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LANDSEA 朗诗

— 引 领 绿 色 生 活 —

LANDSEA GREEN GROUP CO., LTD.

朗詩綠色集團有限公司

(Formerly as “Landsea Green Properties Co., Ltd. 朗詩綠色地產有限公司”)

(Incorporated in Bermuda with limited liability)

(Stock code: 106)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

FINANCIAL HIGHLIGHT

- For the year of 2017, contracted sales amount of RMB32,053 million was recorded under “Landsea Products”, including RMB28,411 million recognized by the Group and small amount of remaining projects entrusted by Landsea Group
- The revenue of the Group for the year was approximately RMB6,214 million, representing an increase of 28.3% as compared to last year
- Revenue of RMB753 million derived from development management services with independent third parties and cooperating parties, representing an increase of 37.1% as compared to last year
- The net profit of the Group for the year was approximately RMB721 million, representing an increase of 18.8% as compared to last year
- The core earnings of the Group for the year was approximately RMB932 million, representing an increase of 131.9% as compared to last year
- The Board recommended the distribution of a final dividend of RMB3.54 cents per share (equivalent to HK cents 4.42)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the “Board”) of directors (the “Directors”) of Landsea Green Group Co., Ltd. (the “Company” or “Landsea”) would like to present the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2017 together with the comparative figures. The consolidated results have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	Note	RMB'000	RMB'000
Revenue	5	6,213,931	4,845,008
Cost of sales and services	9	(4,690,410)	(4,086,294)
Gross profit		1,523,521	758,714
Other income	7	150,704	142,681
Selling expenses	9	(119,889)	(90,115)
Administrative expenses	9	(420,235)	(288,754)
Fair value gain on an investment property	18	28,910	41,750
Other gains, net	8	11,991	392,258
Operating profit		1,175,002	956,534
Finance costs, net	10	(238,925)	(194,085)
Share of gains of associates	16	169,453	45,088
Share of gains of joint ventures	17	21,881	24,930
Profit before income tax		1,127,411	832,467
Income tax expense	11	(406,570)	(225,631)
Profit for the year		720,841	606,836
Other comprehensive income			
Translation differences which may be subsequently recycled to the profit or loss		145,300	(122,282)
Other comprehensive income for the year, net of tax		145,300	(122,282)
Total comprehensive income for the year		866,141	484,554

		Year ended 31 December	
		2017	2016
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to:			
	The shareholders of the Company	580,523	595,439
	Non-controlling interests	140,318	11,397
		<u>720,841</u>	<u>606,836</u>
Total comprehensive income for the year attributable to:			
	The shareholders of the Company	744,968	454,413
	Non-controlling interests	121,173	30,141
		<u>866,141</u>	<u>484,554</u>
Earnings per share attributable to shareholders of the Company for the year (expressed in RMB per share)			
	Basic earnings per share	<i>12</i> 0.143	0.147
	Diluted earnings per share	<i>12</i> 0.127	0.131

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

		As at 31 December	
		2017	2016
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Investment property	18	319,830	290,920
Property, plant and equipment	19	656,245	21,070
Interests in associates	16	983,077	744,099
Interests in joint ventures	17	1,885,436	261,610
Other receivables, prepayments and deposits	25	181,826	425,516
Amount due from related parties	41(a)	1,370,535	187,036
Deferred tax assets	30	237,735	153,609
Goodwill		9,460	9,460
		5,644,144	2,093,320
Current assets			
Properties held for sale	20	847,831	395,323
Properties under development	22	6,658,882	10,379,261
Inventories	21	52,069	23,501
Deposits for purchase of land	24	212,125	42,000
Trade receivables	23	629,462	233,270
Other receivables, prepayments and deposits	25	381,341	328,934
Amounts due from related parties	41(a)	1,559,826	818,271
Amounts due from non-controlling interests	26	571,500	558,000
Prepaid taxes		139,534	158,394
Restricted cash	27	281,952	215,722
Cash and cash equivalents	27	3,341,835	2,761,130
		14,676,357	15,913,806
Total assets		20,320,501	18,007,126

		As at 31 December	
		2017	2016
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	29	3,254,957	4,815,351
Deferred tax liabilities	30	75,537	52,850
Amounts due to related parties	41(b)	2,714,606	1,787,112
Amounts due to non-controlling interests	31	17,217	211,492
		6,062,317	6,866,805
Current liabilities			
Creditors and accruals	28	2,001,908	1,367,759
Advanced proceeds received from customers		4,051,066	4,924,805
Amounts due to related parties	41(b)	2,044,080	325,360
Amounts due to non-controlling interests	31	18,110	–
Borrowings	29	2,174,458	1,267,990
Taxation payable		270,499	201,691
		10,560,121	8,087,605
Total liabilities		16,622,438	14,954,410
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	32	31,800	31,800
Convertible perpetual securities	34	495,425	484,204
Reserves	35	2,964,716	2,384,652
		3,491,941	2,900,656
Non-controlling interests	36	206,122	152,060
Total equity		3,698,063	3,052,716
Total liabilities and equity		20,320,501	18,007,126

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to the shareholders of the Company				Non-controlling interests	
	Share capital	Convertible perpetual securities	Reserves	Total	(note 36)	Total
	RMB'000	(note 34) RMB'000	(note 35) RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	26,665	110,054	1,779,746	1,916,465	40,210	1,956,675
Business combination between entities under common control	–	–	1,484	1,484	–	1,484
At 1 January 2016 (Restated)	26,665	110,054	1,781,230	1,917,949	40,210	1,958,159
Profit for the year	–	–	595,439	595,439	11,397	606,836
Other comprehensive income						
Exchange difference arising from translation of foreign operations	–	–	(141,026)	(141,026)	18,744	(122,282)
Total comprehensive income for the year	–	–	454,413	454,413	30,141	484,554
Issuance of shares (note 32)	5,135	–	360,943	366,078	–	366,078
Dividend	–	–	(133,934)	(133,934)	–	(133,934)
Employee share based compensation (note 33)	–	–	10,245	10,245	–	10,245
Shares held for share award scheme	–	–	1,846	1,846	–	1,846
Issuance of convertible perpetual securities (note 34)	–	363,847	–	363,847	–	363,847
Accrued distribution to holders of convertible perpetual securities (note 34)	–	18,661	(18,661)	–	–	–
Contribution from non-controlling interests	–	–	24,426	24,426	278,509	302,935
Distribution to non-controlling interests	–	–	–	–	(196,800)	(196,800)
Distributions to holders of convertible perpetual securities	–	(8,358)	–	(8,358)	–	(8,358)
Consideration paid for business combination between entities under common control	–	–	(95,856)	(95,856)	–	(95,856)
Subtotal of transaction with shareholders	5,135	374,150	149,009	528,294	81,709	610,003
At 31 December 2016	31,800	484,204	2,384,652	2,900,656	152,060	3,052,716

	Attributable to the shareholders of the Company				Non-controlling interests (note 36) RMB'000	Total RMB'000
	Share capital RMB'000	Convertible perpetual securities (note 34) RMB'000	Reserves (note 35) RMB'000	Total RMB'000		
At 1 January 2017	31,800	484,204	2,384,652	2,900,656	152,060	3,052,716
Profit for the year	–	–	580,523	580,523	140,318	720,841
Other comprehensive income						
Exchange difference arising from translation of foreign operations			164,445	164,445	(19,145)	145,300
Total comprehensive income for the year	–	–	744,968	744,968	121,173	866,141
Dividend	–	–	(138,682)	(138,682)	–	(138,682)
Shares held for share award scheme	–	–	(6,543)	(6,543)	–	(6,543)
Accrued distribution to holders of convertible perpetual securities (note 34)	–	19,679	(19,679)	–	–	–
Contribution from non-controlling interests (note 36)	–	–	–	–	24,674	24,674
Acquisition of subsidiaries (note 37)					137,010	137,010
Transaction with non-controlling interests (note 36)					(134,044)	(134,044)
Distribution to non-controlling interests (note 36)	–	–	–	–	(61,344)	(61,344)
Distributions to holders of convertible perpetual securities	–	(8,458)	–	(8,458)	–	(8,458)
Deemed disposal of subsidiaries (note 38)	–	–	–	–	(33,407)	(33,407)
Subtotal of transaction with shareholders	–	11,221	(164,904)	(153,683)	(67,111)	(220,794)
At 31 December 2017	31,800	495,425	2,964,716	3,491,941	206,122	3,698,063

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Net cash generated in operations	40	1,448,120	2,411,562
Tax paid		(401,092)	(384,910)
Interest paid		(415,030)	(233,477)
<i>Net cash generated from operating activities</i>		631,998	1,793,175
Cash flows from investing activities			
Payment for acquisition of subsidiaries	25, 37	(1,946,561)	(1,685,994)
Capital injection in joint ventures		(1,000,444)	(124,573)
Capital injection in associates		(12,138)	(324,681)
Proceeds from disposal of joint ventures		24,850	–
Proceeds from disposal of property, plant and equipment		21	94
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	38	776,199	312,559
Lendings to third parties		(93,460)	(338,320)
Interest received		10,120	14,700
Purchases of property, plant and equipment		(646,760)	(19,323)
Dividend from associates		72,000	–
Funding to related parties	41(e)	(324,319)	–
Collection of funding to related parties	41(e)	1,278,253	1,421,028
Advance to non-controlling interests		(13,500)	(558,000)
<i>Net cash used in investing activities</i>		(1,875,739)	(1,302,510)

		Year ended 31 December	
		2017	2016
	<i>Note</i>	RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from borrowings	40(b)	2,887,033	4,579,687
Repayment of borrowings	40(b)	(2,319,051)	(4,982,988)
Proceeds from related parties	41(e)	2,080,044	1,533,593
Prepayment of due to non-controlling interests		(110,651)	(286,754)
Repayment to related parties	41(e)	(453,230)	–
Interest paid		–	(231,743)
Contribution from non-controlling interests	36	24,674	305,802
Proceeds from non-controlling interests		17,813	453,232
Dividends paid to shareholders of the Company		(138,682)	(133,934)
Distribution to non-controlling interests	36	(61,344)	(196,800)
Acquisition of additional interest in a subsidiary		(81,900)	–
Issuance of ordinary shares, net of issuance cost		–	(2,714)
Distributions to holders of convertible perpetual securities		(8,458)	(8,358)
Increase in restricted cash		(40,833)	(41,459)
<i>Net cash generated from financing activities</i>		1,795,415	987,564
Net increase in cash and cash equivalents		551,674	1,478,229
Cash and cash equivalents at 1 January		2,761,130	1,262,269
Effect of foreign exchange rate changes		29,031	20,632
Cash and cash equivalents at 31 December	27	3,341,835	2,761,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1 GENERAL INFORMATION

Landsea Green Group Co., Ltd. (formerly known as: Landsea Green Properties Co., Ltd., the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The company changed its name from Landsea Green Properties Co., Ltd to Landsea Green Group Co., Ltd as approved by the Special General Meeting on 28 February 2018. The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and Room 5103, 51/F., The Center, 99 Queen’s Road Central, Hong Kong respectively. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“SEHK”).

The Company is an investment holding company. Details of the activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements. The Company and its subsidiaries are referred to as the “Group” hereinafter. The Group is principally engaged in property investment and property development and sales.

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”).

These consolidated financial statements are presented in thousands of Renminbi (“RMB’000”) and were approved for issue by the board of directors on 28 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

(i) *Compliance with HKFRS and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of Hong Kong Companies Ordinance Cap. 622.

(ii) *Historical cost convention*

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property which is carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses — Amendments to HKAS 12, and
- Disclosure initiative — amendments to HKAS 7.

The adoption of these amendments did not have any significant impact on the amounts recognized in prior periods. Most of the amendments will also not affect the current periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 40.

