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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 2015

AND

CHANGE OF CHAIRMAN OF THE REMUNERATION COMMITTEE

The board (the “Board”) of directors (the “Directors”) of Landsea Green Properties Co., Ltd. would like to present the unaudited condensed interim consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015 together with the comparative figures. The unaudited condensed interim consolidated results have been reviewed by the Company’s audit committee (the “Audit Committee”).

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		For the six months ended	
		30 June	
	<i>Note</i>	2015	2014
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	337,288	218,446
Cost of sales and services		(65,697)	(45,119)
Gross profit		271,591	173,327
Other income	5	35,910	5,790
Other gains, net	5	4,586	–
Fair value gain on an investment property	10	26,400	24,914
Selling expenses		(35,858)	(11,190)
Administrative expenses		(26,802)	(12,629)
Other operating expenses		–	(150)

		For the six months ended 30 June	
		2015	2014
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Operating profit	8	275,827	180,062
Finance costs	6	(7,419)	(5,556)
Share of losses of associated companies	11	(7,074)	(331)
Share of losses of joint ventures	12	(31,273)	—
Profit before income tax		230,061	174,175
Income tax expenses	7	(52,380)	(46,911)
Profit for the period		177,681	127,264
Profit for the period attributable to:			
— Owners of the Company		180,543	127,285
— Non-controlling interests		(2,862)	(21)
		177,681	127,264
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
— Exchange difference arising from translation of foreign operations		10,233	—
Other comprehensive gain for the period, net of tax		10,233	—
Total comprehensive income for the period		187,914	127,264
Total comprehensive income for the period attributable to:			
— Owners of the Company		190,776	127,285
— Non-controlling interests		(2,862)	(21)
		187,914	127,264
		RMB	RMB
Basic and diluted earnings per share attributable to the owners of the Company	9	0.061	0.043

The notes form an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

		As at 30 June 2015	As at 31 December 2014
	<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Investment property	10	231,523	205,123
Property, plant and equipment		5,905	3,408
Interests in associated companies	11	1,197,675	304,424
Interests in joint ventures	12	393,655	125,536
Non-current deposit	14	37,500	201,035
Deferred tax assets		37,322	15,548
		<u>1,903,580</u>	<u>855,074</u>
Current assets			
Properties held for sale		15,176	16,497
Inventories		7,530	–
Properties under development	13	5,976,638	5,402,233
Deposits for purchase of land		1,313,000	618,956
Trade receivables, other receivables, prepayments and deposits	14	69,730	44,197
Prepaid taxes		95,007	43,087
Restricted cash		1,408,450	1,414,062
Cash and cash equivalents		1,259,015	595,061
		<u>10,144,546</u>	<u>8,134,093</u>
Current liabilities			
Creditors and accruals	15	471,428	432,408
Advanced proceeds received from customers		1,595,565	528,011
Amounts due to fellow subsidiaries		903,695	115,245
Amount due to an associated company		90,362	–
Amounts due to non-controlling interests		346,514	348,314
Borrowings	16	2,410,800	2,456,640
Taxation payable		32,065	72,901
		<u>5,850,429</u>	<u>3,953,519</u>
Net current assets		<u>4,294,117</u>	<u>4,180,574</u>
Total assets less current liabilities		<u>6,197,697</u>	<u>5,035,648</u>

		As at 30 June 2015 <i>RMB'000</i> (Unaudited)	As at 31 December 2014 <i>RMB'000</i> (Audited)
	<i>Note</i>		
Non-current liabilities			
Borrowings	16	4,590,193	3,623,002
Deferred tax liabilities		38,001	31,401
		<u>4,628,194</u>	<u>3,654,403</u>
Net assets		<u>1,569,503</u>	<u>1,381,245</u>
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital		23,939	23,939
Reserves		1,502,866	1,311,746
		<u>1,526,805</u>	<u>1,335,685</u>
Non-controlling interests		42,698	45,560
Total equity		<u>1,569,503</u>	<u>1,381,245</u>

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 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”).

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 11 August 2015.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Except for an additional accounting policy (Note 3), the condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. 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 2014, as described in those annual financial statements.

3.1 Additional accounting policy

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4. REVENUE AND SEGMENT INFORMATION

4.1 Revenue

Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)
Property development and management service fee income	322,475	174,900
Rental and management fee income	12,729	12,104
Sale of properties located in		
— The PRC	2,084	—
— Hong Kong	—	31,442
	<u>337,288</u>	<u>218,446</u>

4.2 Segment information

The executive directors have identified the following operating segments:

- (i) Property investment; and
- (ii) Property development.

The segment information for the reportable segments is as follows:

	Six months ended 30 June 2015		
	Property development		
	Property investment	Development and trading	Provision of property development and management services
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue (external)	<u>12,729</u>	<u>2,084</u>	<u>322,475</u>
Reportable segment profit/(loss)	<u>28,375</u>	<u>(36,697)</u>	<u>256,797</u>
Depreciation of property, plant and equipment	(120)	(26)	(66)
Fair value gain on an investment property	26,400	—	—
Share of losses of associated companies	—	(3,074)	(4,000)
Share of losses of joint ventures	—	(28,918)	(2,355)
Finance costs	—	(4,419)	—
Additions to non-current assets	2	677	2,183
Segment assets as at 30 June 2015	761,166	10,286,245	9,454
Segment liabilities as at 30 June 2015	<u>536,389</u>	<u>7,976,845</u>	<u>12,658</u>
			<u>8,525,892</u>

Six months ended 30 June 2014			
	Property development		
	Property investment	Development and trading	Provision of property development and management services
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			Total <i>RMB'000</i>
Segment revenue (external)	12,104	31,442	174,900
Reportable segment profit/(loss)	31,780	(2,685)	150,490
Depreciation of property, plant and equipment	(302)	–	–
Fair value gain on an investment property	24,914	–	–
Share of losses of associated companies	–	(331)	–
Finance costs	–	(3,818)	–
Additions to non-current assets	12	1,402	485
Segment assets as at 31 December 2014	736,823	7,189,908	932
Segment liabilities as at 31 December 2014	504,804	6,462,752	32,721

External revenue includes service fee income from fellow subsidiaries, associated companies and a joint venture.

