LANDSEA GREEN PROPERTIES CO., LTD.
朗 詩 綠 色 地 產 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 106)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board (the "Board") of directors (the "Directors") of Landsea Green Properties Co., Ltd. (the "Company") would like to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2014 together with the comparative figures. The unaudited condensed interim consolidated results have been reviewed by the Company's audit committee (the "Audit Committee") and its auditor, PricewaterhouseCoopers.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	For the six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Restated)
Continuing operations			
Revenue	5	**218,446**	10,761
Cost of sales and services		**(45,119)**	(3,427)
Gross profit		**173,327**	7,334
Other income	6	**5,790**	2,512
Other losses, net	6	**–**	(2,707)
Fair value gain on an investment property	12	**24,914**	–
Selling expenses		**(11,190)**	(1,633)
Administrative expenses		**(12,629)**	(8,803)
Other operating expenses		**(150)**	–
Operating profit/(loss)	9	**180,062**	(3,297)
Finance costs	7	**(5,556)**	–
Share of loss of associated companies		**(331)**	–
Profit/(loss) before income tax		**174,175**	(3,297)
Income tax expenses	8	**(46,911)**	(1,178)

	Notes	For the six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Restated)
Profit/(loss) for the period from continuing operations		**127,264**	(4,475)
Discontinued operation			
Profit for the period from a discontinued operation	*11*	**–**	10,422
Profit for the period		**127,264**	5,947
Profit (loss) for the period attributable to:			
— Owners of the Company		**127,285**	5,947
— Non-controlling interests		**(21)**	–
		127,264	5,947
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
— Exchange difference arising from translation of foreign operations		**–**	(137)
Other comprehensive loss for the period, net of tax		**–**	(137)
Total comprehensive income for the period		**127,264**	5,810
Total comprehensive income/(loss) for the period attributable to:			
— Owners of the Company		**127,285**	5,810
— Non-controlling interests		**(21)**	–
		127,264	5,810
		RMB	*RMB* (Restated)
Basic and diluted earnings/(loss) per share from continuing operations attributable to the owners of the Company	*10*	**0.043**	(0.002)
Basic and diluted earnings per share from continuing and discontinued operations attributable to the owners of the Company	*10*	**0.043**	0.003

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Restated)
Non-current assets			
Investment property	*12*	**179,170**	154,256
Property, plant and equipment		**1,963**	2,178
Interests in associated companies	*13*	**421,105**	–
Deferred tax assets		**4,023**	3,324
		606,261	159,758
Current assets			
Properties under development	*14*	**3,177,843**	1,098,908
Properties held for sale		**–**	17,323
Deposits for purchase of land		**630,196**	455,200
Rental and other receivables, prepayments and deposits	*15*	**17,321**	14,676
Amount due from a fellow subsidiary		**–**	110,491
Prepaid taxes		**18,010**	12,519
Restricted cash		**4,813**	54,800
Cash and cash equivalents		**811,365**	956,660
		4,659,548	2,720,577
Current liabilities			
Creditors and accruals	*16*	**129,333**	93,102
Borrowings	*17*	**2,190,000**	1,385,600
Advanced proceeds received from customers		**216,432**	169,163
Amounts due to fellow subsidiaries		**465,000**	50,000
Amount due to the immediate holding company		**170,980**	–
Amounts due to non-controlling interests		**180,506**	–
Taxation payable		**26,954**	1,594
		3,379,205	1,699,459
Net current assets		**1,280,343**	1,021,118
Total assets less current liabilities		**1,886,604**	1,180,876

	Note	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Restated)
Non-current liabilities			
Borrowings	*17*	**655,236**	120,000
Deferred tax liabilities		**24,913**	18,685
		680,149	138,685
Net assets		**1,206,455**	1,042,191
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital		**23,939**	23,939
Reserves		**1,135,537**	1,008,252
		1,159,476	1,032,191
Non-controlling interests		**46,979**	10,000
Total equity		**1,206,455**	1,042,191

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Landsea Green Properties Co., Ltd. (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton , HM11, Bermuda and Unit 5103, 51st Floor, The Center, 99 Queen's Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("SEHK").

The Company is an investment holding company. The Company and its subsidiaries are referred to as the "Group" hereinafter. The Group is principally engaged in property investment and property development. In last year, the Group discontinued its financial service operation and the details are disclosed in note 11 to the condensed consolidated interim financial information.

In the opinion of the directors, the ultimate holding company of the Company is 朗詩集團股份有限公司 (Landsea Group Co., Ltd.*), a company established in the People's Republic of China (the "PRC").

Change in presentation currency in year 2013

After the completion of the takeover by Landsea Group Co., Ltd. and the change of key management of the Company in July 2013, the current board of directors had revisited the business plan and strategy of the Group. Since most of the subsidiaries of the Group are operating in the PRC and their business transactions in terms of operating, investing and financing activities are mainly denominated in Renminbi ("RMB"), the directors decided to change the presentation currency of the Group from Hong Kong dollar (HK$) to RMB for a more appropriate presentation. The change in presentation currency of the Group has been applied retrospectively. All assets and liabilities are translated from their functional currency into the new presentation currency at the beginning of the comparative period using the opening exchange rate and retranslated at the respective closing rates at each balance sheet date. Interim consolidated statement of comprehensive income is translated at an average rate in each financial period presented.

This condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB'000") and was approved for issue by the board of directors on 14 August 2014.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Except for certain additional accounting policies (Note 4) and estimates, the condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. MERGER ACCOUNTING RESTATEMENT

The Group acquired the entire interest in Wuxi Langhua Development Co., Ltd. from a fellow subsidiary on 23 February 2014 at a cash consideration of RMB50,000,000.

The acquisition is considered as a business combination involving entities under common control and has been accounted for by using merger accounting method (Note 4) in accordance with the guidance set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. As a result, the interim consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2013 have been restated to include the results of the combining entities during that period.

The adoption of merger accounting for the six months ended 30 June 2013 has resulted in a decrease in the Group's total comprehensive income and profit attributable to the owners of the Company for the six months ended 30 June 2013 by RMB1,478,000.

