% and 5.4% of which are located in Pan Bohai Rim, western China, Yangtze River Delta, central China and southern China respectively. The average acquisition unit cost was RMB6,329 per square meter.

In 2016, there were 26 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              | Total GFA<br>Sqm  | % Of Total        | Attributable      |              |
|------------------------|-------------------|-------------------|-------------------|-------------------|--------------|
|                        |                   |                   |                   | GFA<br>Sqm        | % Of Total   |
| Pan Bohai Rim          | Beijing           | 1,923,196         | 4.6%              | 831,576           | 2.5%         |
|                        | Shenyang          | 2,109,233         | 5.1%              | 2,034,286         | 6.2%         |
|                        | Qingdao           | 1,578,329         | 3.8%              | 853,931           | 2.6%         |
|                        | Yantai            | 7,164,775         | 17.3%             | 7,164,775         | 21.8%        |
|                        | Jinan             | 2,229,961         | 5.4%              | 1,027,412         | 3.1%         |
|                        | Dalian            | 879,185           | 2.1%              | 544,323           | 1.7%         |
|                        | Tianjin           | 375,377           | 0.9%              | 243,710           | 0.7%         |
|                        | <b>Subtotal</b>   | <b>16,260,056</b> | <b>39.2%</b>      | <b>12,700,013</b> | <b>38.6%</b> |
| Central China          | Changsha          | 591,029           | 1.4%              | 591,029           | 1.8%         |
|                        | Wuhan             | 886,304           | 2.2%              | 531,782           | 1.6%         |
|                        | <b>Subtotal</b>   | <b>1,477,333</b>  | <b>3.6%</b>       | <b>1,122,811</b>  | <b>3.4%</b>  |
| Western China          | Chongqing         | 7,490,307         | 18.0%             | 6,242,840         | 18.9%        |
|                        | Chengdu           | 3,552,765         | 8.6%              | 2,687,594         | 8.2%         |
|                        | Xi'an             | 1,075,207         | 2.6%              | 1,075,207         | 3.3%         |
|                        | Yuxi              | 790,407           | 1.9%              | 790,407           | 2.4%         |
|                        | <b>Subtotal</b>   | <b>12,908,686</b> | <b>31.1%</b>      | <b>10,796,048</b> | <b>32.8%</b> |
| Yangtze River<br>Delta | Shanghai          | 1,331,295         | 3.2%              | 1,176,308         | 3.6%         |
|                        | Wuxi              | 828,421           | 2.0%              | 828,421           | 2.5%         |
|                        | Changzhou         | 745,872           | 1.8%              | 745,872           | 2.2%         |
|                        | Hangzhou          | 2,409,313         | 5.8%              | 1,568,492         | 4.7%         |
|                        | Ningbo            | 709,032           | 1.7%              | 646,505           | 2.0%         |
|                        | Suzhou            | 638,398           | 1.6%              | 323,417           | 1.0%         |
|                        | Nanjing           | 996,603           | 2.4%              | 683,604           | 2.1%         |
|                        | <b>Subtotal</b>   | <b>7,658,934</b>  | <b>18.5%</b>      | <b>5,972,619</b>  | <b>18.1%</b> |
| Southern China         | Xiamen            | 1,048,586         | 2.5%              | 597,207           | 1.8%         |
|                        | Quanzhou          | 1,229,868         | 3.0%              | 1,229,868         | 3.7%         |
|                        | Guangzhou         | 646,400           | 1.5%              | 323,200           | 1.0%         |
|                        | Foshan            | 244,637           | 0.6%              | 195,759           | 0.6%         |
|                        | <b>Subtotal</b>   | <b>3,169,491</b>  | <b>7.6%</b>       | <b>2,346,034</b>  | <b>7.1%</b>  |
| <b>Total</b>           | <b>41,474,500</b> | <b>100.0%</b>     | <b>32,937,525</b> | <b>100.0%</b>     |              |