(iv) New standards and interpretations not yet adopted

Up to the date of issuance of this report, the HKICPA has issued the following new standards and amendments which are relevant to the Group's operations but are not yet effective and have not been early adopted by the Group:

Standards/Amendments		Effective for annual periods beginning on or after	note
HK 40 (Amendments)	Transfer of Investment Property	1 January 2018	
HK(IFRIC) 22	Foreign Currency Transactions and Advance	1 January 2018	
HKFRS 15	Consideration Revenue from Contracts with Customers	1 January 2018	(a)
HKFRS 9	Financial Instruments	1 January 2018	(b)
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018 or when the entity first applies HKFRS 9	
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018	
Annual Improvements	Annual Improvements to HKFRSs 2014–2016 Cycle	1 January 2018	
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	
HKFRS 16	Leases	1 January 2019	(c)
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019	
HKFRS 17	Insurance Contracts	1 January 2021	
Amendment to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019	

The Group has already commenced an assessment of the impact of these new standards or amendments, certain of which are relevant to the Group's operation. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective except for HKFRS 15, HKFRS 9 and HKFRS 16.

(a) HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. Control of the properties under development is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on the property development costs incurred as a percentage of total estimated costs for complete satisfaction as allocated to the contract.

Revenue for certain pre-sale properties contracts may be changed and recognised earlier over the period of time, instead of at a single point in time under the current accounting policy.

- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expensed off in profit or loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.
- Presentation of contract assets and liability. Reclassification shall be made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15.

Based on the preliminary assessment, it will have some impact on the Group's financial position and result of operation upon adoption HKFRS 15 on 1 January 2018.

(b) *HKFRS 9 (2014), "Financial instruments" replaces the whole of HKAS 39*

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

While the Group has yet to undertake a detailed assessment, there will be no significant impact on the Group's classification for financial assets and liabilities. As the Group expects that its financial assets and liabilities currently measured at amortised cost will continue with their respective classification and measurements. And the Group does not hold any financial assets currently classified as available-for-sale (AFS), financial assets currently measured at fair value through profit or loss or financial liabilities currently measured at fair value through profit or loss.

The Group expect the new impairment model introduced by HKFRS9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39.

- (c) HKFRS 16 “Leases”. The Group is the lessee of certain buildings which are currently classified as operating lease. The Group’s current accounting policy for such leases is set out in Note 2.32 with the Group’s future operating lease commitments, which are not reflected in the consolidated statement of financial position, set out in Note 39. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the balance sheet. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group’s consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempted from the reporting obligation. The new standard will therefore result in an increase in right of use assets and an increase in financial liabilities in the consolidated statement of financial position. In the statement of profit or loss, as a result, the operating expense under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase.

The Group consider that the adoption of the new standard will have some impact on the financial position of the Group as the related right-of-use assets and lease liabilities will be recognised upon adoption of the new standard on 1 January 2019. However, the impact to the financial performance of the Group will not be Significant as the impact of amortisation of the right-of-use assets and unwinding the discount of the related payable will not be materially different from the operating lease charges that would have been recognised under the current standard.

The Group does not intend to adopt the above standards before their respective effective dates.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group is exposed to a variety of financial risks such as market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk, which result from its operating, investing and financing activities. According to the Group’s risk management policies, the financial risks shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

(a) *Market risk*

(i) *Foreign currency risk*

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates and invests in Hong Kong, United States (“US”) and the PRC with most of the transaction denominated and settled in HK\$, US\$ and RMB respectively. Foreign exchange risk mainly arises from certain borrowings and other current liabilities of the Company (with functional currency of HK\$) and the companies located in US (with functional currency of US\$) which are denominated in RMB.

At 31 December 2017, if RMB had weakened/strengthened by 5% against HK\$ and US\$ with all other variables held constant, pre-tax profit for the year would have been approximately RMB215,142,000 (2016: RMB203,870,000) higher/lower, mainly as a result of foreign exchange differences on translation of RMB denominated borrowings and inter-group loans.

(ii) Interest rate risk

The Group has no significant interest-bearing assets and liabilities other than bank deposits and borrowings. Bank balances and borrowings at floating rates expose the Group to cash flow interest rate risk. The Group's exposure to market risk for changes in interest rates relates primarily to bank balances which bear floating interest rates. Management monitors the interest rate risk and performs sensitivity analysis on a regular basis.

At 31 December 2017, if interest rates on bank balances and borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's bank interest income and profit for the year would have been approximately RMB7,240,000 (2016: RMB17,157,000) lower/higher. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The credit risk of the Group mainly arises from bank balances and deposits, trade and other receivables and amounts due from related parties and non-controlling interests. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk on Group's cash and cash equivalents is limited because the counterparties are banks with high credit ratings. In respect of trade and other receivables and amounts due from related parties, individual credit evaluations are performed on all debtors. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtors operate. The Group does not obtain collateral from customers or counterparties in respect of receivable.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and re-sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced. Detailed disclosure of these guarantees is made in note 42.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for the payments for property development projects and operating expenses. The Group finances its working capital requirements mainly through internal resources and borrowings from shareholders and banks.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirement in the short and long term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows based on the earliest date on which the Group can be required to pay as of 31 December 2017.

	Less than 1 year or repayable on demand RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
At 31 December 2017				
Creditors and accruals	1,715,606	–	–	1,715,606
Amounts due to non-controlling interests and interest thereon	20,176	19,283	–	39,459
Amounts due to related parties and interest thereon	2,120,416	502,153	2,291,850	4,914,419
Borrowings and interest thereon	<u>2,495,178</u>	<u>362,004</u>	<u>3,175,999</u>	<u>6,033,181</u>
At 31 December 2016				
Creditors and accruals	1,185,656	–	–	1,185,656
Amounts due to non-controlling interests and interest thereon	23,449	23,449	227,985	274,883
Amounts due to related parties and interest thereon	344,326	361,182	1,431,930	2,137,438
Borrowings and interest thereon	<u>1,612,466</u>	<u>2,241,241</u>	<u>3,069,142</u>	<u>6,922,849</u>

3.2 Fair Value Estimation

Below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
2. Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
3. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's investment property is recognised under level 3 of the fair value hierarchy and details of the valuation are disclosed in note 18.

The carrying amounts of the Group's current financial assets and financial liabilities approximate their fair values due to their short maturities.

3.3 Capital Risk Management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or obtain borrowings.

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash pledged for the Group's borrowing. Total capital is calculated as net debt plus total equity as shown in the consolidated balance sheet.

The gearing ratios as at 31 December 2017 and 2016 were as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Borrowings (<i>note 29</i>)	5,429,415	6,083,341
Less: Cash and cash equivalents (<i>note 27</i>)	(3,341,835)	(2,761,130)
Restricted cash (<i>note 27</i>)	(129,290)	(215,722)
Net debt	1,958,290	3,106,489
Total equity	3,698,063	3,052,716
Total capital	5,656,353	6,159,205
Gearing ratio	34%	50%

Restricted cash was pledged as securities for certain bank borrowings and mortgage facilities of the Group and management considers that such restricted cash should be included in the calculation of net debt in order to reflect an appropriate gearing ratio of the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(I) Classification of subsidiary, joint venture and associate

In the normal course of business, the Group develops properties together with other developers or institutions, through entering into co-operation agreements with these parties. The rights and obligations of the Group and the other parties are stipulated by respective co-operation agreements, article of associations of the project companies, etc. Because of the complexity of the arrangements, significant judgement is needed in determining whether the project company is subsidiary, joint venture or associate of the Group. The Group makes judgement based on the substance of the arrangements and the definition of subsidiary, joint venture and associate.

(II) Estimated Fair Value of Investment Property

The Group's investment property is stated at fair value which is determined by an independent professional valuer. Such valuation is made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market conditions existing at the reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

(III) Net Realisable Value of Inventory, Properties Held For Sale and Under Development

Management determines the net realisable value of inventory, properties held for sale and under development by using prevailing market data such as most recent sale transactions. Such assessment is made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual result. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at the reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

(IV) Income Taxes and Deferred Tax

The Group is subject to income taxes in Hong Kong, US and the PRC. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

(V) PRC Land Appreciation Taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its property development projects. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

(VI) Impairment of Interests in Associates and Joint Ventures

The Group follows the guidance of HKAS 39 to identify any impairment indicator for whether interests in associate and joint ventures. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(VII) Revenue Recognition for Development Management Services Fees

The Group uses the percentage-of-completion method in the accounting of development management service contract. Use of the percentage-of-completion method requires the Group to estimate the total contract costs incurred up to the end of the reporting period as a percentage of total estimated costs to completion for each contract. While for the contracts with the floating fees, besides the determination of percentage of completion, significant accounting estimates is also involved in the determination of projected sales. The total revenue recognised could be different from the amounts that were initially recorded, and these differences will impact the revenue in the periods in which such target properties are delivered to customers.

(VIII) Revenue Recognition for Sales of Land Improvements

The Group uses the percentage-of-completion method in the accounting of sales of land improvements. Use of the percentage-of-completion method requires the Group to estimate the total contract costs incurred up to the end of the reporting period as a percentage of total estimated costs to completion for each contract.

5 REVENUE

Revenue recognized during the year is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Sale of properties and lands in	5,379,563	4,121,233
— The PRC	4,048,718	3,834,225
— The USA	1,330,845	287,008
Management services fee income (i)	753,225	623,171
Decoration service income	46,313	74,141
Rental and management fee income on investment property	26,548	26,463
Long-term rental apartment income	8,282	—
	<u>6,213,931</u>	<u>4,845,008</u>

(i) Breakdown of the revenue from property development and management services is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue from development management service	297,472	269,056
Revenue from sales management service	281,572	229,566
Revenue from green product integration services	152,775	83,280
Revenue from brand authorisation services	21,406	41,269
	<u>753,225</u>	<u>623,171</u>

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. These reports are prepared on the same basis as these consolidated financial statements.

The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from services perspective and have identified the following operating segments:

- (i) Investment office property;
- (ii) Property and land development and sale;
- (iii) Management services; and
- (iv) Long-term rental apartments.

The Group established the long-term rental apartment business in 2017. To better measure the performance, a separate segment is reported.

The executive directors assess the performance of the reportable segments based on a measure of revenue and segment profit. Segment profit includes profits from subsidiaries, share of profits of joint ventures and share of profits of associates. This represents the profit earned by each segment without allocation of gain on disposal of property, plant and equipment, interest income on bank deposits, corporate expenses and corporate finance costs charged in the consolidated statement of comprehensive income. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2017 is as follows:

	Year ended 31 December 2017				
	Investment property office <i>RMB'000</i>	Property and land development and sale <i>RMB'000</i>	Management services <i>RMB'000</i>	Long-term rental apartments <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (external)	<u>26,548</u>	<u>5,425,876</u>	<u>753,225</u>	<u>8,282</u>	<u>6,213,931</u>
Reportable segment profit	<u>45,511</u>	<u>1,113,465</u>	<u>410,885</u>	<u>(44,170)</u>	<u>1,525,691</u>
Depreciation of property, plant and equipment	(3)	(9,374)	(1,739)	(142)	(11,258)
Fair value gain on investment properties	28,910	–	–	–	28,910
Share of gains of associates	–	169,453	–	–	169,453
Share of gains of joint ventures	–	21,881	–	–	21,881
Segment assets	349,941	17,140,908	2,526,845	302,807	20,320,501
Segment liabilities	83,313	15,772,957	662,542	103,626	16,622,438
Interests in joint ventures and associates	–	2,868,513	–	–	2,868,513
Additions to non-current assets (excluding financial assets)	<u>28,925</u>	<u>220,746</u>	<u>13,814</u>	<u>156,910</u>	<u>420,395</u>

	Year ended 31 December 2016				
	Investment property office <i>RMB'000</i>	Property and land development and sale <i>RMB'000</i>	Management services <i>RMB'000</i>	Long-term rental apartments <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (external)	<u>26,463</u>	<u>4,195,374</u>	<u>623,171</u>	<u>–</u>	<u>4,845,008</u>
Reportable segment profit	<u>58,433</u>	<u>557,601</u>	<u>389,174</u>	<u>–</u>	<u>1,005,208</u>
Depreciation of property, plant and equipment	(3)	(11,314)	(1,100)	–	(12,417)
Fair value gain on investment properties	41,750	–	–	–	41,750
Share of gains of associates	–	45,088	–	–	45,088
Share of gains of joint ventures	–	24,930	–	–	24,930
Finance costs	–	(81,823)	–	–	(81,823)
Segment assets	309,069	15,238,363	2,459,694	–	18,007,126
Segment liabilities	58,122	14,293,919	390,877	–	14,742,918
Additions to non-current assets	<u>41,760</u>	<u>683,348</u>	<u>406,903</u>	<u>–</u>	<u>1,132,011</u>

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

	Year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Segment profit	1,525,691	1,005,208
Bank interest income	10,120	14,700
Gains/(losses) on disposal of property, plant and equipment	(2)	56
Unallocated corporate income	101	120
Unallocated corporate expenses	(408,499)	(187,617)
Profit before income tax	<u>1,127,411</u>	<u>832,467</u>

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Segment assets	20,320,501	18,007,126
Unallocated assets	—	—
Total assets	20,320,501	18,007,126
	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Segment liabilities	16,622,438	14,742,918
Unallocated liabilities	—	211,492
Total liabilities	16,622,438	14,954,410

The Group does not have any single customer which contributes more than 10% of the Group's revenue.