Reconciliations of segment profit to profit before income tax are as follows:

	Six months ended 30 June	
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Segment profit	248,475	179,585
Bank interest income	5,418	5,743
Other unallocated corporate income	–	47
Unallocated corporate expenses	(23,832)	(11,200)
	230,061	174,175

Reconciliations of segment assets/liabilities to total assets/liabilities are as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Audited)
Segment assets	11,056,865	7,927,663
Unallocated assets	991,261	1,061,504
Total assets	12,048,126	8,989,167
	30 June 2015 RMB'000	31 December 2014 RMB'000 (Audited)
Segment liabilities	8,525,892	7,000,277
Unallocated liabilities	1,952,731	607,645
Total liabilities	10,478,623	7,607,922

The Group's revenue from external customers and non-current assets (other than interests in associated companies and joint ventures, and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers Six months ended 30 June		Non-current assets As at	
	2015	2014	30 June 2015	31 December 2014
	RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)		(Audited)
Hong Kong (domicile)	–	31,726	455	533
Mainland China	337,288	186,720	274,473	409,033
	337,288	218,446	274,928	409,566

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 2015 and 2014.

5. OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Other income		
Bank interest income	5,418	5,743
Interest income from joint ventures	26,442	—
Government grant	4,050	—
Sundry income	—	47
	<u>35,910</u>	<u>5,790</u>
Other gains, net		
Net exchange gains	4,310	—
Gain on deemed disposal of a subsidiary	276	—
	<u>4,586</u>	<u>—</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Loan interest expense	178,238	67,030
Less: interest capitalised	(173,819)	(63,212)
	<u>4,419</u>	<u>3,818</u>
Other finance charges	3,000	1,738
	<u>7,419</u>	<u>5,556</u>

7. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided for since the Group has no estimated assessable profit arising in Hong Kong for the six months ended 30 June 2015 (2014: provided at a rate of 16.5%).

The Group's subsidiaries in the PRC are subject to PRC enterprise income tax at the rate of 25% (2014: 25%) for the six months ended 30 June 2015 and 2014.

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current income tax		
— Hong Kong profits tax	—	1,719
— PRC enterprise income tax	63,263	39,653
Under provision in prior period	4,291	8
	<u>67,554</u>	<u>41,380</u>
Deferred income tax	(15,174)	5,531
	<u>52,380</u>	<u>46,911</u>

8. OPERATING PROFIT

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Operating profit is stated at after charging:		
Depreciation of property, plant and equipment	356	302
Minimum lease payments in respect of properties under operating leases	872	793

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:

	Six months ended 30 June	
	2015	2014
Number of shares		
Weighted average number of ordinary shares ('000)	2,979,909	2,979,909
	RMB'000	RMB'000
Profit attributable to the owners of the Company	180,543	127,285
Basic earnings per share attributable to the owners of the Company	0.061	0.043

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 2014 and 2015.

10. INVESTMENT PROPERTY

	2015	2014
	RMB'000	RMB'000
Carrying amount at 1 January	205,123	154,256
Fair value gain	26,400	24,914
Carrying amount at 30 June	231,523	179,170

Investment property was valued at 30 June 2015 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 2015 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% (30 June 2014: 6.5%), vacancy rate of 6% (30 June 2014: 5%) and the average daily rental per square meter of RMB2.47 (30 June 2014: RMB2.09) during reversionary period.

11. INTERESTS IN ASSOCIATED COMPANIES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Carrying amount at 1 January	304,424	–
Additions	47,340	77,000
Share of losses of associated companies	(7,074)	(331)
Increase in amounts due from associated companies	852,985	344,436
	<u>1,197,675</u>	<u>421,105</u>
Carrying amount at 30 June	<u>1,197,675</u>	<u>421,105</u>

During the period, the Group and two third parties set up two new project companies, 南京奧建置業有限公司 (Nanjing Aojian Properties Co., Limited) and 南京學衡置業有限公司 (Nanjing Xueheng Properties Co., Limited) respectively. The Group invested RMB12,970,000 and RMB34,370,000 in these project companies and holds 12.97% and 49.9% equity interests in these companies respectively. These associated companies are principally engaged in property development.

The amounts due from associated companies are unsecured, interest-free and have no fixed terms of repayment.

12. INTERESTS IN JOINT VENTURES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Carrying amount at 1 January	125,536	–
Additions	50,712	–
Share of losses of joint ventures	(31,273)	–
Increase in an amount due from a joint venture	248,680	–
	<u>393,655</u>	<u>–</u>
Carrying amount at 30 June	<u>393,655</u>	<u>–</u>

The amounts due from joint ventures are unsecured and have no fixed terms of repayment.

As at 30 June 2015, the balance due from a joint venture amounted to RMB344,526,000 and carried a fixed interest rate of 10% per annum.

13. PROPERTIES UNDER DEVELOPMENT

	30 June 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i> (Audited)
Land use rights	4,457,091	4,366,409
Development expenditures	1,192,521	882,617
Interest capitalised	327,026	153,207
	<u>5,976,638</u>	<u>5,402,233</u>

All properties under development are located in the PRC.

The average interest rate of borrowing costs capitalised for the six months ended 30 June 2015 was approximately 6.2 percent per annum (2014: 6.5 percent per annum).

14. TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Audited)
Trade receivables	9,275	–
Deposit paid for acquisition of an associated company	37,500	201,035
Other receivables, prepayments and deposits	60,455	44,197
	107,230	245,232
Analysed for reporting purpose as:		
Amount included in non-current assets	37,500	201,035
Amount included in current assets	69,730	44,197
	107,230	245,232

As at 30 June 2015 and 31 December 2014, the ageing analysis of the trade receivables based on invoice date were as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Audited)
Within 90 days	9,275	–

The Group generally allows a credit period not exceeding 90 days to customers.