The effect of the merger accounting restatement described above on the interim consolidated statement of comprehensive income for the six months ended 30 June 2013 by line items is as follows:

	Six months ended 30 June 2013 *RMB'000* (Originally stated and unaudited)	**Merger accounting restatement** *RMB'000*	**Six months ended 30 June 2013** *RMB'000* (Restated)
Continuing operations			
Revenue	10,761	–	10,761
Cost of sales and services	(3,427)	–	(3,427)
Gross profit	7,334	–	7,334
Other income	2,502	10	2,512
Other losses, net	(2,707)	–	(2,707)
Selling expenses	(256)	(1,377)	(1,633)
Administrative expenses	(8,692)	(111)	(8,803)
Loss before income tax	(1,819)	(1,478)	(3,297)
Income tax expense	(1,178)	–	(1,178)
Loss for the period from continuing operations	**(2,997)**	**(1,478)**	**(4,475)**
Discontinued operation			
Profit for the period from a discontinued operation	10,422	–	10,422
Profit/(loss) for the period	**7,425**	**(1,478)**	**5,947**
Profit/(loss) for the period attributable to:			
— Owners of the Company	7,425	(1,478)	5,947
— Non-controlling interests	–	–	–
	7,425	(1,478)	5,947

	Six months ended 30 June 2013	Merger accounting restatement	Six months ended 30 June 2013
	RMB'000	*RMB'000*	*RMB'000*
	(Originally stated and unaudited)		(Restated)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
— Exchange difference arising from translation of foreign operations	(137)	–	(137)
Other comprehensive loss for the period, net of tax	(137)	–	(137)
Total comprehensive income/(loss) for the period	**7,288**	**(1,478)**	**5,810**
	RMB	*RMB*	*RMB*
Basic and diluted loss per share from continuing operations attributable to the owners of the Company	(0.001)	(0.001)	(0.002)
Basic and diluted earnings/(loss) per share from continuing and discontinued operations attributable to the owners of the Company	0.004	(0.001)	0.003

The effect of the merger accounting restatement on the consolidated statement of financial position as at 31 December 2013 by line items is as follows:

	As at 31 December 2013 *RMB'000* (Originally stated and audited)	**Merger accounting restatement** *RMB'000*	**As at 31 December 2013** *RMB'000* (Restated)
Non-current assets			
Investment property	154,256	–	154,256
Property, plant and equipment	2,049	129	2,178
Deferred tax assets	–	3,324	3,324
	156,305	3,453	159,758
Current assets			
Properties held under development	883,661	215,247	1,098,908
Properties held for sale	17,323	–	17,323
Deposits for purchase of land	455,200	–	455,200
Rental and other receivables, prepayments and deposits	14,386	290	14,676
Amount due from a fellow subsidiary	–	110,491	110,491
Prepaid taxes	–	12,519	12,519
Restricted cash	–	54,800	54,800
Cash and cash equivalents	948,658	8,002	956,660
	2,319,228	401,349	2,720,577
Current liabilities			
Creditors and accruals	57,490	35,612	93,102
Borrowings	1,345,600	40,000	1,385,600
Advanced proceeds received from customers	–	169,163	169,163
Amounts due to fellow subsidiaries	–	50,000	50,000
Taxation payable	1,594	–	1,594
	1,404,684	294,775	1,699,459

	As at 31 December 2013 *RMB'000* (Originally stated and audited)	Merger accounting restatement *RMB'000*	As at 31 December 2013 *RMB'000* (Restated)
Non-current liabilities			
Borrowings	–	120,000	120,000
Deferred tax liabilities	18,685	–	18,685
	18,685	120,000	138,685
Net assets/(liabilities)	1,052,164	(9,973)	1,042,191
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital	23,939	–	23,939
Reserves	1,018,225	(9,973)	1,008,252
	1,042,164	(9,973)	1,032,191
Non-controlling interests	10,000	–	10,000
Total equity	1,052,164	(9,973)	1,042,191

The effect of the merger accounting restatement on the total equity as at 1 January 2013 is as follows:

	As at 1 January 2013 *RMB'000* (Originally stated)	Merger accounting restatement *RMB'000*	As at 1 January 2013 *RMB'000* (Restated)
Equity			
Share capital	16,091	–	16,091
Reserves	412,303	(110)	412,193
	428,394	(110)	428,284

4. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

4.1 Additional accounting policies

(i) Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Business combination related costs are generally recognised in profit or loss as incurred.

(ii) Associated companies

An associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated companies include goodwill identified on acquisition.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associated companies are recognised in the consolidated income statement.

(iii) Service income

Property development and management service income is recognised when the services are performed or on a systematic basis during the service period.

4.2 New standards, amendments to standards and interpretations adopted by the Group

The following new standards, amendments to standards and interpretations are mandatory for the Group's financial year beginning 1 January 2014. The adoption of these new standards, amendments to standards and interpretations does not have significant impact to the results or financial position of the Group.

HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities
HKFRS 10, HKFRS 12 and HKAS 27 (Amendment — revised 2011)	Investment entities
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets
HKAS 39 (Amendment)	Novation of derivatives
HK (IFRIC) Interpretation 21	Levies

4.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

5. REVENUE AND SEGMENT INFORMATION

5.1 Revenue

Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Continuing operations:		
Property development and management service fee income *(note i)*	**174,900**	–
Rental and management fee income	**12,104**	10,761
Sale of a property *(note ii)*	**31,442**	–
	218,446	10,761

Notes:

(i) Pursuant to the Property Development and Management Services Agreement entered into between the Group and its ultimate holding company on 23 February 2014, the Group has provided certain project management, sales management and financing advisory services to fellow subsidiaries since 1 April 2014.

(ii) During the period, the Group disposed of a property held for sale with a carrying amount of RMB17,323,000 at a consideration of RMB31,442,000.

5.2 Segment information

The executive directors have identified the following operating segments:

(i) Property investment; and

(ii) Property development.

In last year, the Group discontinued its financial service operation. Details of the discontinued operation are included in note 11 to the condensed consolidated interim financial information.