Unallocated expenses mainly represent corporate expenses such as finance costs and administrative expenses. Unallocated income mainly represents sundry income.

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

	Revenue from external customers		Non-current assets	
	Year ended 31 December		As at 31 December	
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	4,863,089	4,530,170	5,064,967	1,823,786
The USA	1,350,842	314,838	578,475	133,930
Hong Kong (domicile)	—	—	702	135,604
	6,213,931	4,845,008	5,644,144	2,093,320

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.

7 OTHER INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest income from amounts due from joint ventures and associates (<i>note 41</i>)	105,402	95,064
Interest income from non-controlling interests	23,764	–
Interest income from loan to third parties and deposit paid for acquisition of an associate (<i>note 25</i>)	13,362	22,117
Bank interest income	–	14,700
Government grants	5,083	7,785
Interest income from financial products	2,575	–
Sundry income	518	3,015
	<u>150,704</u>	<u>142,681</u>

8 OTHER GAINS, NET

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Gain on disposal of subsidiaries (<i>note 38</i>)	285,619	165,304
Gain on disposal of a joint venture	608	–
Gain/(loss) on disposal of property, plant and equipment	(2)	56
Net exchange (losses)/gains	(270,320)	226,898
Others	(3,914)	–
	<u>11,991</u>	<u>392,258</u>

9 EXPENSES BY NATURE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Employee benefit expenses		
Directors' remuneration (<i>note 14</i>)		
— fees	900	1,028
— salaries and allowances	15,324	13,171
— retirement benefit scheme contributions	355	329
— restricted share award (<i>note 33(b)</i>)	—	3,745
	<u>16,579</u>	<u>18,273</u>
Other staff costs		
— wages, salaries and allowances	218,675	205,208
— retirement benefit scheme contributions	18,682	17,582
— other staff benefit	15,875	18,386
— restricted share award (<i>note 33(b)</i>)	—	6,500
	<u>253,232</u>	<u>247,676</u>
Cost of sale of properties and lands in		
— The PRC	3,350,368	3,499,633
— The USA	1,183,222	291,236
Other taxes	134,327	198,766
Advertising and promotion expenses	72,133	42,337
Rental expense for office buildings	35,904	15,294
Rental expense for long-term rental apartments	11,543	—
Subcontracting fee	28,205	18,781
Legal fees	12,433	17,076
Professional fee	12,783	7,043
Depreciation of property, plant and equipment (<i>note 19</i>)	11,258	12,417
Stamp duty	5,746	9,365
Operating costs in respect of investment property	5,700	6,378
Decoration materials used (<i>note 21</i>)	4,788	19,856
Provision for impairment of trade receivables (<i>note 23</i>)	2,783	2,138
Auditor's remuneration		
— Audit services	1,298	985
— Non-audit services	864	343
Provision of impairment losses on completed properties held for sale (<i>note 20</i>)	1,032	2,157
Others (i)	<u>86,336</u>	<u>55,409</u>
Total	<u><u>5,230,534</u></u>	<u><u>4,465,163</u></u>
Representing:		
Cost of sales and services	4,690,410	4,086,294
Administrative expenses	420,235	288,754
Selling expenses	<u>119,889</u>	<u>90,115</u>
	<u><u>5,230,534</u></u>	<u><u>4,465,163</u></u>

- (i) Others include subsidiaries' statutory and non-statutory audit fee of RMB3,727,000 to their respective auditors.

10 FINANCE COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest expense	526,813	571,684
— Bank borrowings	151,084	269,212
— Loans from the ultimate holding company (<i>note 41</i>)	126,888	100,296
— Senior private notes (in USD)	78,195	149,743
— EB-5 loans (in USD)	21,626	5,950
— Loan from other financial institutes (in USD)	18,062	—
— Junior private notes (in USD)	14,942	16,778
— Interest expense on amounts due to related parties	99,275	29,705
— Sell and buy-back arrangement (in USD) (<i>note 22</i>)	9,733	—
— Discounted bank accepted note (in RMB)	4,380	—
— Loans from non-controlling interest	2,628	—
Less: Interest capitalised	(285,286)	(387,817)
	<u>241,527</u>	<u>183,867</u>
Finance income		
Bank interest income	(10,120)	—
Other finance charges	7,518	10,218
	<u>238,925</u>	<u>194,085</u>

The interest capitalization rate in 2017 is 6.5% (2016: 6.9%).

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current tax		
— Hong Kong profits tax		
Tax expense for the year	1,770	—
Over-provision in prior years	—	(1,832)
— PRC enterprise income tax		
Tax expense for the year	383,903	266,544
— US profit tax		
Tax expense for the year	—	170
	<u>385,673</u>	<u>264,882</u>
PRC land appreciation tax	103,087	16,884
Deferred tax (<i>note 30</i>)	(82,190)	(56,135)
Total income tax expense	<u>406,570</u>	<u>225,631</u>

- (i) Hong Kong profits tax has been provided at 16.5% (2016: 16.5%) on the assessable profits arising in Hong Kong for the year.
- (ii) Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and implementation Regulations of the EIT Law, the applicable tax rate of the PRC subsidiaries is 25%, except for Landsea Design which enjoys a preferential income tax rate of 15% as approved by relevant tax authorities.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of leasehold lands, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

At of 31 December 2017, the Group has unused tax losses RMB31,298,000 (2016: RMB41,029,000) available for offset against future profits for certain entities in PRC which have not been recognised due to the unpredictability of future profit streams. The tax losses would expire within five years.

The EIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings generated beginning 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The directors of the Company had confirmed that retained earnings of the Group’s PRC subsidiaries as at 31 December 2017 will not be distributed in the foreseeable future. No PRC withholding income tax was accrued during the year ended 31 December 2017. The Group controls the dividend policies of these subsidiaries and it has been determined that the remaining earnings will not be distributed in the foreseeable future.

As at 31 December 2017, the Group did not recognize deferred income tax liability for PRC withholding income tax with amount of RMB259,722,000 (2016: RMB149,828,000) on the remaining unremitted distributable profits generated by its PRC subsidiaries attributable to the investors outside the PRC with amount of RMB2,597,218,000 (2016: RMB1,498,283,000), as the directors of the Company had confirmed that the retained earnings as at 31 December 2017 will not be distributed in the foreseeable future.

- (iii) Under the law of the US on Federal tax and state tax, the blended tax rate of the US’s subsidiaries is 39.87%. US profit tax is provided for at 39.87% of the profits for the US statutory financial reporting purpose, adjusted for those items which are not assessable or deductible. (The Tax Cuts and Jobs Act was passed on December 22, 2017, which reduced the corporate tax rate from 35% to 21%, and the new 21% tax rate is effective for tax years beginning after December 31, 2017.)
- (iv) The Company incurred a loss of RMB232,789,000 in year 2017. No deferred tax assets was recognised on the loss.

Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

Reconciliation between profit before income tax and income tax expense is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	1,127,411	832,467
PRC land appreciation tax	(103,087)	(16,884)
	<u>1,024,324</u>	<u>815,583</u>
Tax on profit before income tax, calculated at the statutory rate of 25% (2016: 25%)	256,081	203,896
Effect of different tax rates of group companies operating in other jurisdictions	(248)	2,156
Tax effect of non-taxable income (a)	(50,953)	(44,292)
Tax effect of non-deductible expenses	29,175	39,832
Tax effect of unrecognized tax losses (b)	52,900	7,119
Over-provision in prior years	–	(1,832)
Others (c)	16,528	1,868
Total	303,483	208,747
PRC land appreciation tax	103,087	16,884
Income tax expenses	<u>406,570</u>	<u>225,631</u>

(a) Non-taxable income are mainly share of gains of associates and joint ventures.

(b) Unrecognized tax losses mainly represent loss of the Company (note 11(iv)).

(c) Others mainly represent tax effect of realization of unrecognized temporary difference in prior years.

12 EARNINGS PER SHARE

(i) Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit attributable to shareholders of the Company	580,523	595,439
Accrued distribution of the convertible perpetual securities (<i>note 34</i>)	(19,679)	(18,661)
Profit used to determine basic earnings per share	<u>560,844</u>	<u>576,778</u>
Weighted average number of ordinary shares in issue (thousands)	<u>3,917,571</u>	<u>3,917,571</u>
Earnings per share (expressed in RMB per share)	<u>0.143</u>	<u>0.147</u>

(ii) Diluted Earnings Per Share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: convertible perpetual securities. The convertible perpetual securities are assumed to have been converted into ordinary shares.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit attributable to shareholders of the Company	580,523	595,439
Weighted average number of ordinary shares in issue (thousands)	3,917,571	3,917,571
Adjustment for:		
— Assumed conversion of convertible perpetual securities (thousands)	660,530	611,126
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>4,578,101</u>	<u>4,528,697</u>
Diluted earnings per share (expressed in RMB per share)	<u>0.127</u>	<u>0.131</u>

13 DIVIDEND

	Year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
(i) Final dividend for the year ended 31 December 2016 of RMB3.54 cents (2015: RMB3.4 cents) per fully paid share	138,682	133,934
(ii) Dividend of convertible perpetual securities	19,679	18,661

	Year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed distribution of final dividend out of contributed surplus account of RMB3.54 cents (equivalent to HK cents 4.42) (2016: RMB3.54 cents (equivalent to HK cents 4)) per ordinary share	138,682	138,682

A final dividend relating to the year ended 31 December 2016 amounted to RMB138,682,000 was fully paid on 3 July 2017.

The Board proposed to make a distribution out of contributed surplus account of RMB3.54 cents (equivalent to HK cents 4.42) (2016: RMB3.54 cents (equivalent to HK cents 4)) per ordinary share amounting to a total of RMB138,682,000. The proposed distribution is based on 3,917,570,961 (2016: 3,917,570,961 shares) issued as at 28 March 2018. The proposed final dividend is not reflected as a dividend payable as of 31 December 2017, but will be recorded as a distribution for the year ending 31 December 2018.

The proposed distribution out of contributed surplus account is subject to the passing of an ordinary resolution for approving the distribution by the shareholders at the annual general meeting of the Company to be held on 28 May 2018.