15. CREDITORS AND ACCRUALS

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Audited)
Payables for construction materials and services	310,269	275,058
Interest payable on loans	69,489	73,028
Deposits received	7,880	3,431
Advanced payments received	27,912	21,731
Accruals for staff costs	20,229	39,120
Other payables	35,649	20,040
	471,428	432,408

Creditors and accruals are due for settlement within one year.

As at 30 June 2015 and 31 December 2014, the ageing analysis of the payables for construction materials and services based on invoice date were as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Audited)
Within 1 year	307,846	269,842
1 to 2 years	2,423	5,216
	310,269	275,058

16. BORROWINGS

	30 June 2015 RMB'000	31 December 2014 RMB'000 (Audited)
Loans from the ultimate holding company (<i>in RMB</i>)	1,252,000	2,117,000
Bank borrowings		
— In RMB	3,930,155	2,694,000
— In HKD	188,036	186,876
Loan under trust financing arrangement (<i>in RMB</i>)	450,000	500,000
Senior private notes (<i>in USD</i>)	1,180,802	581,766
	7,000,993	6,079,642
Analysed for reporting purpose as:		
— Amount included in non-current liabilities	4,590,193	3,623,002
— Amount included in current liabilities	2,410,800	2,456,640
	7,000,993	6,079,642

The above borrowings carry interests at rates ranging from 2.2% to 11% (2014: 2.0% to 10.8%) per annum.

The loans 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, standby letter of credit and guarantee provided by holding companies of the Group.

17. EVENT AFTER THE REPORTING PERIOD

On 2 July 2015, Silver Knight Global Limited, a wholly-owned subsidiary of the Company acquired the entire issued share capital of Harvest Years Limited (the “Project Company”) together with the related shareholders’ loan for an aggregate consideration of RMB540,000,000. The Project Company, together with its wholly-owned subsidiaries in the People’s Republic of China (the “PRC”), owns 75 residential units, car parks and public facilities located at No. 25, Alley 770, Qingxi Road, Changning District, Shanghai, the PRC (中國上海市長寧區青溪路770弄25號) (the “Properties”). Therefore, the Company will indirectly acquire the interest in the Properties by acquiring the equity interest of the Project Company. Management plans to redevelop these properties for sales in the future.

CHAIRMAN’S REPORT

I am pleased to present to our shareholders the business review for the half year ended 30 June 2015 and the prospects of Landsea Green Properties Co., Ltd. (“Landsea” or the “Company”) and its subsidiaries (collectively, the “Group”).

As of 30 June 2015, it has been more than 24 months since the Group completed its acquisition and all integration work has been substantially completed after the acquisition. With the full support from Landsea Group Co., Limited (“Landsea Group”), our controlling shareholder, the Group entered a stage of stable development in terms of asset size, profitability, project investment, project development management and asset-light businesses.

Review of the First Half of 2015

Operating Results

From January to June 2015, revenue of the Group reached RMB337 million, representing an increase of 54% as compared to the corresponding period last year, of which income from project development management services was RMB322 million. The income paid to Landsea Group and that received by independent third parties or cooperating parties was approximately RMB246 million and RMB76 million respectively. Core net profit margin attributable to shareholders was approximately 44% (net profit, excluding fair value gain on an investment property and net exchange gains), while profit attributable to the owners of the Company was approximately RMB181 million, representing an increase of approximately 42% as compared to the corresponding period last year.

Contracted Sales for the First Half of the Year

Contracted sales of the Group for the six months ended 30 June 2015 were approximately RMB2,463 million and the contracted floor area was approximately 218,073 square meters. The average sale price was RMB11,296 per square meter.

Operation Strategy

In the first half of 2015, the Group continued to implement the development strategy of “asset-light strategy and profit-diversification”. Leveraging on its existing strengths in technology, branding, project development and management capability. We cooperate with financial institutions, developers and large state-owned enterprises through such modes as joint development, projects with minority interest and entrusted development, striving to become an integrator of internal and external resources. We diversified the operation risks of the enterprise by lowering the weighting of asset in individual project. On the other hand, except for gains on equity investments, we may also be benefited from development management and technical services as well as the extra profit-sharing arrangement. Such service income will become new growth points for the profit of our enterprise.

New Project Expansion

Entrusted development is another way to obtain new projects. It represents that the Group is responsible for development and management of property projects entrusted by other developers. The Group has neither any share in such projects nor would it receive any gain from the equity investment, while it can obtain income arising from development management and technical services as well as the extra profit-sharing arrangement. In the first half of the year, the Group acquired four entrusted development projects located in Hefei, Nanjing, Wuhan and Wuhu respectively.

As at 2 July 2015, the Group participated in the building rehabilitation project for the first time, which was a new attempt in addition to the traditional business model of land development. The project was located in the prime area of Hongqiao District, Shanghai, with a total floor area of 15,787 square meters. The Group is of the view that the building rehabilitation business has a bright prospect in the market of the first-tier cities in China. The Group will continue to identify suitable building rehabilitation projects in first-tier cities in the future, in the hope of exploring new business model through the acquisition of such properties, so as to improve its vertical integration capabilities in investment, development, rehabilitation and operation. Furthermore, the Group invested in three projects in the reporting period and was responsible for their development and construction. These three projects were projects with minority interest and joint development project, two of which were located in Nanjing and the other one was located in Chengdu, with an additional total floor area of 565,031 square meters and interested floor area of 166,016 square meters.

Financial Controls

In the first half of the year, the aggregated amount of interest-bearing liabilities of the Group was RMB7 billion, of which short-term borrowings slightly decreased from RMB2.46 billion at the end of last year to RMB2.41 billion. The average interest rate of borrowings for the first half of the year was 6.2%. The debt structure has been optimized continuously, with the average maturity of debt 1.87 years. The percentage of short-term debts decreased from 40% at the end of 2014 to 34%, while the percentage of long-term debts increased from 60% at the end of 2014 to 66%.

During the reporting period, the Group continued to expand its overseas financing channels. The Group' successfully issued US\$100,000,000 9.50% Senior Notes due 2018 through Haitong International Securities Company Limited and its financial strength was enhanced. The Group will continue to broaden its financing channels abroad as well as strengthen its cooperation with overseas financial institutions.