The segment information for the reportable segments for the period is as follows:

Continuing operations:

	Six months ended 30 June 2014			
		Property development		
	Property investment	**Development and trading**	**Provision of property development and management services** *(Note 5.1(i))*	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue (external)	**12,104**	**31,442**	**174,900**	**218,446**
Reportable segment profit/(loss)	**31,780**	**(2,685)**	**150,490**	**179,585**
Depreciation of property, plant and equipment	**(302)**	**–**	**–**	**(302)**
Fair value gain on an investment property	**24,914**	**–**	**–**	**24,914**
Share of loss of associated companies	**–**	**(331)**	**–**	**(331)**
Finance costs	**–**	**(3,818)**	**–**	**(3,818)**
Segment assets	**192,282**	**3,839,570**	**55**	**4,031,907**
Segment liabilities	**4,378**	**3,435,764**	**6,320**	**3,446,462**
Additions to non-current assets	**–**	**–**	**–**	**–**

	Six months ended 30 June 2013				
		Property development			
	Property investment	Development and trading	Provision of property development and management services	Others	Total
	RMB'000 (Restated)	*RMB'000* (Restated)	*RMB'000* (Restated)	*RMB'000* (Restated)	*RMB'000* (Restated)
Segment revenue (external)	10,761	–	–	–	10,761
Reportable segment profit/(loss)	6,161	(1,478)	–	(3,776)	907
Depreciation of property, plant and equipment	(203)	–	–	–	(203)
Fair value loss on financial assets at fair value through profit or loss	–	–	–	(2,434)	(2,434)
Segment assets	155,851	1,763,138	–	–	1,918,989
Segment liabilities	2,610	1,776,754	–	–	1,779,364
Additions to non-current assets	1,074	–	–	–	1,074

Discontinued operation:

	Provision of financial services	
	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000* (Restated)
Segment revenue (external)	**–**	10,969
Reportable segment profit	**–**	10,422
Segment assets	**–**	–
Segment liabilities	**–**	201

Reconciliations of segment profit to profit/(loss) before income tax and discontinued operation are as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Continuing operations:		
Segment profit	**179,585**	907
Bank interest income	**5,743**	1,680
Gain on disposal of available-for-sale financial assets	**–**	1,024
Fair value loss on financial assets at fair value through profit or loss	**–**	(1,658)
Unallocated corporate income	**47**	867
Unallocated corporate expenses	**(11,200)**	(6,117)
Profit/(loss) before income tax	**174,175**	(3,297)

The Group's revenue from external customers and non-current assets are divided into the following geographical areas:

Continuing operations:

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		**As at 30 June**	As at 31 December
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Hong Kong (domicile)	**31,726**	489	**621**	720
Mainland China	**186,720**	10,272	**605,640**	159,038
	218,446	10,761	**606,261**	159,758

Discontinued operation:

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		**As at 30 June**	As at 31 December
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Hong Kong (domicile)	**–**	10,969	**–**	–

The revenue information above is based on the location of the customers. Non-current assets information above is based on the location of the assets.

Other than providing management services to fellow subsidiaries, the Group does not have any single customer which contributes more than 10% of the Group's revenue for the six months ended 30 June 2014 and 2013.

6. OTHER INCOME AND OTHER LOSSES, NET

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Continuing operations:		
Other income		
Bank interest income	**5,743**	1,680
Dividend	**–**	316
Sundry income	**47**	516
	5,790	2,512
Continuing operations:		
Other gains/(loss), net		
Gain on disposal of property, plant and equipment	**–**	361
Gain on disposal of available-for-sale financial assets	**–**	1,024
Fair value loss on financial assets at fair value through profit or loss	**–**	(4,092)
	–	(2,707)

7. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Continuing operations:		
Loan interest expense	**67,030**	–
Less: interest capitalised	**(63,212)**	–
	3,818	–
Other finance charges	**1,738**	–
	5,556	–

8. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at 16.5% (2013: 16.5%) on the estimated assessable profit for the six months ended 30 June 2014.

The Group's subsidiaries in the PRC are subject to PRC enterprise income tax at the rate of 25% (2013: 25%) for the six months ended 30 June 2014 and 2013.

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Continuing operations:		
Current income tax		
— Hong Kong profits tax	**1,719**	–
— PRC enterprise income tax	**39,653**	1,344
Under/(over)-provision in prior period	**8**	(166)
	41,380	1,178
Deferred income tax	**5,531**	–
	46,911	1,178

9. OPERATING PROFIT/(LOSS)

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Continuing operations:		
Operating profit/(loss) is stated at after charging:		
Depreciation of property, plant and equipment	**302**	203
Minimum lease payments in respect of properties under operating leases	**793**	384

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
Number of shares		
Weighted average number of ordinary shares *('000)*	**2,979,909**	1,986,606
	RMB'000	*RMB'000* (Restated)
Profit/(loss) attributable to the owners of the Company		
— Continuing operations	**127,285**	(4,475)
— Discontinued operation	**–**	10,422
	127,285	5,947
Basic earnings/(loss) per share attributable to the owners of the Company		
— Continuing operations	**0.043**	(0.002)
— Discontinued operation	**–**	0.005
	0.043	0.003

Diluted earnings per share is the same as basic earnings per share since the Group has no dilutive potential ordinary share as at 30 June 2013 and 2014.

11. RESULTS AND CASH FLOWS OF THE DISCONTINUED OPERATION

In last year, the Group discontinued its financial service operation as management planned to concentrate the Group's resources on property development projects.

The results and cash flows of the discontinued operation are set out below. The 2013 comparative figures in the interim consolidated statement of comprehensive income have also been reclassified to conform to the current period presentation.

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Revenue	**–**	10,969
Expenses	**–**	(547)
Profit before taxation from the discontinued operation	**–**	10,422
Taxation	**–**	–
Profit for the period from the discontinued operation	**–**	10,422
Cash flow from discontinued operation		
Net cash inflows from operating activities	**–**	101,300
Net cash inflow	**–**	101,300

Expenses of the discontinued operation mainly include operating lease rental and other administrative expenses.

12. INVESTMENT PROPERTY

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Carrying amount at 1 January	**154,256**	115,830
Fair value gain	**24,914**	–
Carrying amount at 30 June	**179,170**	115,830

Investment properties were valued at 30 June 2014 by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who is a member of Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties.