14 BENEFITS AND INTERESTS OF DIRECTORS

(i) Directors' Emoluments

The remuneration of each director is set out below:

For the year ended 31 December 2017:

	Fees RMB'000	Salaries, allowances and bonus RMB'000	Contribution to retirement and other benefits RMB'000	Restricted share award RMB'000	Total RMB'000
2017					
Executive directors					
Tian Ming	–	4,504	69	–	4,573
Xiang Jiong	–	2,994	75	–	3,069
Shen Leying	–	3,041	98	–	3,139
Xie Yuanjian	–	2,646	75	–	2,721
Zhou Qin	–	2,139	38	–	2,177
Independent non-executive directors					
Xu Xiaonian	300	–	–	–	300
Ding Yuan	300	–	–	–	300
Lee Kwan Hung	300	–	–	–	300
Non-executive directors					
Zhou Yimin	–	–	–	–	–
	<u>900</u>	<u>15,324</u>	<u>355</u>	<u>–</u>	<u>16,579</u>
2016					
Executive directors					
Tian Ming	–	4,028	15	988	5,031
Xiang Jiong	–	2,948	70	988	4,006
Shen Leying	–	2,886	100	677	3,663
Xie Yuanjian	–	2,543	58	572	3,173
Zhou Qin	257	766	86	520	1,629
Independent non-executive directors					
Xu Xiaonian	257	–	–	–	257
Ding Yuan	257	–	–	–	257
Lee Kwan Hung	257	–	–	–	257
Non-executive director					
Zhou Yimin	–	–	–	–	–
	<u>1,028</u>	<u>13,171</u>	<u>329</u>	<u>3,745</u>	<u>18,273</u>

(ii) Directors' Retirement Benefits and Termination Benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2016: Ditto).

(iii) Consideration Provided to Third Parties for Making Available Directors' Services

During the year ended 31 December 2017, the Company did not pay consideration to any third parties for making available directors' services (2016: Ditto).

(iv) Information about Loans, Quasi-Loans and other Dealings in Favour of Directors, Controlled Bodies Corporate by and Connected Entities with Such Directors

There are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2016: Ditto).

(v) Directors' Material Interests in Transactions, Arrangements or Contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

15 FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENT

The five individuals whose emoluments were the highest in the Group for the year included three existing (2016: four) directors whose emoluments are reflected in the analysis presented in note 14.

The emoluments of the remaining two (2016: One) individuals during the year ended 31 December 2017 and 2016 were as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Basic salaries, allowances and bonus	9,788	2,874
Contribution to retirement benefits schemes	148	67
Restricted share award	–	530
	9,936	3,471

The number of employees whose remuneration fee within the following band was as follows:

	Numbers of individuals	
	2017	2016
RMB3,000,000 to RMB4,000,000	–	1
RMB4,000,000 to RMB5,000,000	1	–
RMB5,000,000 to RMB6,000,000	1	–

The senior management's emoluments (excluding the five highest paid individuals and directors) during the year ended 31 December 2017 and 2016 fell within the following bands:

	Numbers of individuals	
	2017	2016
RMB0 to RMB1,000,000	1	1
RMB1,000,000 to RMB2,000,000	9	3
RMB2,000,000 to RMB3,000,000	1	3
RMB3,000,000 to RMB4,000,000	–	1

16 INTERESTS IN ASSOCIATES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Share of net assets	983,077	744,099

Set out below are the associates of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Place of business/ country of incorporation	% of ownership interest		Measurement method	Carrying amount	
		As at 31 December			As at 31 December	
		2017	2016		2017	2016
					RMB'000	RMB'000
Nanjing Xueheng Properties Co.,Ltd	the PRC	49.90	49.90	Equity method	305,877	322,607
Nanjing Aojian Properties Co.,Ltd	the PRC	12.97	12.97	Equity method	225,123	232,656
Chengdu Chengfeng Enterprise Management and Consultant Limited (note 38)	the PRC	33.00	100.00	Equity method	214,389	–
Immaterial associates (iii) below					237,688	188,836
Total interests in associates					983,077	744,099

(I) Proportional Commitments and Contingent Liabilities in Respect of Associates

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Commitments — associates		
— lease commitment	9	–
— capital commitment	135,443	–

(II) Summarised Financial Information for Associates

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not Landsea Green Group Co., Ltd's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Nanjing Aojian Properties Co.,Ltd As at 31 December		Nanjing Xueheng Properties Co.,Ltd As at 31 December		Chengdu Chengfeng Enterprise Management and Consultant Limited As at 31 December
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000
Current assets					
Cash and cash equivalents	976,803	1,059,896	1,027,249	691,917	802,316
Other current assets	5,360,060	6,040,956	4,808,783	3,082,663	2,577,482
Total current assets	6,336,863	7,100,852	5,836,032	3,774,580	3,379,798
Non-current assets	7,468	21,532	17,467	11,474	55,467
Current liabilities					
Other current liabilities	(4,378,232)	(4,403,657)	(5,205,934)	(3,020,255)	(1,652,506)
Total current liabilities	(4,378,232)	(4,403,657)	(5,205,934)	(3,020,255)	(1,652,506)
Non-current liabilities					
Financial liabilities (excluding trade payables)	–	(800,000)	–	(100,000)	(1,069,440)
Total non-current liabilities	–	(800,000)	–	(100,000)	(1,069,440)
Net assets	1,966,099	1,918,727	647,565	665,799	713,319
Group's share in %	12.97%	12.97%	49.90%	49.90%	33.00%
Group's share	255,003	248,859	323,135	332,233	235,395
Adjustment	(29,880)	(16,203)	(17,258)	(9,626)	(21,006)
Carrying amount	225,123	232,656	305,877	322,607	214,389
Revenue	–	–	–	–	–
Income tax expense	4,058	–	6,041	9,539	27,594
Loss for the year	(12,175)	(23,911)	(18,233)	(28,727)	(82,512)
Group's share	(1,579)	(3,101)	(9,098)	(14,335)	(27,229)

(III) Individually Immaterial Associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	237,688	188,836
	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Aggregate amounts of the Group's share of Profit	207,359	62,524

17 INTERESTS IN JOINT VENTURES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Share of net assets	1,885,436	261,610

Set out below are joint ventures of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Place of business/ country of incorporation	% of ownership interest		Measurement method	Carrying amount As at 31 December	
		As at 31 December 2017	2016		2017	2016
					RMB'000	RMB'000
Zhongcheng Qiannian Investment Company (Limited Partnership)*	the PRC	50.00	–	Equity method	335,931	–
Jiixin Langda II Investment Company (Limited Partnership)*	the PRC	29.98	–	Equity method	513,446	–
LS-NJ Port Imperial JV LLC (note 38)	the USA	51.00	100.00	Equity method	363,980	–
Immaterial joint ventures (iii) below					672,079	261,610
Total interests in joint ventures					1,885,436	261,610

* These companies were incorporated during the year of 2017.

(I) Proportional Commitments and Contingent Liabilities in Respect of Joint Ventures

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Commitments — joint ventures		
— capital commitment	249,011	—
— lease commitment	1,184	1,153

(II) Summarised Financial Information for Joint Ventures

	Shanghai Zhongcheng Qiannian Investment Company (Limited Partnership) As at 31 December 2017 RMB'000	Jiaxin Langda II Investment Company (Limited Partnership) As at 31 December 2017 RMB'000	LS-NJ Port Imperial JV LLC As at 31 December 2017 RMB'000
Current assets			
Cash and cash equivalents	17,830	17,431	101,418
Other current assets	629,320	1,600,550	1,123,859
Total current assets	647,150	1,617,981	1,225,277
Non-current assets	24,850	94,642	10,180
Current liabilities			
Other current liabilities	(139)	—	(127,840)
Total current liabilities	(139)	—	(127,840)
Non-current liabilities			
Financial liabilities (excluding trade payables)	—	—	(409,997)
Other non-current liabilities	—	—	(2,078)
Total non-current liabilities	—	—	(412,075)
Net assets	671,861	1,712,623	695,542
Group's share in %	50.00%	29.98%	51.00%
Group's share	335,931	513,444	354,726
Adjustment	—	2	9,254
Carrying amount	335,931	513,446	363,980
Revenue	—	—	—
Income tax expense	—	888	—
Loss for the year	(139)	(2,663)	(4,801)
Group's share	(70)	(798)	(2,449)

(III) Individually Immaterial Joint Ventures

In addition to the interests in joint ventures disclosed above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial joint ventures	672,079	261,610
	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Aggregate amounts of the Group's share of Profit	25,198	24,930

18 INVESTMENT PROPERTY

As at 31 December 2017, the Group held one block of commercial building located in Shenzhen, the PRC. Changes to the carrying amount of investment property in the consolidated balance sheet are summarized as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
At 1 January	290,920	249,170
Fair value gain	28,910	41,750
At 31 December	319,830	290,920

The Group's interest in investment property at its carrying amount is analysed as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
In Mainland China, held on: Lease of 50 years	319,830	290,920

Investment property was valued at 31 December 2017 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.

As at 31 December 2017, investment property with carrying amount of RMB319,830,000 (2016: RMB290,920,000) was pledged as collateral for the Group's borrowings (note 29).

FAIR VALUE HIERARCHY

An independent valuation of the Group's investment property was performed by an independent and professionally qualified valuer to determine the fair value of the investment property as at 31 December 2017 and 2016.

As at 31 December 2017 and 2016, all of the Group's investment property was within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

VALUATION PROCESSES OF THE GROUP

The Group's investment property was valued at 31 December 2017 by the independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between the financial department and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates. This team reports directly to the executive directors and the audit committee.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

VALUATION TECHNIQUES

In valuing the property, the Group have adopted the income approach by taking into account the net rental income of the property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

There were no changes to the valuation techniques during the year.

Information about fair value measurements using significant unobservable inputs as follows (Level 3)

Description	Fair value at 31 Dec 2017 (RMB'000)	Valuation technique(s)	Unobservable inputs	Unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Landsea Tower- commercial building	319,830	Term and reversionary method	Term yields	5.5%	The higher the term yields, the lower the fair value
			Reversionary yields	4.5%	The higher the reversion yields, the lower the fair value
			Vacancy rate	6%	The higher the vacancy rate, the lower the fair value
			Average daily rental per square meter	3.20	The higher the average daily rental, the higher the fair value
Description	Fair value at 31 Dec 2016 (RMB'000)	Valuation technique(s)	Unobservable inputs	Unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Landsea Tower- commercial building	290,920	Term and reversionary method	Term yields	5.0%	The higher the term yields, the lower the fair value
			Reversionary yields	5.5%	The higher the reversion yields, the lower the fair value
			Vacancy rate	8%	The higher the vacancy rate, the lower the fair value
			Average daily rental per square meter	2.70	The higher the average daily rental, the higher the fair value

19 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Total RMB'000
At 1 January 2016					
Cost	3,748	15,034	2,722	–	21,504
Accumulated depreciation	(3,043)	(3,263)	(1,279)	–	(7,585)
Net carrying amount	705	11,771	1,443	–	13,919
Year ended 31 December 2016					
Opening net carrying amount	705	11,771	1,443	–	13,919
Additions	10,095	8,933	334	–	19,362
Depreciation	(8,675)	(3,274)	(468)	–	(12,417)
Disposals	–	(3)	(35)	–	(38)
Exchange difference	45	184	15	–	244
Closing net carrying amount	2,170	17,611	1,289	–	21,070
At 31 December 2016					
Cost	13,843	23,964	3,021	–	40,828
Accumulated depreciation	(11,673)	(6,353)	(1,732)	–	(19,758)
Net carrying amount	2,170	17,611	1,289	–	21,070
Year ended 31 December 2017					
Opening net carrying amount	2,170	17,611	1,289	–	21,070
Additions	174,337 ⁽ⁱⁱ⁾	22,983	365	449,074 ⁽ⁱ⁾	646,759
Depreciation	(5,213)	(5,632)	(413)	–	(11,258)
Disposal	–	(23)	–	–	(23)
Exchange difference	(61)	(232)	(10)	–	(303)
Closing net carrying amount	171,233	34,707	1,231	449,074	656,245
At 31 December 2017					
Cost	188,180	46,919	3,386	449,074	687,559
Accumulated depreciation	(16,947)	(12,212)	(2,155)	–	(31,314)
Net carrying amount	171,233	34,707	1,231	449,074	656,245

(i) For the year ended 31 December 2017, the Group acquired two buildings for self-use and management, which are located in Shanghai with cost of RMB126,114,000 and RMB322,960,000 respectively. As 31 December 2017, the Group has obtained the title certificates for the two buildings. The buildings were still under decoration and not yet ready for use as at 31 December 2017.