In 2015, the Group implemented comprehensive budget management and formulated feasible operating plan. By dividing functions strictly adhering to the budget and tightening control on costs and expenses, the Group enhanced its cost effectiveness and conducted deviation management and analysis of the budget in a timely manner, which fully exerted the function of support and precaution. Furthermore, the Company's annual business objectives were achieved through follow-up and control action, which helped the process of performance assessment, ensuring the improvement and optimization of product quality. In the meantime, the Group motivated its employees to follow its established objectives to facilitate development, so as to avoid thoughtless behavior and ensure profit growth. As of June 2015, all budgets were under effective control within the scope of budgets set at the beginning of the year.

Associated Investment in the Projects and Incentive Scheme

The Group issued the "Associated Investment in the Projects Management Approach" in May 2015 to improve the incentive scheme for the staff. The Group will require its employees to conduct associated investment in accordance with a fixed proportion, so as to establish a binding relationship between the operational efficiency of the projects and the revenue of the staff. If the projects were particularly successful in operation, for equity investment projects, employees who conducted associated investment can also enjoy excess revenue from project operation besides same shares and same rights, realising the concept of risk and profit sharing between the Company and its staff. As for entrusted development projects, we will allocate a specific amount of bonus from the revenue of the technical services fees, the development services fees and value-added services fees as special awards to the project teams. We wish to stimulate the employee's capacity as well as to create better value for the Company through effective and reasonable incentive scheme, so that they would be able to grow together with the Company. As of July 2015, associated investment was initiated in four projects: Nanjing Aonan Project, Nanjing Poly Landsea Weilan, Suzhou Renmin Road Project and Suzhou Landsea Luzhou.

Corporate Culture

Landsea is a company adhering to the principle of openness and integrity. At the inception of Landsea Group, its founders set up three codes of practice, namely "Integrity", "Unity" and "Learning". Integrity: safeguarding the company's interests at all times; Unity: communication and collaboration, avoiding pointless personnel dispute; Learning: building a team with passion to learn for the purpose of enhancing competitiveness. A team with integrity, unity and a passion to learn is essential to the organic growth of Landsea. "People-oriented", "Open" and "Green" are the core values of Landsea. Landsea's values derive from "people-orientedness". Taking people as the essential, we judge from the perspective of people and regard people as the starting point and reversion point of all initiatives. Landsea's attitude is openness, which applies internally and externally. There are four rules, namely "No Bribery", "No Tax Dodging", "No Accounting Fraud" and "No Deception to Customers" which are strictly followed by Landsea and expressly set out in the staff handbook. Green is Landsea's underlying colour as well as its symbol and essence. Landsea holds the harmonious and sustainable relationship between humanity and nature in high regard, aspiring to materialise the green concept not only at product level but also at company level so as to achieve sustainable development.

Outlook for the second half of 2015

Marco-economic Situation

In the first half of the year, there were slowing signs in the US economic expansion, which was mainly due to export obstruction and declining investment resulting from the appreciation of US dollars. Thanks to the Eurozone's apparent benefaction from QE and the depreciation, exports and orders increased, expansion in manufacturing industry accelerated. Investors confidence was restored and they endeavored to increase the number of employees. Therefore, the Greek Crisis did not pose any effect on the strong recovery of the economy in the Eurozone. For the first half of the year, China's GDP grew 7 % as compared to the corresponding period of last year. The macroeconomic trend began to hit the bottom and its recovery depends on the rebound in infrastructure, the recovery of the real estate market as well as the contribution of the financial industry, but its foundation is not solid. The PMI index in July was below market expectations. In particular, assessments should be performed on uncertainties such as the effects of swings in the stock market on investment and financing of enterprises and consumption habits of individuals, sustainability of rebound in the real estate market, attenuation of the effect of the steady growth policy and the increase of interest rates by US Federal Reserve. It was expected that the economy will attempt its bottom line in an L-shape movement in the second half of the year. The central bank will maintain stability in the monetary policy with a focus on injecting liquidity to the areas of weakness in the real economy.

Industry Overview

Since 2014, the real estate industry has entered the "silver era" due to the slowdown of China's economic growth. The effective demand of the real estate industry will no longer be increased year by year. On the contrary, it will be declined gradually during the process of consolidation. However, the stock of housing and the supply of new houses and effective supplied lands were enormous, which demonstrated the oversupply situation in general. Therefore, an in-depth adjustment of "destocking and reducing production capacity" should be carried out in the industry. During this process, the industry will be suffered from the adjustments. The rescue measures already adopted by the government could not change the general trend of decline in the real estate industry and it may hit the bottom. We expected that the differentiations among cities will become even more apparent. The first-tier cities will remain stable in general, differentiations will appear among the second-tier cities with recession in some of them, while third and fourth-tier cities will be encountering the problem of oversupply. In the meantime, the differentiations among developers will be further intensified with further flattening in the profit margin of the industry, causing bankruptcy of the developers or the existence of mergers and acquisition activities.

With the increase of China's environmental governance pressure and serious haze problems, the market share of green, healthy and environmental-friendly residential buildings will gradually transform from a segment of the real estate industry to the mainstream market and the industry trend, receiving more attention and recognition from buyers and developers.

Operation strategy of the Group

The Group will continue to implement the development strategy of “asset-light strategy and profit-diversification”. By making the best use of the advantages and bypassing the shortcomings, the Group took full advantages of our product technology and brands to further strengthen and perfect the technical competence of green technology residential buildings, and to develop new organizational services and coordination ability in terms of asset-light businesses. Against the backdrop of the new market situation, the Group will pursue growth targets while keeping its quality. It would also seek for profits with cash by monitoring its cash flows. With the vigorous launch of the asset-light business model, the proportion of management service income will be increased significantly. In the meantime, the Group will form a strong management team with clear division of labour, complementary skills, and the spirit unity and cooperation. It will also establish an internal training system facilitating the improvement of organizational capacity. Furthermore, the Group will improve its incentive scheme and system as soon as possible with a view to achieving “risk and profit sharing”. In the second half year, the Group will focus on sales while considering pricing issues, accelerating cash reflux and make increasing efforts in project expansion.