The valuation of the investment property as at 30 June 2014 is determined using income approach based on significant unobservable inputs and is recognised under level 3 of the fair value hierarchy. The key unobservable inputs of the valuation include reversionary yield of 6.5%, vacancy rate of 5% and the average daily rental per square meter of RMB2.09 during reversionary period.

13. INTERESTS IN ASSOCIATED COMPANIES

	2014	2013
	RMB'000	*RMB'000*
Carrying amount at 1 January	**–**	–
Additions	**77,000**	–
Share of loss of associated companies	**(331)**	–
	76,669	–
Amount due from an associated company	**344,436**	–
Carrying amount at 30 June	**421,105**	–

During the period, the Group acquired 34% interest in 杭州萬業置業有限公司 (Hangzhou Wanye Property Co., Ltd.*) at a consideration of RMB68,000,000. In addition, the Group and a third party also set up a new project company, 南京招商興盛房地產有限公司 (Nanjing Merchant Xingsheng Property Development Co., Ltd.*), during the period. The Group invested RMB9,000,000 in this project company and holds 30% equity interest. These associated companies are principally engaged in property development.

14. PROPERTIES UNDER DEVELOPMENT

	As at 30 June 2014	As at 31 December 2013
	RMB'000	*RMB'000* (Restated)
Land use rights	**2,884,230**	957,890
Development expenditures	**214,304**	124,921
Interest capitalised	**79,309**	16,097
	3,177,843	1,098,908

All properties under development are located in the PRC.

The average interest rate of borrowing costs capitalised for the six months ended 30 June 2014 was approximately 6.5% per annum (2013: 7.07% per annum).

15. RENTAL AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2014	31 December 2013
	RMB'000	*RMB'000* (Restated)
Rental receivables	**346**	–
Other receivables, prepayments and deposits	**16,975**	14,676
	17,321	14,676

Rental income from lease of properties is receivable in accordance with the terms of the relevant agreements. The Group generally allows a credit period not exceeding 90 days to its tenants.

Rental receivables are aged within one year.

16. CREDITORS AND ACCRUALS

	30 June 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Payables for construction materials	**41,300**	34,640
Other payables	**88,033**	58,462
	129,333	93,102

Creditors and accruals are due for settlement within one year.

17. BORROWINGS

	30 June 2014 RMB'000	31 December 2013 RMB'000 (Restated)
Bank borrowings, secured	**245,236**	160,000
Loan under trust financing arrangement, secured	**500,000**	–
Loans from holding companies, unsecured	**2,100,000**	1,345,600
	2,845,236	1,505,600
Analysed for reporting purpose as:		
— Amount included in non-current liabilities	**655,236**	120,000
— Amount included in current liabilities	**2,190,000**	1,385,600
	2,845,236	1,505,600

The above borrowings carry interests at rates ranging from 2.2% to 10.8% (2013: 5.5% to 7.07%) per annum.

The loan under trust financing arrangement and bank borrowings are secured by the investment property, certain land use rights and properties under development, interests in certain subsidiaries, cash and guarantee provided by holding companies of the Group.

18. EVENTS AFTER THE REPORTING PERIOD

On 7 July 2014, the Company succeeded in a bid for a parcel of land in the southwest of intersection of Yunhe West Road and Ningjia Road, New District, Wuxi City, the PRC, at a consideration of RMB173,000,000 at an auction. The consideration shall be settled in accordance with the land use right transfer agreement which is to be entered into within one year after the bid.

On 29 July 2014, the Group and 蘇州科技城科新文化旅遊發展有限公司 (Suzhou Science and Technology City Kexin Cultural and Tourism Development Company Limited*) made a successful bid jointly for the land use rights of a parcel of land at north of Wuyi Shan Road and west of Fu Chun Jiang Road, Science and Technology City, New District, Suzhou City, the PRC in a listing for sale process organised and held by 蘇州市國土資源局 (Land and Resources Bureau of Suzhou City). The consideration for the land use rights is RMB268,857,000. The Group holds 20% interest in this project and Suzhou Science and Technology City Kexin Cultural and Tourism Development Company Limited holds 80% interest. The Group will be appointed by the project company to manage the development of this project and will receive relevant project development management fee, technology system consulting fee and brand name usage fee.

CHAIRMAN'S REPORT

On behalf of Landsea Green Properties Co., Ltd. (the "Company") together with the subsidiaries (collectively, the "Group"), I am presenting to the shareholders the interim business review and outlook of the Group for the six months ended 30 June 2014.

Results highlights

In the first half of 2014, the Group's principal business entered a stage of rapid development with the full support from Landsea Group Co., Ltd. (朗詩集團股份有限公司) ("Landsea Group"), our controlling shareholder, as well as the management's dedication. During this reporting period, the Group achieved a total turnover of approximately RMB218,446,000, a significant increase by approximately 19.3 times as compared to the corresponding period in 2013. Profit attributable to the owners of the Company amounted to approximately RMB127,285,000, a surge by approximately 20.4 times as compared to the corresponding period in 2013 of approximately RMB5,947,000. As at 30 June 2014, the Group had a land reserve of 1,489,570 square meters for 10 projects. In terms of interest, the land reserve attributable to the Group was 1,130,323 square meters.

Review of the first half of 2014

In the first half of 2014, the global economy showed moderate recovery. Overall performance of China's economy remained steady and structural consolidation made headway amid stability. After a decade of rapid growth, China's real estate market has recorded a gross transaction amount in terms of gross floor area up to 1.3 billion square meters in 2013 and approached the peak in terms of value. Demand looks set to drop. Due to the lagging effect of the development cycle, supply will remain high within a certain period. Since 2014, the structural conflict between supply and demand has given rise to longer inventory turnover in some major cities. The amount and value of transactions in primary properties dropped to a various degree, reflecting a severe market condition. Unlike the past, the adjustment did not originate from government intervention this time, it is the supply and demand relation in the market to blame. The invisible hand of market force aggravated division among different regions as well as the real estate developers. Changes have already crept in the real estate sector.