(ii) Addition for leasehold improvements was mainly decoration costs on leased properties to be used as Long-term rental apartments. Majority of the decoration are in progress and not yet ready for use.

20 PROPERTIES HELD FOR SALE

Analysis of properties and lands held for sale is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Properties and lands held for sale:		
— In the PRC	830,982	378,624
— In the USA	20,038	18,856
	851,020	397,480
Less: provision for decline in the value of properties and lands held for sale	(3,189)	(2,157)
	847,831	395,323

Movement of properties and lands held for sale is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
As at 1 January	397,490	172,840
Addition (note 22)	4,987,120	4,015,509
Properties and lands sold (note 9)	(4,533,590)	(3,790,869)
As at 31 December	851,020	397,480

All of the properties and lands held for sale are within normal operating cycle and hence included under current assets. The amount of properties and lands held for sale expected to be recovered after more than one year is RMB31,060,000. The remaining balance is expected to be recovered within one year.

Movement of provision for properties and lands held for sale is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
As at 1 January	(2,157)	—
Provision during the year	(1,032)	(2,157)
As at 31 December	(3,189)	(2,157)

For the year ended 31 December 2017, the Group recognized impairment losses of RMB1,032,000 (2016: RMB2,157,000) on completed properties and lands held for sale (note 9).

21 INVENTORIES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Decoration materials (<i>note 9</i>)	52,069	23,501

The cost of inventories recognised as expense and included in cost of sales and services amounted to RMB4,788,000 for the year ended 31 December 2017 (2016: RMB19,856,000).

22 PROPERTIES UNDER DEVELOPMENT

Movement of properties under development is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
As at 1 January	10,379,261	7,986,633
Additions	5,958,140	6,842,304
Deduction as results of disposal of subsidiaries (<i>note 38</i>)	(4,691,399)	(434,167)
Transfer to properties and lands held for sale (<i>note 20</i>)	(4,987,120)	(4,015,509)
As at 31 December	6,658,882	10,379,261

Analysis of properties under development is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Land payments	3,849,021	7,619,059
— Leasehold land, the PRC	2,179,574	4,819,126
— Freehold land, the USA	1,669,447	2,799,933
Development expenditures and improvements	2,097,565	2,100,411
Total	5,946,586	9,719,470
Interest capitalised	712,296	659,791
	6,658,882	10,379,261

All of the properties under development are within normal operating cycle and hence included under current assets. The amount of properties under development expected to be completed after more than one year is RMB3,005,694,000. The remaining balance is expected to be completed within one year.

The Group's properties under development are located in the PRC and USA.

As at 31 December 2017, properties under development with net book value of RMB2,138,953,000 (2016: RMB4,321,649,000) were pledged as collateral for the Group's bank borrowings (*note 29*).

On 11 October 2017, the Group signed an agreement with a third party at a proceed of RMB869,586,000 to sell a parcel of leasehold land located in Tianjin with net book value of RMB194,379,000. As at 31 December 2017, RMB600,000,000 has been received and the related leasehold land was pledged for the third party's borrowing. The disposal had not been completed as at 31 December 2017.

Certain subsidiaries of the Group entered into a sale buy-back agreement with a third party, whereby property under development were sold and the Group has the option to repurchase the property under development on a predetermined schedule at a nominated value. Such property under development are restricted under the agreement as the title of freehold land has transferred to the third party. As at 31 December 2017, property under this restriction amounted to USD104,656,000 (equivalent to RMB683,843,000), and related borrowing amounted to USD41,374,000 (equivalent to RMB270,345,000) (note 29).

The interest capitalization rate of borrowing in 2017 is 6.5% (2016: 6.9%).

23 TRADE RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables from sales of properties	4,180	21,930
Trade receivables from providing management services	371,465	205,543
Trade receivables from providing decoration services	33,892	8,356
Trade receivables from land sales	225,267	–
Subtotal	634,804	235,829
Less: Provision for bad debt	(5,342)	(2,559)
	629,462	233,270

The carrying amounts of the trade receivables approximate their fair values.

The aging analysis of trade receivables by invoice date is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Less than one year	557,605	217,573
One to two years	62,502	18,256
Two to three years	14,697	–
	634,804	235,829

The credit terms granted to customers of purchase properties are generally ranged from 30 days to 60 days, while for the customers to whom the Group providing management and development services, decoration services and sales of land, the credit terms are one year.

Based on past experience, management believes that no provision for impairment is necessary in respect of trade receivables arise from sales of properties and lands as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral in respect of these balances.

Movement in the provision for impairment of trade receivables from providing management services and decoration services that are assessed for impairment collectively are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
At 1 January	2,559	421
provision during the year	2,783	2,138
At 31 December	5,342	2,559

As at 31 December 2017, the carrying amounts of trade receivables were denominated in below currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	409,537	232,212
USD	225,267	3,617
	634,804	235,829

As at 31 December 2017, RMB27,820,000 (2016: RMB13,985,000) trade receivables were past due but not impaired.

Impairment loss on trade receivables is recorded in “Administrative expenses”. Amount charge to the provision account are written off when there is no expectation of recovering additional cash.

24 DEPOSITS FOR PURCHASE OF LAND

As at 31 December, deposit for purchase of land represent the deposits made for acquisition of for land parcels in the USA.

As at 31 December 2017, the carrying amounts of deposit for purchase of land were denominated in below currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
USD	212,125	–
RMB	–	42,000
	212,125	42,000

25 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current assets		
Prepayment for acquisition of subsidiaries	55,539	–
Lendings to third parties (i)	113,460	30,000
Deposits for property maintenance	11,827	5,413
Value added tax to be offset	1,000	–
Deposit paid for acquisition of an associate	–	390,103
	<u>181,826</u>	<u>425,516</u>
Current assets		
Value added tax to be offset and other prepaid taxes (iii)	152,596	189,940
Prepaid rental fee (ii)	59,916	–
Deposits for purchase of land	33,483	1,000
Deposits in housing fund	18,712	17,729
Prepaid professional fee	–	8,806
Prepaid interests	–	11,200
Other receivables and prepayments	116,634	100,259
	<u>381,341</u>	<u>328,934</u>

The loans to third parties and maintenance fund are repayable within two to eight years from the end of the year. The balances of loans to third parties bear interest ranging from 6%–14%.

- (i) Of the total lendings to third parties, RMB66,433,000 (2016: RMB30,000,000) was secured by the equity securities of two companies which holds properties in the PRC.
- (ii) Prepaid rental fee is rental prepaid for the leasing of properties to be used for long-term rental apartments.
- (iii) Effective from 1 May 2016, the Group's PRC subsidiaries are subject to value added tax for its sale of properties. The applicable tax rate is 11% under normal VAT arrangement and is 5% for qualified old projects with a simplified method. Input VAT under normal VAT arrangement is deductible and recorded as "other receivables, repayments and deposits" where there is a debit balance.

As at 31 December 2017, the carrying amounts of other receivables, prepayments and deposits were denominated in below currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	501,077	723,107
USD	58,138	27,966
HKD	3,952	3,377
	563,167	754,450

The fair value of other receivables, prepayments and deposits are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current assets		
Prepayment for acquisition of subsidiaries	55,539	–
Lendings to third parties	113,460	30,000
Deposits for property maintenance	8,597	3,751
Value added tax to be offset	1,000	–
Deposit paid for acquisition of an associate	–	390,103
	178,596	423,854
Current assets		
Value added tax to be offset and other prepaid taxes	152,596	189,940
Prepaid rental fee	59,916	–
Deposits for purchase of land	33,483	1,000
Deposits in housing fund	18,712	17,729
Prepaid professional fee	–	8,806
Prepaid interests	–	11,200
Other receivables and prepayments	116,634	100,259
	381,341	328,934

The fair value of deposits for property maintenance are based on cash flows discounted using a rate based on the borrowing rate of 4.75%–4.9%. The fair value are within level 2 of the fair value hierarchy.

Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral in respect of these balances.

26 AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Amounts due from non-controlling interests	571,500	558,000

In December 2017, 蘇州朗坤置業有限公司 (Suzhou Langkun Property Limited) (“Suzhou Langkun”), an indirect non-wholly owned subsidiary of the Company, renewed the loan agreement with its owners, pursuant to which Suzhou Langkun would advance loan to its owners on pro-rata basis according to their respective shareholding interest in Suzhou Langkun. The loan is unsecured, repayable within one year, and Suzhou Langkun shall charge an annual interest rate of 4.35% per annum on the actual amount of drawdown. As at 31 December 2017, the outstanding amount due from the non-controlling shareholders of Suzhou Langkun amounted to RMB571,500,000.

27 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Restricted cash		
— restricted for project developments	82,662	47,795
— restricted under escrow account for investments	70,000	—
— deposits as security for property purchasers' mortgage loans	67,698	165,897
— restricted for discounted bank accepted notes	45,000	—
— pledged for the Group's bank borrowings (note 29)	7,291	1,325
— others	9,301	705
	281,952	215,722
Cash on hand and cash at banks	3,341,835	2,761,130

The carrying amounts of restricted cash and cash and cash equivalents approximate their fair values.

As at 31 December 2017, the carrying amount of restricted cash, cash on hand and cash at banks were denominated in below currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	3,127,073	2,607,451
USD	492,066	361,342
HKD	4,648	8,059
	3,623,787	2,976,852

28 CREDITORS AND ACCRUALS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Payables for construction materials and services	1,162,081	975,214
Interest payable	235,257	138,205
Deposits from customers	190,115	29,932
Accruals for staff costs	159,949	111,917
Value added tax and other tax payables	126,353	70,186
Payables for acquisition of investments	92,144	–
Advanced payments received	–	4,160
Other payables	36,009	38,145
	<u>2,001,908</u>	<u>1,367,759</u>

As at 31 December 2017, the fair values of trade and other payables approximate their carrying amounts.

The aging analysis of payables for construction materials and services:

	As at 31 December 2017
Less than one year	1,035,053
One to two years	30,933
Two to three years	5,865
Over three years	90,230
	<u>1,162,081</u>

As at 31 December 2017, the carrying amounts of trade and other payables were denominated in below currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	1,702,046	1,169,901
USD	280,894	192,091
HKD	18,968	5,767
	<u>2,001,908</u>	<u>1,367,759</u>

29 BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Bank borrowings		
— in RMB	1,447,900	2,852,685
— in USD	217,888	212,131
— in HKD	230,708	208,912
Sell and buy-back arrangement (in USD) (note 22)	270,345	—
Loans from the ultimate holding company (in RMB)	1,665,000	1,662,177
Senior private notes (in USD)	659,534	685,457
EB-5 Loans (in USD)	521,334	152,979
Loan from other financial institutes (in USD)	326,706	—
Discounted bank accepted note (in RMB)	90,000	—
Junior private notes (in USD)	—	309,000
Total	<u>5,429,415</u>	<u>6,083,341</u>
Less: short-term borrowings and current portion of long-term borrowings		
Bank borrowings		
— in RMB	(1,081,500)	(531,010)
— in USD	—	(212,131)
— in HKD	(16,718)	(208,912)
Loans from the ultimate holding company (in RMB)	—	(6,937)
Senior private notes (in USD)	(659,534)	—
Loan from other financial institutes (in USD)	(326,706)	—
Discounted bank accepted note (in RMB)	(90,000)	—
Junior private notes (in USD)	—	(309,000)
Total	<u>(2,174,458)</u>	<u>(1,267,990)</u>
Non-current portion	<u>3,254,957</u>	<u>4,815,351</u>

As at 31 December 2017, the carrying amounts of borrowings were denominated in below currencies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	3,202,900	4,514,862
USD	1,995,807	1,359,567
HKD	230,708	208,912
	<u>5,429,415</u>	<u>6,083,341</u>

Bank borrowings carry interest ranging from 4.75% to 8.0% (2016: 2.46% to 8.0%) per annum and are secured by:

- (i) restricted cash of RMB7,291,000 (2016: RMB1,325,000) (note 27);
- (ii) properties held for sale owned by two fellow subsidiaries of the ultimate holding company of RMB526,511,000 (2016: RMB157,941,000);

- (iii) properties under development with carrying value of RMB2,138,953,000 (2016: RMB4,321,649,000);
- (iv) investment property of RMB319,830,000 (2016: RMB290,920,000) (note 18);
- (v) guarantee provided by the ultimate holding company;
- (vi) pledged by equity interest of subsidiaries of the Group.