Table 6: Land acquisition in 2016

| Region                 | Project                | City      | Attributable  | Site Area               |                         |
|------------------------|------------------------|-----------|---------------|-------------------------|-------------------------|
|                        |                        |           | Interest<br>% | Total<br>Sqm            | GFA<br>Sqm              |
| Pan Bohai Rim          | The Orient Original    | Beijing   | 25.0%         | 121,096                 | 207,302                 |
|                        | Huanbaoyuan Plot       | Beijing   | 100.0%        | 13,327                  | 57,164                  |
|                        | Changyang Plot         | Beijing   | 50.0%         | 85,709                  | 237,835                 |
|                        | Chunjiang Central      | Jinan     | 51.0%         | 266,412                 | 889,519                 |
|                        | Hancang Plot           | Jinan     | 30.0%         | 203,151                 | 584,477                 |
|                        | Tangye Plot            | Jinan     | 51.0%         | 96,449                  | 276,331                 |
|                        | Chang He Yuan Plot     | Jinan     | 20.0%         | 72,954                  | 277,687                 |
|                        | Huai Yin Qu Plot       | Jinan     | 100.0%        | 24,864                  | 91,863                  |
|                        | Chunjiang Central      | Shenyang  | 60.0%         | 39,738                  | 187,366                 |
|                        | Shen Xin Plot          | Shenyang  | 100.0%        | 148,761                 | 318,896                 |
|                        | Gaoxin Yuanqu Plot     | Dalian    | 100.0%        | 39,000                  | 154,965                 |
|                        | Longfor Mansion        | Tianjin   | 34.0%         | 127,322                 | 199,496                 |
|                        | Jin Nan District Plot  | Tianjin   | 100.0%        | 93,218                  | 175,881                 |
|                        | Chunjiang Central      | Qingdao   | 25.1%         | 223,812                 | 967,152                 |
|                        | Zhongcun II Plot       | Qingdao   | 100.0%        | 56,759                  | 99,025                  |
|                        | <b>Subtotal</b>        |           |               | <b><u>1,612,572</u></b> | <b><u>4,724,959</u></b> |
| Western China          | Zhaomushan             | Chongqing | 70.0%         | 224,940                 | 412,722                 |
|                        | Lijia II Plot          | Chongqing | 70.0%         | 292,569                 | 768,060                 |
|                        | Zhaomushan II          | Chongqing | 70.0%         | 59,685                  | 124,354                 |
|                        | Lijia III Plot         | Chongqing | 100.0%        | 221,522                 | 567,430                 |
|                        | Caijia Plot            | Chongqing | 60.0%         | 263,657                 | 417,712                 |
|                        | Yurenxi Road Plot      | Chengdu   | 100.0%        | 88,463                  | 502,686                 |
|                        | Dafeng Plot            | Chengdu   | 60.0%         | 86,517                  | 327,685                 |
|                        | Sansheng Plot          | Chengdu   | 100.0%        | 25,494                  | 142,244                 |
|                        | Huazhao Plot           | Chengdu   | 49.0%         | 117,996                 | 796,089                 |
|                        | <b>Subtotal</b>        |           |               | <b><u>1,380,843</u></b> | <b><u>4,058,982</u></b> |
| Yangtze River<br>Delta | Xingyi III Plot        | Hangzhou  | 100.0%        | 36,065                  | 116,640                 |
|                        | Beigandong Plot        | Hangzhou  | 55.0%         | 47,441                  | 185,569                 |
|                        | Xianghu Plot           | Hangzhou  | 26.0%         | 57,416                  | 153,058                 |
|                        | Century Peak View Plot | Hangzhou  | 25.0%         | 47,065                  | 159,242                 |
|                        | Changmu Plot           | Hangzhou  | 35.0%         | 39,578                  | 98,172                  |
|                        | Xihu Jiangcun Plot     | Hangzhou  | 100.0%        | 81,500                  | 340,530                 |
|                        | Panhuo II Plot         | Ningbo    | 100.0%        | 47,836                  | 113,656                 |
|                        | Zhonggongmiao Plot     | Ningbo    | 51.0%         | 23,417                  | 54,648                  |
| Zhonggongmiao II Plot  | Ningbo                 | 100.0%    | 37,309        | 88,126                  |                         |