Amidst the market downturn in the first half of 2014, Landsea Group adopted active measures to boost marketing efforts and leverage on Landsea's green differentiated products, and achieved contracted sales of RMB4.5 billion from January through June, an increase of approximately 30% as compared to the first half of 2013, which is generally in line with the expectation of Landsea Group. In the first half of the year, the Group's contracted sales amounted to approximately RMB46,170,000, which was attributed to the acquisition of Wuxi Tiancui Project from Landsea Group.

As for land investment, the Group continued to receive financial support from Landsea Group. In early 2014, the Group obtained shareholder loan facilities of RMB4 billion from Landsea Group with an interest rate of merely 5.5% per annum. As at 30 June 2014, the Group has drawn down shareholder loans in an aggregate of approximately RMB2.1 billion. Such shareholder loans were mainly used by the Group for land investment. The Group adhered to the prudent investment strategy of Landsea Group, dodging the overheat land market which peaked in the second half of 2013. In the first half of 2014, having conducted comprehensive and systematic researches, the Group purchased 5 land parcels respectively located in Shanghai, Nanjing, Hangzhou, Suzhou and Wuxi, and acquired interests in 3 projects, with a site area of 639,620 square meters, and a total gross floor area of 1,201,901 square meters. As at 30 June 2014, the Group had a land reserve of 1,489,570 square meters for 10 projects. In terms of interest, the land reserve attributable to the Group was approximately 1,130,323 square meters, which can satisfy the short term demand for the Group's development.

While fully leveraging on financial support from Landsea Group, the Group also strived to enhance its own financing ability. As at 30 June 2014, the Group obtained total secured bank borrowings of approximately RMB245,236,000 and a loan under trust financing arrangement of RMB500,000,000, gradually establishing its own leverage. Meanwhile, the Group is now actively preparing to resume the capital market financing function of the listed company, achieving such financing function in the capital markets as soon as possible.

On 23 February 2014, the Group entered into the Property Development and Management Services Agreement with Landsea Group to provide comprehensive development and management services for Landsea Group's existing projects. By transferring the majority of its management staff responsible for property development to the Company, Landsea Group quickly enhanced the Company's core competencies and built a strong and experienced management team, laying the foundation for the Group's speedy development. At the same time, fees derived from such services will also bring in substantial revenue and cash inflow for the Group. During the period, the Group received a total of approximately RMB174,900,000 from Landsea Group for the property development and management services provided.

2014 Chinese Real Estate Listed Companies Evaluation Results Announcement Conference cum Listed Property Enterprises Submit (二零一四年中國房地產上市公司測評成果發佈會暨上市房企高峰論壇) was held on 29 May in Hong Kong, where the Company was named as one of the top five innovative enterprises with regard to its outstanding performance on operation and product innovation.

Outlook for the second half of 2014

Amidst the structural consolidation of the industry, the Company expects the gross transaction amount will decline in the near future and the real estate industry is likely to edge down.

In the short run, the real estate market will remain sluggish for the second half of 2014. Both amount and value in transaction will drop in those regions with imbalance of supply and demand and division among various regions will go further apart. Addressing the downward adjustment since this year, the Company will prepare itself by conducting market research and opting for better investments in those regions with a better supply/demand relations. As for day-to-day operation, the Company will continue to strengthen the collection of sales proceeds and optimize debt structure. For operation, we adopt a strategy of "sales determine production" and closely monitor the cash flow so as to ensure the Company has sufficient cash to fend off risks and seek investment opportunity.

In the long run, judging by the fundamental factors such as urbanization progress, population structures and economic acceleration, the Company believes that the property market is still well supported, and would be able to avoid falling off the cliff as the property market demand maintains at a certain level. However, the shrinking market may result in a consolidation lasting for years before the supply and demand returns to balance. Against this backdrop, an intense consolidation in the industry and reshuffle among industry players is expected. Until then, only the fittest will survive.

Based on our judgement for the mid-to-long term development of China's real estate market and to actively respond to the current round of market adjustment, Landsea Group would leverage on its own outstanding conditions to further strengthen its "Deep Green Strategy" which was initiated in 2012, so as to transform Landsea Group in five to ten years, from a green technology property enterprise into a green enterprise that focuses on green building technology, which major businesses include green technology service, green property development, green aged care service and green financial service. The Group actively negotiates the impact of the downward cycle in the industry through vertical diversification of businesses.

In order to further enhance the "Deep Green Strategy", we introduced the "asset-light strategy and profit-diversification strategy", an operation strategy with less focus on assets, in the first half of 2014. First of all, we will seek more opportunities to either enter into equity partnerships with other organisations such as developers and financial institutions or participate in projects developed by other developers. Secondly, we will involve more projects with minority interest (normally holding no more than 30% equity interests). We will leverage on Landsea's unique knowledge in green technologies to provide services such as project development management, technology and branding to these projects. By doing so, we will benefit from both capital investment and providing technology and management services. Thirdly, we also puts effort into asset-light businesses such as pure professional services involving construction, strategic planning and technology consultancy. On 29 July 2014, 南京朗銘房地產開發有限公司 (Nanjing Langming Property Development Company Limited*) ("Nanjing Langming"), an indirect wholly-owned subsidiary of the Company, and 蘇州科技城科新文化旅遊發展有限公司 (Suzhou Science and Technology City Kexin Cultural and Tourism Development Company Limited) made a successful bid jointly for the land use rights of a parcel of land at Science and Technology City, New District, Suzhou City. Nanjing Langming holds 20% interest in the project and Suzhou Science and Technology City Kexin Cultural and Tourism Development holds 80% interest in this project. The Company will be appointed by the project company to manage the development of this project and will receive from the project company relevant project development management fee, technology system consulting fee and brand name usage fee. This is the first time for the Company to try its hand at a cooperation with a minority interest and is also an important step for asset-light operation.

The Company is the only listed platform for the green residential property development business of Landsea Group. Leveraging on Landsea Group's over a decade of experience, as well as its capacity and branding in green technology property development, we would exhibit our advantage of product diversification, and actively develop new business models such as cooperative development, project development management and projects with minority interest businesses. Such strategies would allow the Company to strengthen our businesses along the Yangtze River, and explore any opportunities in the northern and southern market. Meanwhile, the Company will improve our product standardization, implement strict cost-control, refine management, as well as implement prudent investment strategy and market deployment to ensure our steady and sustainable growth under such complicated market conditions, thus create greater value for our shareholders.