The loans from the ultimate holding company are unsecured and carry interest ranging from 5.3% to 6.6% per annum.

Senior private notes are guaranteed by shares of subsidiaries of the Company (note 43) and carries interest at 9.5% (2016: 9.5%) per annum. The balance of senior private notes is repayable on 30 April 2018.

EB-5 Loans represent loans from third parties and carry interest ranging from 3.6% to 4% per annum and are guaranteed by a subsidiary. The balances are repayable ranging from 3 January 2020 to 31 March 2021.

The junior private notes were repaid during the year ended 31 December 2017.

Loan from other financial institutes is granted by the ultimate holding company and carried interest at 8% annual. The balance is repayable on 27 April 2018.

Borrowings are repayable as follows:

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,174,458	1,267,990
Between one and two years	188,019	2,022,747
Between two and five years	3,066,938	2,792,604
	<u>5,429,415</u>	<u>6,083,341</u>

Fair value of the borrowings are not materiality different to the carrying amount, since the interest on the borrowings are either close to current market rates or borrowings are of a short term nature.

30 DEFERRED INCOME TAX

The deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net amounts are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Deferred income tax liabilities to be settled after more than one year	75,537	52,850
Deferred income tax assets:		
— to be recovered within one year	108,463	75,232
— to be recovered after more than one year	129,272	78,377
	237,735	153,609
Deferred tax assets, net	162,198	100,759

As at 31 December 2017, deferred income tax assets and deferred income tax liabilities to RMB57,911,000 (31 December 2016: RMB105,747,000) were offset.

The movements in the net deferred tax are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
At 1 January	100,759	44,220
Credited to profit or loss (<i>note 11</i>)	82,190	56,135
Disposal of subsidiaries (<i>note 38</i>)	(19,555)	—
Currency translation differences	(1,196)	404
At 31 December	162,198	100,759

Movements in the deferred tax liabilities, prior to offsetting, are as follows:

	Revaluation of investment properties <i>RMB'000</i>	Difference in capitalized interests <i>RMB'000</i>	Accelerated tax depreciation <i>RMB'000</i>	Unrealised exchange gains <i>RMB'000</i>	Disposal of investments accounted for using the equity method <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2016	42,413	4,794	214	5,185	–	52,606
Charged to profit or loss	10,438	35,872	620	54,480	–	101,410
Currency translation differences	–	1,859	41	2,681	–	4,581
At 31 December 2016	52,851	42,525	875	62,346	–	158,597
Charged to profit or loss	7,228	16,369	235	(58,940)	14,747	(20,361)
Currency translation differences	–	(2,960)	(51)	(1,777)	–	(4,788)
At 31 December 2017	60,079	55,934	1,059	1,629	14,747	133,448

The movements in the deferred tax assets, prior to offsetting, are as follows:

	Temporary difference on unrealised profit of intercompany transactions <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Temporary difference on recognition of revenues and cost of sales <i>RMB'000</i>	Provision for bad debt and accrued expenses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2016	30,244	25,261	29,811	11,510	96,826
Charged to profit or loss	42,047	48,177	21,446	45,874	157,544
Currency translation differences	–	2,620	–	2,366	4,986
At 31 December 2016	72,291	76,058	51,257	59,750	259,356
Charged to profit or loss	36,045	14,208	(15,665)	27,241	61,829
Disposal of subsidiaries	–	(19,442)	–	(113)	(19,555)
Currency translation differences	–	(2,911)	–	(3,073)	(5,984)
At 31 December 2017	108,336	67,913	35,592	83,805	295,646

31 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current liabilities		
Amounts due to non-controlling interests (i)	17,217	211,492
Current liabilities		
Amounts due to non-controlling interests (ii)	18,110	–
	<u>35,327</u>	<u>211,492</u>

- (i) As of 31 December 2017, the amounts due to non-controlling interests are unsecured and bear interest at 10% per annum. The balance of RMB17,217,000 was repayable after one year.

As of 31 December 2016, the amounts due to non-controlling interests are unsecured and bear interest ranging from 10% to 12% per annum. The balance of RMB96,498,000 is repayable in December 2019 and the remaining balances have no fixed term of repayment.

- (ii) As of 31 December 2017, the amounts due to non-controlling interests are unsecured. The balance of RMB18,110,000 was repayable in one year from the year of 2017 and interest free.

32 SHARE CAPITAL

	As at 31 December 2017			As at 31 December 2016		
	Number of shares	Nominal value of ordinary share	Equivalent nominal value of ordinary share	Number of shares	Nominal value of ordinary share	Equivalent nominal value of ordinary share
Note	'000	HK\$'000	RMB'000	'000	HK\$'000	RMB'000
Ordinary shares, issued and fully paid:						
At 1 January	3,917,571	39,176	31,800	3,306,912	33,069	26,665
Issuance of shares	–	–	–	610,659	6,107	5,135
At 31 December	<u>3,917,571</u>	<u>39,176</u>	<u>31,800</u>	<u>3,917,571</u>	<u>39,176</u>	<u>31,800</u>

- (a) On 29 January 2016, the Company completed the issuing of 610,659,269 ordinary shares of HK\$0.01 each at a price of HK\$0.718 per share to Landsea International to acquire Epic China. Accordingly, 610,659,269 ordinary shares of HK\$0.01 each were issued at a premium of HK\$0.708 each and the premium on issue of shares of HK\$432,347,000 (equivalent to RMB360,943,000), net of issuance costs, was credited to the share premium account.

33 SHARE OPTIONS AND RESTRICTED SHARE AWARD SCHEME

(A) Share Options

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 25 April 2012, the current share option scheme (the “Scheme”) was adopted by the Company. Since the adoption of the Scheme, no further options can be granted under the old scheme.

The Company operates the Scheme for the purpose of providing incentives and reward to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the directors (including executive and non-executive directors), other employees, suppliers, customers, person or entity providing research, development and other technical support, investee entity and any professional advisor and business consultant of the Group from time to time determined by the directors as having contributed or who may contribute to the development and growth of the Group. The Scheme is effective on 30 April 2012 and, unless otherwise terminated, remains in force for 10 years from that date.

Unless approved by shareholders of the Company, shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by shareholders of the Company, total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant including both exercised and unexercised options under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue on the date of grant. Any further grant of share options in excess of this limit is subject to shareholder’s approval in a general meeting.

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted under any share option schemes of the Company if this will result in the limit being exceeded.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of nominal consideration of HK\$1 in total by the grantee. An option may be exercised in accordance with the terms of the Scheme and the terms of grant, which shall not be more than 10 years from the date of grant.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheet issued by the SEHK on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the SEHK for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be determined by the board of directors at the time the option is offered to the participants.

The scheme limit under the Scheme is 198,660,605 shares, representing 10.0% of the issued share capital of the Company on 25 April 2012, being the adoption date of the Scheme and approximately 5.1% of the issued share capital of the Company on 28 March 2018, being the date of the Annual Report.

The Scheme

There was no outstanding share option under the Scheme as at 31 December 2017 and 31 December 2016.

(B) Restricted Share Award Scheme

On 2 July 2014, the Group adopted a share award scheme (the “Share Award Scheme”) as an incentive to recognise the contributions by employees and to give incentives in order to retain them for the continuing operation and development of the Group, as well as to attract suitable personnel for further development of the Group.

Pursuant to the Share Award Scheme, existing shares of the Company will be purchased or new shares will be subscribed for “Restricted Shares” by a trustee appointed by the Company and be held on trust for the relevant grantees until such shares are vested with the relevant grantees in accordance with the rules of the Share Award Scheme. The Restricted Shares will be awarded with reference to the performance, operating and financial targets and other criteria determined by the Board from time to time.

During the year ended 31 December 2017, 12,352,000 (2016: 144,000) existing shares at a cost of RMB8,578,000 (2016: RMB90,000) were purchased by the trustee. Meanwhile, dividends of RMB2,035,000 (2016: RMB1,936,000) were received by the trustee.

Details of the Restricted Shares granted by the Company are as follows:

Name of employees	Fair value per share (HK\$)	Outstanding at 1 January 2017	Granted during the year	Outstanding at 31 December 2017
Directors				
Tian Ming	0.68	3,277,500	—	3,277,500
Xiang Jiong	0.68	3,277,500	—	3,277,500
Shen Leying	0.68	2,214,500	—	2,214,500
Xie Yuanjian	0.68	2,037,500	—	2,037,500
Zhou Qin	0.68	1,505,000	—	1,505,000
		12,312,000	—	12,312,000
Other employees				
In aggregate	0.68	22,950,500	—	22,950,500
		35,262,500	—	35,262,500

The outstanding Restricted Shares had been fully vested as of 31 December 2016.

No expenses (2016: RMB10,245,000) (note 9) was recognized by the group as there was no additional share based compensation during the year.

34 CONVERTIBLE PERPETUAL SECURITIES

The movements in the convertible perpetual securities are as follows:

	Convertible perpetual securities RMB'000
At 1 January 2016	110,054
Issuance of convertible perpetual securities (a)	363,847
Distribution accrued	18,661
Distribution paid	(8,358)
At 31 December 2016 and 1 January 2017	484,204
Distribution accrued	19,679
Distribution paid	(8,458)
At 31 December 2017	<u>495,425</u>

- (a) In November 2015, the Company entered into an agreement with a third party (the “third party investor”) pursuant to which the investor agreed to subscribe for convertible perpetual securities issued by the Company with an aggregate principal amount of HK\$130,000,000 (equivalent to RMB109,200,000).

The convertible perpetual securities do not have a fixed maturity date and may be converted into ordinary shares of the Company at any time at the option of the third party investor at an initial conversion price of HK\$0.7508 per share subject to certain anti-dilutive adjustments.

The Company paid a final dividend of RMB3.3 cents (equivalent to HK4 cents) per share for the year ended 31 December 2015 on 6 July 2016 to Shareholders whose names appeared on the register of members of the Company on 20 June 2016 (the “Record Date 1”), which constitutes an adjustment event of the initial conversion price pursuant to the terms and conditions of the securities. The Company issued a written notice to the security holder on 13 January 2017 in respect of the adjustment made to the initial conversion price from HK\$0.7508 per Share to HK\$0.7050 per share with retrospective effect from 21 June 2016, being the date immediately following the Record Date 1. Similarly, following the payment of 2016 dividend of RMB3.54 cents (equivalent to HKD4 cents) per share on 3 July 2017 (“Record Date 2”). The Company issued a written notice to the security holder on 4 July 2017 in respect of the adjustment made to the conversion price from HK\$0.7050 per Share to HK\$0.6600 per share with retrospective effect from 8 June 2017, being the date immediately following the Record Date 2.

The Company may, at its discretion, elect to defer (in whole or in part) any distribution unless certain compulsory distribution payment events have occurred and redeem or purchase the convertible perpetual securities i) for taxation reasons; ii) on the third anniversary of the completion date; and iii) upon certain events as set out in the agreement.

Distribution shall be payable on the convertible perpetual securities to the investor semi-annually in arrear at the following rate of distribution:

- (i) 7.5% per annum in respect of the period from the completion date to the third anniversary of the completion date; and
- (ii) 13.5% per annum after the third anniversary of the completion date.

- (b) In January 2016, the Company issued convertible perpetual securities to Landsea International with an aggregate principal amount of HK\$432,687,009 (equivalent to RMB363,847,000) to acquire Epic China.