Except for providing the market with healthy, highly comfortable and energy-saving green residential properties, the Group will further strengthen the application of green building technologies in various product lines. Against the worsening problem of smog in the PRC, for instance, Landsea quickly responds to such market demand, striving for passing the green special reviews of our products with anti-smog solutions. Save for the existing product lines, the Group will launch the 3.0 version product line for green technology residential properties. Not only will it be equipped with the constant temperature, humidity and oxygen effects, but also exert the best control over indoor formaldehyde, volatile organic compounds (VOC) and smog, gaining the remote control function of technological system and fully satisfying the high-end customers’ pursuit of a healthy and comfortable living environment, thus enhancing the overall project management value. The Group plans to launch the 3.0 version products of Landsea green buildings in Nanjing, Shanghai and Chengdu simultaneously. We stick to well-made, healthy and green products, and are committed to the research and development of innovative products that put strong emphasis to indoor air quality, degree of comfort, renovation-related pollution and intelligent home in an effort to create green and environmentally healthy products, and bring returns to shareholders among the competition of distinct products.

As at July 2015, it has been 24 months since the completion of the acquisition of the Group by Landsea Group. The Group serves as the sole listed platform undertaking the green residential property development business of Landsea Group. Subject to the Listing Rules and the relevant regulatory requirements, Landsea Group will seize the opportunity to inject the quality assets and ancillary service business into the Group in an aim of enabling the Group to fully take up the brand, management team, the capability of development and ancillary service of Landsea Group, and completely obtain its property development business and service platform.

Acknowledgement

The continuous support from stakeholders and valuable contribution from the dedicated staff at all levels are essential to the strong development of the Group. On behalf of the Board, I would like to take this opportunity to extend our heartfelt gratitude to our staff, shareholders, bondholders and business associates for their support. We will strive on to create value for our customers, staff, shareholders and other stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Development

The Group, as the only listed and operation platform for green residential property development business of Landsea Group, continued to receive the supports from the Landsea Group in terms of financial resources, human resources and technology in 2015. As at 30 June 2015, the Landsea Group granted to the Group shareholders' loans in the aggregate amount of RMB1,252,000,000 at an annual interest rate of 5.5%.

With the full support of the Landsea Group and thanks to the endeavors of the Management, the Group has embarked on the fast track of green property development. During the first half of this year, the Group's contracted sales was approximately RMB2,463,293,000 and the contracted gross floor area was 218,073 square meters. During the period, the Group invested in three joint projects, two of which were situated in Nanjing and one in Chengdu, which represented an increase of 565,031 square meters in the total gross floor area of and an increase of 166,016 square meters in the total gross floor area attributable to the Group. As at 30 June 2015, the Group had a total land reserve of gross floor area 2,682,315 square meters and a total of 1,663,569 square meters of gross floor area attributable to the Group.

As at 2 July 2015, the Group participated in the building rehabilitation project for the first time, which was a new attempt in addition to the traditional business model of land development. The project was located in Hongqiao District, Shanghai with a total floor area of 15,787 square meters which is a developed residential building in the core area of the first-tier city. The Group is of the view that the building rehabilitation business has a bright prospect in the market of the first-tier cities in China. The Group will continue to identify suitable building rehabilitation projects in first-tier cities in the future, in the hope of exploring new business model through the acquisition of such properties, so as to improve its vertical integration capabilities in investment, development, rehabilitation and operation.

In the first half of 2015, the Group continued to implement the development strategy of "asset-light strategy and profit-diversification". Leveraging on its existing strengths in technology, branding, project development and management capability, the Group endeavors to enhance its capabilities in organization, coordination and services. We cooperate with financial institutions, developers and large state-owned enterprises through modes such as joint development, projects with minority interests and entrusted development, striving to become an integrator of internal and external resources. We diversified the operation risks of the enterprise by lowering the weighting of asset in individual project. On the other hand, except for gains on equity investments, we would also be benefited from development management and technical services as well as the extra profit-sharing arrangement. Such service income will become new growth points for the profit of our enterprise.

Involvement in Projects with Minority Interest

- (1) On 22 May 2015, Chengdu Langming Real Estate Co., Ltd. (“Chengdu Langming”), an indirect wholly-owned subsidiary of the Group, together with Beijing North Star Company Limited (“Beijing North Star”) and Shenzhen Lianxin Investment Management Company Limited (“Shenzhen Lianxin”), a subsidiary of Pingan Real Estate Company Limited (“Pingan Real Estate”), made a successful bid jointly for the land use rights of two parcels of land at Dayuan West Area, New District, Chengdu City, the People’s Republic of China. The planning total gross area of the two parcels of land was 158,592 square meters. Chengdu Langming holds 25% interests in the project, Beijing North Star holds 40% interests in the project and Shenzhen Lianxin holds 35% interests in the project. The Group will be in charge of the operation of the project to launch green residential products at the land parcels catering for the Chengdu market.
- (2) In January 2015, Nanjing Bozhixin Investment Management Co., Ltd. (“Nanjing Bozhixin”), a wholly-owned subsidiary of the Group, entered into a cooperation agreement with several parties for the joint development of a project at a land parcel in Hexi CBD area, Nanjing City. The partners include Nanjing Aohe Real Estate Development Company Limited (“Nanjing Aohe”), a subsidiary of Shanghai Construction Group Co., Ltd., Shenzhen Lianxin Investment Management Company Limited (“Shenzhen Lianxin”), a subsidiary of Pingan Real Estate, and China Merchants Property (Nanjing) Co., Ltd. (“China Merchant Property”), a subsidiary of China Merchants Property Development Co., Ltd.. Nanjing Aohe, Shenzhen Lianxin, Nanjing Bozhixin and China Merchant Property held an interest of 51%, 30%, 12.97% and 6.03% respectively. The expected total gross floor area could reach 207,000 square meters. The Group was in charge of development, construction, management and sale of a gross floor area of 153,083 square meters in the project.