Acknowledgement

The development of the Group was built on the tremendous support from various parties and the hard work of our diligent staff members. On behalf of the Board of Directors of the Company, I would like to take this opportunity to express my heartfelt thanks to all shareholders, investors, customers, staff and partners for their trust and support to the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business outlook

For the six months ended 30 June 2014, the Group, as the only listed and operation platform for green residential property development business of Landsea Group, continued receiving the supports from Landsea Group in terms of financial resources, human resources and technology. As at 30 June 2014, Landsea Group granted to the Group certain loans in the aggregate amount of approximately RMB2,100,000,000. On 23 February 2014, the Group and Landsea Group entered into a property development and management services agreement to provide project development and management services for existing projects of Landsea Group. By transferring the majority of the management members of the property development business to the Company, Landsea Group quickly improved the Group's core competencies, built a strong and experienced management team and laid a concrete foundation for the Group's development. Landsea Group also injected Wuxi Tiancui project to the Group during the period.

On the full support of Landsea Group and under the endeavor of the management, the Group's green real estate development business is developing on a fast track. During the period, the Group acquired 5 parcels of land and obtained interests in the 3 projects in Shanghai, Nanjing, Hangzhou, Suzhou and Wuxi, with a total land area of 639,620 square meters and gross floor area amounting to 1,201,901 square meters. As at 30 June 2014, the Group has a land reserve of 1,489,570 square meters from 10 projects in total. In terms of the attributable interest, land reserve of approximately 1,130,323 square meters is attributable to the Group. These projects are at different developing stages, some of the projects have already established their own cash flows, begun to raise funds from banks or a trust company. During the period, Wuxi Tiancui Project concluded the contracted sales amounting to approximately RMB46,170,000. Other projects are expected to achieve contracted sales in the second half of this year.

In tackling with the downward trend in the property market this year, and being an integral part of Landsea Group's "Deep Green Strategy", we proposed the coping of "asset-light strategy and profit-diversification strategy". Landsea will look forward to more opportunities to either enter equity partnerships with other organisations such as developers and financial institutions or participate in projects developed by other developers. Secondly, we will involve more projects with minority interest (normally holding with no more than 30% equity interests). We will leverage Landsea's unique knowledge in green technologies to provide services such as project development management, technology and branding to these projects. By doing so, we will benefit from both capital investment and providing technology and management services. Thirdly, Landsea also puts effort into asset-light businesses such as pure professional services involving construction, strategic planning and technology consultancy. On 29 July 2014, 南京朗銘, an indirect wholly-owned subsidiary of the Company and 蘇州科技城科新文化旅遊發展有限公司 (Suzhou Science and Technology City Kexin Cultural and Tourism Development Company Limited*), made a successful bid jointly for the land use rights of a parcel of land at Science and Technology City, New District, Suzhou City, the People's Republic of China at purchase price of RMB268,857,000. Nanjing Langming will hold 20% interest in the project and Suzhou Science and Technology City Kexin Cultural and Tourism Development Company Limited will hold 80% interest in this project. The Company will be appointed by the project company to manage the development of this project and will receive relevant project development management fee, technology system consulting fee and brand name usage fee from the project company. This is the Company's first attempt to be minority interest in a cooperation, and is also an important step towards asset-light strategy.

Operation income and gross profit

Revenue of the Group for the six months ended 30 June 2014 mainly derived from property development and management services income of approximately RMB174,900,000, sale of a property held for sale of approximately RMB31,442,000, and rental income and management fee from investment property in the amount of approximately RMB12,104,000, aggregating to approximately RMB218,446,000, representing a significant increase of approximately 19.3 times as compared to approximately RMB10,761,000 (restated) of corresponding period in 2013. The increase in revenue was mainly due to increase in property development and management services income and sale of a property held for sale in Hong Kong in the first half of 2014.

For the six months ended 30 June 2014, the gross profit of the Group was approximately RMB173,327,000 as compared to approximately RMB7,334,000 (restated) of corresponding period in 2013, representing a significant increase of approximately 22.6 times.

For the six months ended 30 June 2014, the gross profit ratio of the Group was approximately 79.3% while that of corresponding period in 2013 was approximately 68.2% (restated). The increase in gross profit ratio was mainly due to the income from the property development and management services business in the first half of this year had a higher gross profit margin.

Profit attributable to the owners of the Company

For the six months ended 30 June 2014, the profit attributable to owners of the Company was approximately RMB127,285,000 as compared to that of corresponding period in 2013 was approximately RMB5,947,000 (restated), representing a significant increase of approximately 20.4 times.

Contracted sales and properties sold but not recognised

In the first half of 2014, the Group recorded an aggregated contracted sales of approximately RMB46,170,000, an aggregated contracted sales gross floor area ("GFA") of 3,470 square meters, at average selling price of RMB13,305 per square meter. The contracted sales were mainly derived from Wuxi Tiancui Project. The accumulated area of properties sold but not recognised was 17,064 square meters, amounting to approximately RMB227,515,000.

Land reserve

During the six months ended 30 June 2014, the Group, in Shanghai, Nanjing, Hangzhou, Suzhou and Wuxi, acquired 5 parcels of land and obtained interests in 3 projects, with land area amounting to 639,620 square meters, total GFA amounting to 1,201,901 square meters and total land costs of RMB4,720,000,000.

	Projects	**Equity Holding**	**Land Area** *(square meters)*	**Total GFA** *(square meters)*	**Total Land Cost** *(RMB in million)*
1.	Shanghai Luchaogang Project	100%	47,085	84,754	560
2.	Nanjing Lukou G15 Project	100%	164,494	246,740	1,010
3.	Nanjing Binjiang Project	100%	50,543	111,195	200
4.	Nanjing Lukou G14 Project	30%	110,872	159,656	580
5.	Hangzhou Liangzhu Wanke Future Life Project	34%	56,286	140,715	680
6.	Suzhou Renmin Road Project	100%	26,591	66,478	600
7.	Suzhou Wujiang Yunlong Road Project	55%	163,615	343,591	980
8.	Wuxi Tiancui Project	100%	20,134	48,772	110
			639,620	1,201,901	4,720

As at 30 June 2014, the Group was in possession of land reserve of 1,489,570 square meters, for 10 projects in total. In terms of the attributable interest, the Group's land reserve was approximately 1,130,323 square meters.