The convertible perpetual securities do not have a fixed maturity date and may be converted into ordinary shares of the Company at any time at the option of Landsea International at an initial conversion price of HK\$0.9334 per share subject to certain anti dilutive adjustment.

Distribution shall be payable on the convertible perpetual securities to Landsea International semi-annually in arrear at 3% per annum of distribution.

The Company may, at its sole discretion, elect to defer (in whole or in part) any distribution and redeem or purchase the convertible perpetual securities: i) for taxation reasons; ii) on or after the third anniversary of the acquisition date.

The convertible perpetual securities issued to Landsea international didn't trigger the conversion price adjustment of the convertible perpetual securities issued to the third party investor.

During the year ended 31 December 2017, the Group has accrued and paid distribution of RMB19,679,000 and RMB8,458,000, respectively (2016: RMB18,661,000 and RMB8,358,000, respectively).

35 RESERVES

	Merger Reserve RMB'000	Share premium (a) RMB'000	Translation reserve RMB'000	Share based compensation reserve RMB'000	Employee share trust RMB'000	Capital redemption reserve RMB'000	Statutory reserve (b) RMB'000	Other reserve RMB'000	Contributed surplus RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2016	-	751,108	(141,418)	9,555	(30,753)	23,185	38,584	-	-	1,129,485	1,779,746
Business combination between entities under common control	12,460	-	(1,706)	-	-	-	3,271	-	-	(12,541)	1,484
At 1 January 2016 (Restated)	12,460	751,108	(143,124)	9,555	(30,753)	23,185	41,855	-	-	1,116,944	1,781,230
Profit for the period	-	-	-	-	-	-	-	-	-	595,439	595,439
Other comprehensive income: Exchange differences arising from translation of foreign operations	-	-	(141,026)	-	-	-	-	-	-	-	(141,026)
Total comprehensive (loss)/ income for the period	-	-	(141,026)	-	-	-	-	-	-	595,439	454,413
Employee share based compensation (note 9)	-	-	-	10,245	-	-	-	-	-	-	10,245
Shares held for share award scheme	-	-	-	-	1,846	-	-	-	-	-	1,846
Transaction with non- controlling interests	-	-	-	-	-	-	-	24,426	-	-	24,426
Accrue distribution to holders of convertible perpetual securities (note 34)	-	-	-	-	-	-	-	-	-	(18,661)	(18,661)
Dividend	-	-	-	-	-	-	-	-	(133,934)	-	(133,934)
Transfer to statutory reserve	-	-	-	-	-	-	83,294	-	-	(83,294)	-
Issuance of shares	-	360,943	-	-	-	-	-	-	-	-	360,943
Share premium reduction	-	(400,000)	-	-	-	-	-	-	248,645	151,355	-
Consideration paid for business combination between entities under common control	(95,856)	-	-	-	-	-	-	-	-	-	(95,856)
At 31 December 2016	<u>(83,396)</u>	<u>712,051</u>	<u>(284,150)</u>	<u>19,800</u>	<u>(28,907)</u>	<u>23,185</u>	<u>125,149</u>	<u>24,426</u>	<u>114,711</u>	<u>1,761,783</u>	<u>2,384,652</u>

	Merger Reserve	Share premium (a)	Translation reserve	Share based compensation reserve	Employee share trust	Capital redemption reserve	Statutory reserve (b)	Other reserve	Contributed surplus	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	(83,396)	712,051	(284,150)	19,800	(28,907)	23,185	125,149	24,426	114,711	1,761,783	2,384,652
Profit for the period	-	-	-	-	-	-	-	-	-	580,523	580,523
Other comprehensive income:	-	-	-	-	-	-	-	-	-	-	-
Exchange differences arising from translation of foreign operations	-	-	164,445	-	-	-	-	-	-	-	164,445
Total comprehensive income for the period	-	-	164,445	-	-	-	-	-	-	580,523	744,968
Shares held for share award scheme	-	-	-	-	(6,543)	-	-	-	-	-	(6,543)
Accrue distribution to holders of convertible perpetual securities (note 34)	-	-	-	-	-	-	-	-	-	(19,679)	(19,679)
Dividend	-	-	-	-	-	-	-	-	(138,682)	-	(138,682)
Transfer to statutory reserve (b)	-	-	-	-	-	-	89,915	-	-	(89,915)	-
Share premium reduction (a)	-	(500,000)	-	-	-	-	-	-	500,000	-	-
At 31 December 2017	(83,396)	212,051	(119,705)	19,800	(35,450)	23,185	215,064	24,426	476,029	2,232,712	2,964,716

- (a) Pursuant to a resolution passed at the annual general meeting held on 10 June 2017, an amount of RMB500,000,000 was transferred from the share premium account to the contributed surplus account. Under the Companies Act 1981 of Bermuda, a company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

Pursuant to a resolution passed at the annual general meeting held on 10 June 2016, an amount of RMB400,000,000 was transferred from the share premium account to the contributed surplus account and retained earnings, respectively. Under the Companies Act 1981 of Bermuda, a company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

- (b) In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the Articles of Association of the Group's subsidiaries incorporated in the PRC, an appropriation to the statutory reserves has to be made prior to profit distribution to the investor. The appropriation to the statutory reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

36 NON-CONTROLLING INTERESTS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
At 1 January	152,060	40,210
Profit for the year	140,318	11,397
Acquisition of additional interest in subsidiaries	(134,044)	–
Acquisition of subsidiaries (<i>Note 37</i>)	137,010	–
Deemed disposal of subsidiaries (<i>Note 38(b)</i>)	(33,407)	–
Contribution from non-controlling interests	24,674	278,509
Distribution to non-controlling interests	(61,344)	(196,800)
Exchange difference arising from translation of foreign operations	(19,145)	18,744
	<u>206,122</u>	<u>152,060</u>
At 31 December 2017	<u>206,122</u>	<u>152,060</u>

37 ACQUISITIONS OF SUBSIDIARIES (ASSET ACQUISITIONS)

(i) Hubei Supply and Marketing Xudong Minsheng Plaza Properties Limited (“Xudong”)

During the year, the Group acquired Xudong. The related assets and liabilities recognised in the consolidated statement of financial position on the dates of the acquisitions were as follow:

	<i>RMB'000</i>
Properties under development	1,256,012
Cash and cash equivalents	19
Trade and other receivables	43,213
Trade and other payables	(17,649)
	<u>1,281,595</u>
Subtotal	1,281,595
Non-controlling interest	(132,144)
	<u>1,149,451</u>
Asset acquired	1,149,451
Cash consideration	1,082,200
Interest in associate	67,251
	<u>1,149,451</u>
Total	<u>1,149,451</u>
Cash consideration	1,082,200
Less:	
Cash and cash equivalents of subsidiary acquired	(19)
	<u>(19)</u>
Net outflow of cash and cash equivalents on acquisitions	<u>1,082,181</u>

(ii) Others

Apart from Xudong, the Group acquired a number of property development companies, which, the directors consider not significant to the Group. The assets and liabilities recognised in the consolidated statement of financial position on the dates of the acquisitions were as follows:

	<i>RMB'000</i>
Properties under development	846,244
Cash and cash equivalents	12,570
Trade and other receivables	54,453
Trade and other payables	(16,990)
Subtotal	896,277
Non-controlling interest	(4,866)
Assets acquired	891,411
Cash consideration	821,411
Consideration payable for acquisition	70,000
Total	891,411
Cash consideration	821,411
	–
Less: Cash and cash equivalents of subsidiary acquired	(12,570)
Net outflow of cash and cash equivalents on acquisitions	808,841

- (iii) During the year ended 31 December 2016, the Group acquired 寰安置業(成都)有限公司 (All Green Properties (Chengdu) Co., Ltd.), 中福頤養(天津)置業有限公司 (Zhongfuyiyang (Tianjin) Real Estate Co., Ltd.), 中福樂齡(天津)置業有限公司 (Zhongfuleing (Tianjin) Real Estate Co., Ltd.), 上海昆宏實業有限公司 (Shanghai Kunhong Co., Ltd.) and 中福頤樂(天津)置業有限公司 (Zhongfuyile (Tianjin) Real Estate Co., Ltd.) together with certain shareholder loan from third parties with the consideration of RMB1,668,150,000 in total (net of cash outflow on acquisition was RMB1,666,494,000). The acquirees own certain land use rights and a second-hand property. Since the lands and property were vacant and management plans to develop or redevelop them for sale in the future, these transactions have been accounted for as acquisitions of assets and liabilities instead of business combination.

38 DISPOSALS OF SUBSIDIARIES

(i) Xudong

During 2017, the Group disposed of Xudong, which was retained as a joint venture after the transaction.

Net assets disposed with reconciliation of disposal gains and cash inflow are as follows:

	<i>RMB'000</i>
Net assets disposed of comprise:	
Properties under development	1,267,491
Cash and cash equivalents	20,110
Deferred tax assets	6,404
Other assets	106,464
Creditors and accruals	(60,230)
Other liabilities	(62)
Shareholder's loan	(749,248)
Group's net assets disposed of	590,929
Recognition of interest in joint ventures	198,766
Consideration from disposal to be received (a)	461,895
Total	660,661
Gain on disposal of subsidiaries	69,732
Total consideration in cash	461,895
Less: Due from joint ventures (<i>note 41</i>)	(461,895)
	–
Less: Cash and cash equivalents in the entities disposed	(20,110)
Net cash outflow arising from disposal:	(20,110)

- (a) The Group disposed of Xudong to a joint venture of the Group and accordingly, the proceeds to be received is recorded in amounts due from related parties (*note 41*). The amounts was collected on 11 January 2018.

(ii) **Others**

Apart from Xudong, the Group disposal of a number of property development companies, which the directors consider not significant to the Group. The subsidiary disposed of were all retained as joint ventures and associates.

Net assets disposed with reconciliation of disposal gains and cash inflow are as follows:

	Joint ventures	Interest retained in Associates
	<i>RMB'000</i>	<i>RMB'000</i>
Net assets disposed of comprise:		
Properties under development	1,087,499	1,909,720
Cash and cash equivalents	79,476	90,796
Deferred tax assets	13,151	–
Amount due from shareholder	–	170,000
Other assets	12,748	23,245
Creditors and accruals	(7,178)	–
Borrowings	(100,000)	(959,440)
Shareholder's loan	(254,000)	–
Other liabilities	(207,138)	(418,281)
Group's net assets disposed of	624,558	816,040
Fair value interest retained	323,074	335,627
Cash consideration from disposal	329,574	658,839
Total	652,648	994,466
Gain on disposal of subsidiaries	28,090	178,426
Total consideration in cash	329,574	658,839
Less: Receivables	–	(1,032)
	329,574	657,807
Less: Cash and cash equivalents in the entities disposed	(79,476)	(90,796)
Net cash inflow arising from disposal:	250,098	567,011

(iii) Deemed disposal of subsidiaries

For the year ended 31 December 2017, the Group lost control in Hangzhou Langzheng Investment Limited (“Hangzhou Langzheng”), Zhongfuyile (Tianjin) Real Estate Co., Ltd. and Zhongfuleling (Tianjin) Real Estate Co., Ltd. pursuant to capital injection by a new investor and change of board of directors composition respectively. The two companies became two joint ventures of the Group after the change in control.