Entrusted Development and Technology Consultancy

- (1) On 18 March 2015, Nanjing Landsea Investment Limited (“Nanjing Landsea”), a wholly-owned subsidiary of the Group and Nanjing Aohe entered into a technological system integration and related services contract, pursuant to which, Nanjing Aohe entrusted Nanjing Landsea to provide technological system integration and related services (“Technology Integration Services I”) to commercial residential buildings in Nanjing Hexi Aoti B-3 land parcel which located to the north of Xinglong Avenue, east of Yanshan Road, South of Yuean Street, west of Xiangshan Road in Nanjing (the “Commercial Residential Project”). The total service fee is approximately RMB76,000,000.

- (2) On 14 April 2015, Shanghai Landsea Investment Management Limited (“Shanghai Landsea Investment”), a wholly-owned subsidiary of the Group and Wuhan Chinese Construction Third Engineering Bureau Jiangbei Real Estate Development Limited (“Wuhan Chinese Construction”) entered into a technological residence technology integration and services contract, pursuant to which, Wuhan Chinese Construction entrusted Shanghai Landsea Investment to conduct green technological residence technology integration and related services (“Technology Integration Services II”) to C-9, C-10 east residence buildings in Chinese Construction Yujingxingcheng, Hanxi land parcel C/D (the “Residence Project”), which located to the north of Jiefang Avenue, east of Beijing-Guangzhou railway corridor, west of Hanxi Road, south of the road under planning in Wuhan. The total service fee is approximately RMB12,800,000.
- (3) On 18 June 2015, Nanjing Landsea, a wholly-owned subsidiary of the Group, entered into an agreement with Anhui Hualun Gangwan Culture Investment Co., Ltd. (“Anhui Hualun”) for sales management and related services. Pursuant to the agreement, Anhui Hualun entrusted Nanjing Landsea to provide sales management and related services for the Wuhu Hualun Gangwan Project (the “Project”) which was located at the junction of Changjing South Road and Limin Road, Wuhu. The Project covered a site of 260,000 square meters with a serviceable area of 61,519 square meters for Phase 1 and it would be launched in 3 phases. The sales management services included the routine sales management services, sales agency services, brand licensing, promoting consultancy and pre-sale consultation services, etc. The sales management services fee of 1% of the sales turnover would be charged by Landsea. If the average selling price was higher than the basis agreed by both parties, Landsea would receive a commission as bonus. In addition, the brand authorization and promotion consultation services fees would be RMB2,019,000. The inclusion of Phase 2 and Phase 3 in the sales management and related services agreement would depend on the sales turnover of Phase 1.

Joint Development

- (1) On 10 April 2015, Nanjing Langming Property Development Company Limited (“Nanjing Langming”), a wholly-owned subsidiary of the Group, entered into the Capital Injection Agreement with Shanghai Xiu Chen Investment Management Center (“Shanghai Xiu Chen”); Shanghai Cang Chen Investment Management Center (“Shanghai Cang Chen”); and Suzhou Langwang Properties Company Limited (“Suzhou Langwang”), pursuant to which, Xiu Chen Investment shall subscribe for shares in Suzhou Langwang by way of capital injection of RMB48,000,000; Cang Chen Investment shall subscribe for shares in Suzhou Langwang by way of capital injection of RMB1,000,000; and Nanjing Langming shall make capital injection of RMB1,000,000 to Suzhou Langwang. Upon completion of the Capital Injection, Nanjing Langming, Xiu Chen Investment and Cang Chen Investment will respectively own 51%, 48% and 1% of the equity interests in Suzhou Langwang. Nanjing Langming will provide management services for Suzhou Langwang and charge a control management fee that represents 2% of the quarterly contract sales.
- (2) During the reporting period, Nanjing Xinquisheng Investment Management Co., Ltd. (“Nanjing Xinquisheng”), a wholly-owned subsidiary owned by the Group, and Poly Jiangsu Real Estate Development Co., Ltd. (“Poly Jiangsu”) jointly funded and founded a project company named Nanjing Xueheng Property Co., Ltd. (“Nanjing Xueheng”). Poly Jiangsu held 50.1% of shares in the project company whilst Nanjing Xinquisheng held 49.9% of shares. The project company would be in charge of the development of the site situated at Land Parcel No. 376, Heban Village, Maigaoqiao, Qixia District, Nanjing City. It would be a residential project and will apply the sophisticated Landsea green residential technology system.

Operation Income and Gross Profit

For the six months ended 30 June 2015, the Group’s revenue was mainly derived from property development and management services income of approximately RMB322,475,000, property development business income of approximately RMB2,084,000, and rental and management fee income from investment property in the amount of approximately RMB12,729,000 aggregating to approximately RMB337,288,000, representing a significant increase of approximately 54% as compared to revenue of corresponding period in 2014. The increase in revenue was mainly due to increase in property development and management services income, which included RMB246,097,000 from Landsea Group and RMB76,378,000 from independent third parties or cooperating parties.

For the six months ended 30 June 2015, the gross profit of the Group was approximately RMB271,591,000, representing a significant increase of 56.7% as compared to the gross profit of corresponding period in 2014. The gross profit ratio of the Group was approximately 80.5% (2014: 79.3%). The increase in gross profit ratio was mainly due to the income from the property development and management services business, which had a higher gross profit margin.

It is the first time that the Group has recorded the property development and management services income from independent third parties or cooperating parties, which accounted for approximately 22.6% of the revenue. With further expansion of asset-light businesses such as joint development, projects with minority interests and entrusted development, this business will account more of the revenue.

Profit Attributable to the Owners of the Company

For the six months ended 30 June 2015, the profit attributable to owners of the Company was approximately RMB180,543,000, representing an increase of 41.8%, as compared to that of corresponding period in 2014. The increase was mainly due to (i) increase in property development and management services income, (ii) unrealized exchange gain, and (iii) recognition of deferred tax assets.

Contracted sales and properties sold but not recognised

The contracted sales of the Group for the six months ended 30 June 2015 amounted to approximately RMB2,463,000,000 with contracted gross floor area of approximately 218,073 square meters at average selling price of RMB11,296 per square meter. The contracted sales mainly came from the on-sale projects in Shanghai, Nanjing, Suzhou, Hangzhou and Wuxi. As at 30 June 2015, the accumulated area of properties sold but not recognised was 374,812 square meters, amounting to approximately RMB4,336,637,000.