| <b>Region</b>  | <b>Project</b>        | <b>City</b> | <b>Attributable Interest %</b> | <b>Site Area Total Sqm</b> | <b>GFA Sqm</b>           |
|----------------|-----------------------|-------------|--------------------------------|----------------------------|--------------------------|
|                | Jiangning II Plot     | Nanjing     | 34.0%                          | 23,810                     | 78,079                   |
|                | Jianning Road Plot    | Nanjing     | 100.0%                         | 13,401                     | 90,626                   |
|                | Maqiao Town Plot      | Shanghai    | 50.0%                          | 41,727                     | 132,265                  |
|                | Zhuanqiao Town Plot   | Shanghai    | 100.0%                         | 83,588                     | 337,054                  |
|                | Kunxiuhu Plot         | Shanghai    | 65.0%                          | <u>80,175</u>              | <u>253,870</u>           |
|                | <b>Subtotal</b>       |             |                                | <b><u>660,328</u></b>      | <b><u>2,201,535</u></b>  |
| Central China  | Changfeng Plot        | Wuhan       | 60.0%                          | <u>137,800</u>             | <u>886,304</u>           |
|                | <b>Subtotal</b>       |             |                                | <b><u>137,800</u></b>      | <b><u>886,304</u></b>    |
| Southern China | Baiyun New Town Plot  | Guangzhou   | 50.0%                          | 25,905                     | 94,630                   |
|                | Development Area Plot | Guangzhou   | 50.0%                          | 106,013                    | 269,923                  |
|                | Jimei II Plot         | Xiamen      | 51.0%                          | 50,943                     | 120,000                  |
|                | Xiang'an Plot         | Xiamen      | 51.0%                          | <u>63,722</u>              | <u>192,820</u>           |
|                | <b>Subtotal</b>       |             |                                | <b><u>246,583</u></b>      | <b><u>677,373</u></b>    |
|                | <b>Total</b>          |             |                                | <b><u>4,038,126</u></b>    | <b><u>12,549,153</u></b> |

Subsequent to the end of the reporting period, the Group successfully acquired Tanzhe Temple Plot with an expected gross floor area of approximately 239,000 square meters (attributable area amounted to 24,000 square meters); Chongqing Xiyong W Plot with an expected gross floor area of approximately 300,000 square meters; Ningbo Jiangshan Plot with an expected gross floor area of approximately 82,000 square meters (attributable area amounted to 33,000 square meters); Changsha Chazishan Plot with an expected gross floor area of approximately 55,000 square meters; Changsha Liuyang River Plot with an expected gross floor area of approximately 169,000 square meters; Suzhou Laodonglu Plot with an expected gross floor area of approximately 100,000 square meters; Beijing Liangxiang Town Plot with an expected gross floor area of approximately 133,000 square meters (attributable area amounted to 27,000 square meters); Hefei Binhu District Plot with an expected gross floor area of approximately 387,000 square meters; Ningbo Tangjiawan Plot with an expected gross floor area of approximately 104,000 square meters (attributable area amounted to 73,000 square meters); Beijing Jinhai Lake Plot with an expected gross floor area of approximately 153,000 square meters (attributable area amounted to 38,000 square meters).

## FINANCIAL POSITION

As at December 31, 2016, the Group's consolidated borrowings amounted to RMB57.87 billion. The net debt to equity ratio (net debt divided by total equity) of the Group was 53.9%. Cash in hand reached RMB17.36 billion. The credit rating of the Group was BBB- by Standard & Poor, Ba1 by Moody's, BBB- by Fitch, and AAA by Dagong International\*, CCXR and Shanghai Brilliance. Standard & Poor has a positive outlook and the others have stable outlook toward the Company.

\* The rating conducted by Dagong International was reviewed on Chongqing Longhu Development Co., Ltd., a major subsidiary of the Company in Mainland.

Approximately 85.2% of the Group's total borrowings were denominated in RMB, while 14.8% 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 RMB35.7 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, 2016, the proportion of fixed interest debt was 62% (December 31, 2015: 42%) of the total debt.

In 2016, the Group obtained new bank loans from overseas of RMB9.17 billion in exchange for foreign currency borrowings to further decrease exposure to liabilities. In 2016, the Group issued corporate bonds of RMB11.8 billion with fixed rates ranging from 3.06% to 3.75% per annum and terms ranged from five to ten years. Hence, the Group's average cost of borrowing further decreased to 4.92% per annum. The average tenor of loan was extended to 5.90 years. The proportion of unsecured debt was increased to 75%.