As at 30 June 2014, details of the land reserve are set out as below:

	Projects	Equity Holding	Land Area *(square meters)*	GFA *(square meters)*
1.	Shanghai Jinhui Project	100%	82,406	164,811
2.	Shanghai Luchaogang Project	100%	47,085	84,754
3.	Nanjing Lukou G15 Project	100%	164,494	246,740
4.	Nanjing Binjiang Project	100%	50,543	111,195
5.	Nanjing Lukou G14 Project	30%	110,872	159,656
6.	Hangzhou Qiaosi Project	100%	81,905	122,858
7.	Hangzhou Liangzhu Wanke Future Life Project	34%	56,286	140,715
8.	Suzhou Renmin Road Project	100%	26,591	66,478
9.	Suzhou Wujiang Yunlong Road Project	55%	163,615	343,591
10.	Wuxi Tiancui Project	100%	20,134	48,772
			803,931	1,489,570

Fair value gain on an investment property

For the six months ended 30 June 2014, the Group's fair value gain on an investment property was approximately RMB24,914,000, that of corresponding period in 2013 was Nil. The increase in fair value gain was due to the increase in the rental income of Dawning Tower in the first half of 2014. The fair value was determined by independent valuer based on its current operation mode adopted by the Group in respect of Dawning Tower and the expected income to be generated.

Selling expenses

For the six months ended 30 June 2014, the selling expenses of the Group were approximately RMB11,190,000, a significant increase of approximately 5.8 times, as compared to approximately RMB1,633,000 (restated) of corresponding period in 2013. The increase was mainly due to the selling expenses incurred relating to the contracted sales of Wuxi Tiancui Project and expenses relating to the promotion activities launched for Hangzhou Qiaosi Project.

Administrative expenses

For the six months ended 30 June 2014, the administrative expenses of the Group were approximately RMB12,629,000, an increase of approximately 43.5%, as compared to approximately RMB8,803,000 (restated) of corresponding period in 2013. The increase was mainly due to the substantial increase of operation scale of the Group.

Finance costs

For the six months ended 30 June 2014, finance costs of the Group were approximately RMB5,556,000 and that of corresponding period in 2013 was Nil. The finance costs were mainly related to non-capitalised interests of the loans from the controlling shareholder of the Company, trust financing arrangements and short to medium term bank loans.

Earnings per share

For the six months ended 30 June 2014, the basic earnings per share from continuing operations attributable to the owners of the Company were RMB0.043 (corresponding period in 2013 (restated): loss per share of RMB0.002).

For the six months ended 30 June 2014, the basic earnings per share from continuing and discontinued operations attributable to the owners of the Company were RMB0.043 (corresponding period in 2013 (restated): RMB0.003).

Interim dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2014 (corresponding period in 2013: Nil).

Working capital

As at 30 June 2014, the Group's cash and cash equivalents and restricted cash were approximately RMB811,365,000 and RMB4,813,000 respectively (31 December 2013 (restated): approximately RMB956,660,000 and RMB54,800,000 respectively). As at 30 June 2014, the Group's working capital (current assets less current liabilities) of the Group was approximately RMB1,280,343,000 (31 December 2013 (restated): approximately RMB1,021,118,000). As at 30 June 2014, the Group's current ratio (current assets divided by current liabilities) was approximately 1.4 times (31 December 2013 (restated): approximately 1.6 times). The Group's major sources of working capital are derived from its operating cash flows and financial support from controlling shareholder.

Indebtedness

As at 30 June 2014, the controlling shareholder of the Company has granted certain loans of approximately RMB2,100,000,000 in aggregate (31 December 2013 (restated): approximately RMB1,345,600,000), bearing interest at 5.5% per annum and payable within one year. The Group will also make use of bank borrowings and other financial channels, so as to increase the Group's short to medium term working capital. As at 30 June 2014, the Group raised secured bank loans in the amount of approximately RMB245,236,000 in aggregate (31 December 2013 (restated): approximately RMB160,000,000). Interest rates per annum of the bank loans range between Hong Kong Interbank Offered Rate plus 2% to a fixed interest rate of 7.0725%. Among the bank loans, RMB90,000,000 is due for repayment within 1 year, the remaining RMB155,236,000 repayable within 2 to 3 years. As at 30 June 2014, the Group obtained secured loan under trust financing arrangement in the amount of approximately RMB500,000,000 (31 December 2013 (restated): Nil), bearing interest at 10.8% per annum and due for repayment within 2 years.

As at 30 June 2014, the Group had borrowings in an aggregate amount of approximately RMB2,845,236,000 (31 December 2013 (restated): approximately RMB1,505,600,000).

Gearing ratios

The net debts to equity ratio (total borrowings less cash and cash equivalents and restricted cash divided by total equity) was approximately 168.2% as at 30 June 2014 and approximately 47.4% (restated) as at 31 December 2013. The Group's debts to total assets ratio (total borrowings divided by total assets) was approximately 54.0% as at 30 June 2014 and 52.3% (restated) as at 31 December 2013. The management noticed that the Group's gearing ratios rose as compared to corresponding period of last year. However, the management is of the opinion that the situation is normal as the Group is now at business-developing stage. The management will monitor the capital and debts structure of the Group from time to time, in order to mitigate its exposure to risk of high gearing.

Pledge of assets of the Group

As at 30 June 2014, the bank borrowings of the Group were secured by one or a combination of the following securities: investment property, shares in subsidiaries, land under development and part of development expenditure, cash, and guarantee by controlling shareholder. For the loans under trust financing arrangement are secured by the Group's land parcel and/or shares of related subsidiaries.

Commitments

As at 30 June 2014, the Group had committed and authorised payments of land consideration of approximately RMB1,834,433,000 (31 December 2013 (restated): RMB964,000,000).

Save as above-mentioned, the Group did not have other capital commitment for land acquisition.