Details of Contracted Sales for the six months ended 30 June 2015

Projects	Equity Holding	Contracted Sales (RMB'000)	Contracted Sales GFA (Square Meters)	Average Contracted Sales Selling Price per Square Meter (RMB)
1. Nanjing Youth Block	100%	273,105	27,820	9,817
2. Nanjing Future Home	50.1%	213,707	26,526	8,057
3. Nanjing China Merchants Evian County	30%	311,490	31,708	9,824
4. Shanghai Future Block	100%	257,127	14,885	17,274
5. Shanghai The Course of The Future	100%	75,952	5,036	15,082
6. Suzhou Green County of Landsea	55%	258,880	20,152	12,846
7. Wuxi Tiancui	100%	30,730	2,284	13,454
8. Wuxi Luka Small Town	100%	32,708	5,131	6,375
9. Hangzhou Mer De Fleus	100%	298,964	28,599	10,454
10. Hangzhou Liangzhu Wanke Future Life	34%	710,630	55,932	12,705
Total		<u>2,463,293</u>	<u>218,073</u>	<u>11,296</u>

Property Investment

The Group's investment property, namely Dawning Tower, is located in Shenzhen, the PRC. For the six months ended 30 June 2015, the Group recognized an income of approximately RMB12,729,000, representing an increase of approximately 5.2% as compared to the same period in 2014. Owing to its prime location and quality property management services, Dawning Tower managed to maintain high level occupancy rate and effective cost control guarantee steady net operation income from the building during the reporting period. As at 30 June 2015, Dawning Tower's occupancy rate was 100%.

For the six months ended 30 June 2015, the Group's fair value gain of investment property was approximately RMB26,400,000. 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 2015, the selling expenses of the Group were approximately RMB35,858,000, representing a significant increase of approximately 220.4% as compared to the same period in 2014. The increase was mainly due to the fact that the Group had 10 projects recording contracted sales. The on-sale projects had significantly increased compared with the same period in 2014, therefore selling expenses and expenses relating to the pre-sale promotional activities launched for projects increased accordingly.

Administrative Expenses

The Group has started to implement budget control since 2015. For the six months ended 30 June 2015, the administrative expenses of the Group were approximately RMB26,802,000, an increase of approximately 112.2% as compared to the corresponding period in 2014. The increase was within the budget control and was mainly due to the substantial increase of operation scale of the Group, and to the fact that a large number of property development staff were transferred from Landsea Group in April 2014.

Finance Costs

For the six months ended 30 June 2015, finance costs of the Group were approximately RMB7,419,000, representing an increase of approximately 33.5% as compared to the same period in 2014. The increase in finance costs were mainly due to the general increase in business scale, number of projects and interest-bearing liabilities.

Taxation

For the six months ended 30 June 2015, taxation charge of the Group was approximately RMB52,380,000, an increase of 11.7% as compared to the corresponding period in 2014. The increase is mainly attributable to the profits recognized in this year.

Earnings per share

For the six months ended 30 June 2015, the earnings per share attributable to the owners of the Company were RMB0.061.

Land Reserve

As at 30 June 2015, the Group has a land reserve of 2,682,315 square meters in terms of gross floor area. In terms of interest, land reserve of approximately 1,663,569 square meters is attributable to the Group.

As at 30 June 2015, details of the land bank of the Group are set out as below:

Projects	Equity Holding	GFA (Square meters)	Developed GFA (Square meters)	Developing GFA (Square meters)	GFA for Future Development (Square meters)
1. Shanghai Future Block	100%	233,792	–	233,792	–
2. Shanghai The Course of The Future	100%	108,294	–	52,489	55,805
3. Nanjing Youth Block	100%	309,218	–	101,350	207,868
4. Nanjing Future Home	50.1%	133,978	–	133,978	–
5. Nanjing China Merchants Evian County	30%	163,000	–	105,000	58,000
6. Nanjing Aonan Project	12.97%	207,000	–	30,000	177,000
7. Nanjing Poly Landsea Weilan	49.9%	199,439	–	199,439	–
8. Hangzhou Mer De Fleus	100%	180,473	–	180,473	–
9. Hangzhou Liangzhu Wanke Future Life	34%	192,536	–	192,536	–
10. Suzhou Renmin Road Project	51%	83,403	–	–	83,403
11. Suzhou Green County of Landsea	55%	424,163	–	82,124	342,039
12. Suzhou Landsea Luzhou	20%	99,952	–	99,952	–
13. Wuxi Tiancui	100%	48,994	12,669	36,325	–
14. Wuxi Luka Small Town	100%	139,481	–	40,497	98,984
15. Chengdu Dayuan Project	25%	158,592	–	–	158,592
Total		<u>2,682,315</u>	<u>12,669</u>	<u>1,487,955</u>	<u>1,181,691</u>

Progress of Development of New Projects

Chengdu Dayuan Project

The land parcel, which was in the proximity of Line 5 of the Chengdu Subway, was located in a district with good town planning and supporting facilities. It was suited for the development of medium-to-high end property. The granted land parcel covered a total area of 63,605 square meters. With a plot ratio of approximately 2.49, the expected gross floor area could reach 158,592 square meters. The cost per square meter would be about RMB5,883 (on the basis of gross floor area). The total purchase price was RMB933 million. The land parcel would be developed into upgraded housings with the Company's unique green technologies applied to suit the local weather of Chengdu.

Nanjing Aonan Project

The land parcel was near the Nanjing Youth Olympics Sports Ground and it was located in a district with many high-end residential buildings. The granted land parcel covered a total area of 81,561 square meters with a plot ratio of approximately 2.75. The expected total gross floor area was 207,000 square meters and the purchase price was RMB3.1 billion. The total investment was estimated to be RMB5.5 billion. The land use of the land parcel was Category II Residential Property. Landsea would be in charge of the development, construction, management and sales of a gross floor area amounting to 153,083 square meters. The project was intended to build a green technology residence which is widely sought in Nanjing market, and was expected to bring considerable income.