Subsequent to the end of the reporting period, the Group successfully issued domestic green bonds denominated in Renminbi and raised a total of RMB4.04 billion in February, March 2017 with fixed rates ranged from 4.40% to 4.75% per annum and terms ranged from five to seven years.

## **EMPLOYEES AND COMPENSATION POLICY**

As at December 31, 2016, the Group had 17,172 full-time employees in mainland China and Hong Kong. Of these employees, 4,525 worked in the property development division, 1,862 in the property investment division, and 10,785 in the property management division. Average age of our employees is 31.6 years old. In the property development and investment divisions, approximately 58.9% of the employees have bachelor degrees and approximately 13.6% of the employees have master degrees or above.

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 three quarters of 2016, a significant recovery trend was observed in Chinese real estate market. The transaction volume reached a record high, and the level of unsold properties reduced obviously, showing positive results of the policy to destocking. Since October 2016, various measures have been introduced to cool the property market in different cities, and there has been a differentiation in the urban policies and credit conditions among cities with different tiers. In 2017, different regulatory measures will be tailored to the situation at different cities and it will continue for a certain period of time. Inventory digestion is expected to accelerate steadily in first tier and leading second tier cities, while inventory pressure will remain relatively high in low capacity and lower tier cities. This will provide a further test of the Group's brand power, investment, product development ability and financial strength.

Under these circumstances, the Group will place an even higher emphasis in executing our strategy in a persistent manner to ensure the sustainable development for our business. We strive to boost sales by strengthening inventory management through precise customer positioning and high customer conversion rate. Meanwhile, operational efficiency will be enhanced through emphasis on inventory management.

In 2017, the Group has 107 key projects for sale currently on the market, among which 30 are brand new projects and 54 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 market demand, thus enabling the Group to have precise product positioning and to achieve our goals in differentiating market environment.

The Group (including joint ventures and associates) has completed properties of approximately 5,760,000 square meters in GFA in 2016. The total GFA of properties planned to complete construction in 2017 will reach approximately 6,800,000 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, Beijing Daxing Paradise Walk, Chongqing Time Paradise Walk Phase III and Shanghai Hongqiao Paradise Walk have commenced operation in 2016, while Chongqing Hometown Paradise Walk, Suzhou Shishan Paradise Walk, Hangzhou Binjiang Paradise Walk, Chongqing U-City Paradise Walk and Shanghai Baoshan Paradise Walk will commence operation in 2017. 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. While preserving stable and healthy financial position and gearing ratio, we will control land cost and relieve funding pressure through external co-operations and acquisitions in the secondary market. At the same time, we will optimize the debt structure, explore new funding channels, extend debt maturity tenor and lower effective funding cost, in view of a depreciating trend of Renminbi, leading to a safer and healthier financial position of the company.

## **FINAL DIVIDEND**

The Board proposed the payment of a final dividend of RMB0.466 per share for the year ended December 31, 2016 to shareholders whose names appear on the register of members of the Company on Wednesday, June 14, 2017. The proposed final dividend will be paid on Friday, July 7, 2017 after approval by shareholders of the Company at the forthcoming annual general meeting of the Company (the “AGM”). The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average middle rate of RMB to Hong Kong dollars as announced by the People’s Bank of China for the period from Wednesday, May 31, 2017 to Monday, June 5, 2017.

## **ANNUAL GENERAL MEETING**

The AGM is to be held on Monday, June 5, 2017 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 Monday, May 29, 2017 to Monday, June 5, 2017, 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 Monday, June 5, 2017, all share transfer documents accompanied by the relevant share certificates must be lodged 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, May 26, 2017.

The register of members of the Company will be closed from Monday, June 12, 2017 to Wednesday, June 14, 2017 (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, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, June 9, 2017.

## **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, 2016.

## **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, 2016.

#### **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 54,983,000 shares at total consideration of approximately HKD674,040,241 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](http://www.hkex.com.hk)) and the Company ([www.longfor.com](http://www.longfor.com)). The annual report of the Company for the year ended December 31, 2016 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, 24 March 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.*