Connected transaction

On 23 February 2014, Nanjing Langming, as the Purchaser, and 蘇州朗詩科技地產有限公司 (Suzhou Landsea Technology Real Estate Co., Ltd.*) a subsidiary of Landsea Group, as the Vendor, entered into an acquisition agreement, pursuant to which the purchaser has conditionally agreed to acquire the entire registered capital of 無錫朗華置業有限公司 (Wuxi Langhua Development Co., Ltd.*) for a consideration of RMB50,000,000.

The acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As the vendor is a wholly-owned subsidiary of Landsea Group, the controlling shareholder of the Company, the acquisition also constitutes a connected transaction for the Company. The transaction was approved by the independent shareholders of the Company at a special general meeting held on 31 March 2014.

Continuing connected transactions

On 23 February 2014, the Company and Landsea Group entered into an agreement ("Property Development and Management Services Agreement") pursuant to which the Group will provide property development and management services to Landsea Group. The property development and management services comprise (i) preliminary project stage management services, including customers survey, positioning of the project, planning design management, and preliminary stage administration; (ii) sales management, including agency services, sales and planning management, and customer services administration; (iii) construction and delivery management, including procurement management, cost management, engineering and construction management, completion inspection and delivery administration, customer services and maintenance services; (iv) other management services, which comprises administration and human resources management, drawings and file management and financial management, and (v) financing advisory services. The Property Development and Management Services Agreement has a fixed term of three financial years ending 31 December 2016.

On 23 February 2014, the Company and 上海朗詩規劃建築設計有限公司 (Shanghai Landsea Planning Construction Design Co., Ltd.*) ("Landsea Design") entered into an agreement ("Design Services Agreement") pursuant to which Landsea Design will provide design services to the Group. The Design Services Agreement has a fixed term of two financial years ending 31 December 2015.

Under the Listing Rules, the transactions in relation to Property Development and Management Services Agreement and Design Services Agreement constitute continuing connected transactions for the Company. The two transactions were approved by the independent shareholders of the Company at a special general meeting held on 31 March 2014.

Foreign exchange and currency risk

As most of the income as well as direct costs, payments of equipment, salaries and debts payable are denominated in Renminbi and Hong Kong dollars, it is not necessary to use any financial instruments for hedging purpose, and the Group's exposure to the fluctuation of exchange rates is minimal. During first half of this year, the Group was not engaged in any hedging activities. As at 30 June 2014, cash and cash equivalents, restricted cash and financial assets of the Group were mainly denominated in Renminbi, Hong Kong dollars and US dollars.

Interest rate risk

As at 30 June 2014, the fixed rate interest bearing borrowings accounted for 96.7% of the total borrowings of the Group. Therefore, exposure to interest risks is minimal. The Group will continue to closely monitor the trend of interest rates in the market and seeks to adopt appropriate risk management measures, in order to mitigate the exposure to the interest rate risks.

Substantial acquisition and disposal

The Group acquired the entire interest of Wuxi Langhua Development Co., Ltd. according to an agreement dated 23 February 2014 (Please refer to details set out in the circular to the shareholders of the Company dated 14 March 2014).

The Group acquired 34% interest of 杭州萬業置業有限公司 (Hangzhou Wanye Property Co Ltd.*) according to an agreement dated 10 June 2014 (Please refer to details set out in the announcement of the Company dated 10 June 2014).

Save as above-mentioned, the Group did not participate in any substantial acquisition or disposal during the six months ended 30 June 2014.

Contingent Liabilities

The Group has in cooperation with certain financial institutions arranged mortgage loan facility for its purchasers of property and provided guarantees to secure obligations of such purchasers for repayments. As at 30 June 2014, the outstanding guarantees amounted to approximately RMB10,910,000 (31 December 2013 (restated): approximately RMB30,843,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate; and (ii) the satisfaction of relevant mortgage loan by purchasers.

There are certain corporate guarantees provided by the subsidiaries for each other in respect of their borrowings as at 30 June 2014. The Board considers that the subsidiaries have sufficient financial resources to meet their obligation.

Save as disclosed above, the Group had no other material contingent liabilities as at 30 June 2014.

Employees and Remuneration Policy

As at 30 June 2014, the Group had 456 employees (31 December 2013 (restated): 26) responsible for management, executive, technical and general functions in Hong Kong and the PRC. The increase in number of staff was mainly due to recruiting the property development management staff of Landsea Group by the Group. The level of remuneration, promotion and remuneration increment are commensurate with the employees' job duties, performance and professional experience. Other employee benefits include mandatory provident fund scheme, insurance and medical cover. The Group has also adopted share option scheme and share award scheme (adopted on 2 July 2014), and will grant awarded shares or share options to employees according to their respective performance.

OTHER INFORMATION

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the Company's Directors or chief executives to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

The Company confirms that, having made specific enquiry of all the Directors, all Directors have complied with the required standards as set out in the Model Code during the six months ended 30 June 2014.

CORPORATE GOVERNANCE PRACTICES

The Company has all along committed to fulfilling its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the six months ended 30 June 2014.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2014, the Company was in compliance with all relevant code provisions set out in the CG Code except for the deviation as explained below:

Code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Ding Yuan, an independent non-executive Director, did not attend the special general meeting of the Company held on 31 March 2014 due to his prior engagement.

Save as those mentioned above and in the opinion of the Directors, the Company has met the relevant code provisions set out in the CG Code during the six months ended 30 June 2014.

REVIEW OF INTERIM RESULTS BY AUDITOR AND AUDIT COMMITTEE

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2014 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee currently comprises three independent non-executive Directors, including Mr. Ding Yuan (as chairman), Mr. Xu Xiaonian and Mr. Lee Kwan Hung. The principal duties of the Audit Committee include the review of the Company's financial reporting procedure, internal controls and results of the Group. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2014 has been reviewed by the Audit Committee.

By order of the Board
Landsea Green Properties Co., Ltd.
Tian Ming
Chairman

Hong Kong, 14 August 2014

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Tian Ming, Mr. Xiang Jiong, Ms. Shen Leying, Mr. Xie Yuanjian, Mr. Lu Baoxiang and Mr. Liu Da, and three independent non-executive Directors, namely Mr. Xu Xiaonian, Mr. Ding Yuan and Mr. Lee Kwan Hung.

* *For identification purposes only*