Nanjing Poly Landsea Weilan Project

Nanjing Poly Landsea Weilan Project was located at Land Parcel No. 376, Heban Village, Maigaoqiao Road, Qixia District, Nanjing City. The granted land parcel covered an area of 66,480 square meters. With a plot ratio of 3.00, the expected total gross floor area could reach 199,439 square meters. The purchase price of the land parcel was RMB1.9 billion. It was a joint project developed by the Group and Jiangsu Poly Real Estate Development Co., Ltd., a wholly-owned subsidiary of Poly Real Estate Group Co., Ltd. The Company held 49.9% of interest. The land parcel would be made into residential and commercial buildings for sale in the market.

Liquidity and Financial Resources

Cash Position

As at 30 June 2015, the Group's cash and cash equivalents and restricted cash were approximately RMB1,259,015,000 and RMB1,408,450,000 respectively. As at 30 June 2015, the Group's current ratio (current assets divided by current liabilities) was approximately 1.73 times.

Indebtedness

As at 30 June 2015, the total borrowings of the Group were approximately RMB7,000,993,000, mainly from shareholder's loans, secured bank loans, senior notes and secured loan under trust financing arrangement. The weighted average borrowing cost of the Group at 30 June 2015 was 6.7% per annum (31 December 2014: 6.7%). The debts structure was gradually optimized and the average maturity (mainly represents shareholder's loans and loans secured by deposits) of debt was further extended. As at 30 June 2015, the short-term debt ratio was 34.4% and the long-term debt ratio was 65.6%.

On 24 April 2015, the Group as an issuer issued to Haitong International Securities Group Limited the 3-year 9.50% Private Notes with an aggregate principal amount of US\$100 million. The Group believes issuing senior notes can increase its working capital so as to support its continual operation and further business development and that will not influence the existing shareholders' equity interests by dilution and is in accord with the general interests of the Group and its shareholders.

Analysis of Indebtedness:

	30 June 2015		31 December 2014	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Analysis of borrowings by currency:				
Denominated in RMB	5,632,155	80.4%	5,311,000	87.3%
Denominated in USD	1,180,802	16.9%	581,766	9.6%
Denominated in HK\$	188,036	2.7%	186,876	3.1%
	<u>7,000,993</u>	<u>100.0%</u>	<u>6,079,642</u>	<u>100.0%</u>
Analysis of borrowings by maturity:				
Within one year	2,410,800	34.4%	2,456,640	40.4%
Between one and two years	950,000	13.6%	1,252,000	20.6%
Over two years	3,640,193	52.0%	2,371,002	39.0%
	<u>7,000,993</u>	<u>100.0%</u>	<u>6,079,642</u>	<u>100.0%</u>

Gearing Ratios

The net debts to equity ratio* of the Group was approximately 276.1% (if excluding shareholder's loans, the abovementioned ratio is 196.3%) as at 30 June 2015, which decreased by 18.6% compared to December 2014. The Group's debts to total assets ratio (total borrowings divided by total assets) was approximately 58.1% as at 30 June 2015 and 67.6% as at 31 December 2014. 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.

* *net debts to equity ratio = total borrowings less cash and cash equivalents and restricted cash divided by total equity*

Pledge of Assets of the Group

As at 30 June 2015, 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, standby letter of credit, cash and guarantee by controlling shareholder. Senior notes are secured by shares of related subsidiaries and guarantee by controlling shareholder and a director of the Company. The loan under trust financing arrangement is secured by the Group's land parcel and/or shares of related subsidiaries.

Foreign Exchange and Currency Risk

As most of the income as well as direct costs, payments of equipment, salaries and majority of debts payable are denominated in Renminbi, United States dollars 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 this period, the Group was not engaged in any hedging activities. As at 30 June 2015, cash and cash equivalents and restricted cash of the Group were mainly denominated in Renminbi, Hong Kong dollars and United States dollars.

Interest Rate Risk

As at 30 June 2015, the fixed rate interest bearing borrowings accounted for 97.1% 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

In accordance to the Capital Injection Agreement dated 10 April 2015, the equity interests in Suzhou Langwang owned by the Group will decrease from 100% to 51% upon completion of the Capital Injection (Please refer to the Announcement dated 10 April 2015).

Save as disclosed above, the Group did not participate in any substantial acquisition or disposal during the six months ended 30 June 2015.

Contingent Liabilities

The Group has, in cooperation with 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 2015, the outstanding guarantees amounted to approximately RMB556,125,000 (31 December 2014: approximately RMB97,347,000). 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 2015. 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 2015.

Employees and Remuneration Policy

As at 30 June 2015, the Group had 581 employees (31 December 2014: 647) responsible for management, executive, technical and general functions in Hong Kong and the PRC. 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. According to the terms of the current Share Option Scheme and the Share Award Scheme adopted on 2 July 2014, the Company will grant awarded shares or share options to members of management and employees according to their respective performance.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2015 (2014: Nil).

OTHER INFORMATION

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 2015, other than those purchased by the trustee for the Share Award Scheme.

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 Rules Governing the Listing of Securities on the Stock Exchange ("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 2015.

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 2015.

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 2015, the Company was in compliance with all relevant code provisions set out in the CG Code.

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 2015 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 one non-executive Director, namely Ms. Zhou Qin, and three independent non-executive Directors, namely 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 2015 has been reviewed by the Audit Committee.

CHANGE OF CHAIRMAN OF THE REMUNERATION COMMITTEE

The Board hereby announces that with effect from 11 August 2015:

1. Mr. Xu Xiaonian, being an independent non-executive Director, has resigned as the chairman of the remuneration committee of the Company (the “Remuneration Committee”) while remained to perform as a member of the Remuneration Committee, as he would like to spend more time in academic activities; and
2. Mr. Lee Kwan Hung, being an independent non-executive Director, has been appointed as the chairman of the Remuneration Committee.

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

Hong Kong, 11 August 2015

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

* For identification purposes only