The deemed disposal had resulted in a net gain of RMB9,371,000 and the net cash outflow of RMB20,800,000 analysis as follows:

	<i>RMB'000</i>
Properties under development	426,689
Cash and cash equivalents	20,800
Other assets	141,290
Creditors and accruals	(14,326)
Borrowings	(200,000)
Shareholder's loan	(47,822)
Other liabilities	(144,291)
Amount due to non-controlling interests	<u>(83,328)</u>
Group's net assets disposed of	99,012
Non-controlling interests	<u>(33,407)</u>
Net assets	<u>65,605</u>
Gain on deemed disposal of subsidiaries:	
Fair value of interests retained in joint ventures	<u>74,976</u>
Gain on deemed disposal	<u>9,371</u>
Net cash outflow arising from disposal:	<u><u>(20,800)</u></u>

(iv) Summary with details are as follows:

	Gain from disposal of subsidiaries <i>RMB'000</i>	Net Cash inflow from disposal of subsidiaries <i>RMB'000</i>
Disposal Xudong to Joint venture	69,732	(20,110)
Disposal other subsidiaries to Joint ventures other than Xudong	28,090	250,098
Disposal other subsidiaries to Associates	178,426	567,011
Deemed disposal	<u>9,371</u>	<u>(20,800)</u>
	<u>285,619</u>	<u>776,199</u>

(v) **Disposal during the year ended December 2016**

(a) *Disposal of subsidiaries without retained equity interests*

Net assets disposed with reconciliation of disposal gains and cash inflow are as follows:

	<i>RMB'000</i>
Net assets disposed of comprise:	
Properties under development	434,167
Other receivables	203,441
Cash and cash equivalents	11,959
Interest in an associate	2,450
Other assets	544
Borrowings	(270,000)
Shareholder loans	(389,764)
Other liabilities	(2,050)
Group's net liabilities disposed of	(9,253)
Cash consideration from disposal	105,005
Gain on disposal of a subsidiary	114,258
Total consideration in cash	494,769
Less: Shareholder loans	(389,764)
Less: Cash and cash equivalents in the entities disposed	(11,959)
Net cash inflow arising from disposal:	93,046

(b) Disposal of subsidiaries with loss of control retained as joint ventures

Net assets disposed with reconciliation of disposal gains and cash inflow are as follows:

	<i>RMB'000</i>
Net assets disposed of comprise:	
Properties under development	1,031,045
Interest in a joint venture	238,672
Cash and cash equivalents	5,101
Other assets	573
Property, plant and equipment	43
Creditors and accruals	(621,594)
Borrowings	(250,000)
Other liabilities	(401)
Translation reserve	66
Group's net assets disposed of	403,505
Recognition of interest in joint ventures	229,936
Cash consideration from disposal	224,615
Gain on disposal of a subsidiary	51,046
Total consideration in cash	224,614
Less: Cash and cash equivalents in the entities disposed	(5,101)
Net cash inflow arising from disposal:	219,513

39 COMMITMENTS

(A) Operating Lease Arrangement

Group — As lessee

At the reporting date, the Group had outstanding commitment for future minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	82,756	23,153
In the second to fifth year inclusive	763,080	37,256
After five years	1,549,378	—
	2,395,214	60,409

Group — As lessor

The Group leases its investment property under operating lease arrangements, with lease terms ranging from one to twenty years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the reporting date, the Group has contracted with tenants for the following future minimum lease payments:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within one year	34,449	20,513
In the second to fifth year inclusive	66,158	57,105
After five years	18,723	14,992
	119,330	92,610

(B) Capital Commitment

As at 31 December 2017, the Group had the following capital commitments:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Authorised but not contracted for		
— Development expenditure	864,765	2,157,049
Contracted but not provided for:		
— Development expenditure	1,534,328	1,909,406
— Purchase of freehold land	854,724	—
— Renovation expenditure	84,527	—
	2,473,579	1,909,406

40 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before income tax to cash generated from operations is as follows:

(A) Cash Flow Information

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	1,127,411	832,467
Adjustments for:		
Interest income (<i>note 10</i>)	(10,120)	(14,700)
Depreciation of property, plant and equipment (<i>note 19</i>)	11,258	12,417
Fair value gain on investment property (<i>note 18</i>)	(28,910)	(41,750)
Interest expense (<i>note 10</i>)	249,045	194,085
Gains on disposals of subsidiaries (<i>note 8</i>)	(285,619)	(165,304)
Gains on disposals of a joint venture (<i>note 8</i>)	(608)	–
Share of gains of associates	(169,453)	(45,088)
Share of gains of joint ventures	(21,881)	(24,930)
Employee share based compensation (<i>note 9</i>)	–	10,245
Gain on disposal of property, plant and equipment (<i>note 8</i>)	2	(56)
Provision for write-down of properties held for sale (<i>note 20</i>)	1,032	2,157
Provision for trade receivables, other receivables and amount due from related parties (<i>note 9</i>)	2,783	2,138
Operating profit before movements in working capital	874,940	761,681
Increase in properties held for sale	(453,540)	(223,254)
Decrease/(Increase) in properties under development	1,430,029	(1,220,797)
Increase in inventories	(28,559)	(16,378)
(Increase)/Decrease in deposits for purchase of land	(170,125)	687,300
Increase in trade receivables	(461,784)	(140,425)
Increase in other receivables, prepayments and deposits	(27,010)	(905,381)
(Decrease)/Increase in advanced proceeds received from customers	(873,739)	1,942,985
Increase in restricted cash	(25,397)	(47,409)
Increase in creditors and accruals	1,394,236	1,567,575
(Increase)/Decrease in employee share trust	(6,543)	1,846
(Increase)/Decrease in amount due from related parties	(1,223,788)	3,819
Increase in amount due to related parties	1,019,400	–
Net cash generated from operations	1,448,120	2,411,562

(B) Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Borrowings <i>RMB'000</i>	Amount due to non- controlling interest <i>RMB'000</i>	Amount due to related parties <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2017	6,083,341	211,492	2,112,472	8,407,305
Cash flows	567,982	(92,837)	2,646,214*	3,121,359
Disposal of subsidiaries (<i>note 38</i>)	(1,259,440)	(83,328)	–	(1,342,768)
Exchange differences arising from translation of foreign operations	24,026	–	–	24,026
Amortisation of senior private note	13,506	–	–	13,506
As at 31 December 2017	<u>5,429,415</u>	<u>35,327</u>	<u>4,758,686</u>	<u>10,223,428</u>

* The cash flows include financing cash inflow of RMB1,626,814,000 and operating cash inflow of RMB1,019,400,000.

41 RELATED PARTY BALANCES AND TRANSACTIONS

In addition to those related party balances and transactions elsewhere disclosed in these consolidated financial statements, the Group had the following:

(A) Amounts Due from Related Parties

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets		
Amounts due from associates (i)	285,364	–
Amounts due from joint ventures (ii)	1,085,171	187,036
	<u>1,370,535</u>	<u>187,036</u>
Current assets		
Amounts due from associates (i)	768,465	650,919
Amounts due from joint ventures (ii)	791,361	167,352
	<u>1,559,826</u>	<u>818,271</u>

(i) As of 31 December 2017, non-current amounts due from associates generates interest at 8% per annum. Current amount due from associates includes RMB204,104,000 generating interest at 14% and the remaining is interest-free.

As of 31 December 2016, current amounts due from associates generates interest ranging from 8% to 14%.

- (ii) As of 31 December 2017, non-current amounts due from joint ventures generates interest ranging from 5% to 12%. Current amounts due from joint ventures includes RMB159,000,000 generating interest ranging from 5% to 12% per annum and the remaining is interest-free.

Included in current amount due from joint ventures is RMB461,895,000 related to the disposal of a subsidiary (note 38), which was subsequently collected on 11 January 2018.

As of 31 December 2016, non-current amounts due from joint ventures includes RMB146,304,000 generating interest at 8.5% and the remaining is interest-free. Current amounts due from joint ventures includes RMB100,000,000 generating interest at 8% per annum and the remaining is interest-free.

All amounts due to related parties are unsecured.

The carrying amounts of amounts due from related parties approximate their fair values.

(B) Amounts due to Related Parties

	At at 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current liabilities		
Amounts due to associates (i)	1,761,220	869,830
Amounts due to joint ventures (ii)	763,474	707,182
Amounts due to a fellow subsidiary of the ultimate holding company (iii)	189,912	210,100
	2,714,606	1,787,112
Current liabilities		
Amounts due to associates (i)	298,200	220,000
Amounts due to joint ventures (ii)	25,398	105,360
Amounts due to fellow subsidiaries of the ultimate holding company (iii)	8,092	–
Amounts due to the ultimate holding company (iv)	1,712,390	–
	2,044,080	325,360

- (i) As of 31 December 2017, non-currents amount due to associates is interest-free. Current amounts due to associates includes RMB293,700,000 bearing interest at 8.5% per annum and the remaining is interest-free.

As of 31 December 2016, non-current amounts due to associates is interest-free. Current amounts due to associates bears interest ranging from 5.5% to 6.2% per annum.

- (ii) As of 31 December 2017, non-current amounts due to joint ventures includes RMB315,230,000 bearing interest ranging from 6% to 7.5% per annum and the remaining is interest-free. Current amounts due to joint ventures is interest-free.

As of 31 December 2016, non-current amounts due to a joint venture includes RMB160,000,000 bearing interest at 7.5% per annum, and the remaining balance is interest-free. Current amount due to joint ventures is interest-free.

- (iii) As of 31 December 2017, non-current amount due to a fellow subsidiary of the ultimate holding company bears interest at 5.5% per annum. Current amounts due to fellow subsidiaries of the ultimate holding company is interest-free.

As of 31 December 2016, non-current amount due to a fellow subsidiary of the ultimate holding company bears at 5.5% interest per annum.

- (iv) As of 31 December 2017, current amounts due to the ultimate holding company is interest-free.

All amounts due to related parties are unsecured.

(C) Trade receivables

	31 December 2017 RMB'000
Trade receivables due from joint ventures	158,065
Trade receivables due from associates	65,586
	223,651

(D) Borrowings

	31 December 2017 RMB'000	31 December 2016 RMB'000
Amount due to the ultimate holding company (<i>Note 29</i>)	1,665,000	1,662,177

(E) Related Party Transactions

(1) Funding with related parties

	For the year ended 31 December 2017			
	Funding to related parties		Collection of funding	
	Operating RMB'000	Investing RMB'000	Operating RMB'000	Investing RMB'000
Associates	570,022	285,364	2,801	468,849
Joint ventures	656,567	38,955	–	809,404
	1,226,589	324,319	2,801	1,278,253

	For the year ended 31 December 2017			
	Funding from related parties		Repayment of founding	
	Operating RMB'000	Financing RMB'000	Operating RMB'000	Financing RMB'000
Associates	737,492	485,838	–	253,000
Joint ventures	290,000	561,734	–	94,870
Fellow subsidiaries of the ultimate holding company	–	189,912	8,092	105,360
The ultimate holding company	–	842,560	–	–
	1,027,492	2,080,044	8,092	453,230

(2) *Management services, other income and finance cost*

	For the year ended	
	31 December	
	2017	2016
	RMB'000	RMB'000
Property development and management service fee income from associates and joint ventures	421,983	187,845
Property development and management service fee income from fellow subsidiaries	612	74,045
Interest income received from associates (<i>note 41 (a)(i)</i>)	52,454	75,841
Interest income received from joint ventures (<i>note 41 (a)(ii)</i>)	52,948	19,223
Interest expense on loans from the ultimate holding company (iv)	126,888	100,296
Interest expense on loans from fellow subsidiaries of the ultimate holding company (<i>note 41 (b)(iii)</i>)	58,098	830
Interest expense on loans from joint ventures (<i>note 41 (b)(ii)</i>)	29,789	15,817
Interest expense on loans from associates (<i>note 41(b)(i)</i>)	11,388	13,058

(i) During the year, the Group provided property development and management services to its associates and joint ventures, and the prices of these services are based on the prevailing market prices of similar services.

(ii) Pursuant to the Property Development and Management Services Agreement entered into between the Group and its ultimate holding company, the Group has provided certain project management, sales management to fellow subsidiaries of its ultimate holding company. These transactions constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

The prices of these services are based on the prevailing market prices of similar services provided by the Group to independent third parties.

(iii) The ultimate holding company provided interest bearing loans to the Group during the year. The interest expense on loans is based on prevailing market interest rate and is exempted from the reporting and disclosure requirement pursuant to Rule 14A.90 of the Listing Rules.

(F) Included in Employee Benefit Expenses are Key Management Personnel Compensations which Comprises the Following Categories:

	For the year ended	
	31 December	
	2017	2016
	RMB'000	RMB'000
Short term employee benefits	42,641	29,776
Contributions to retirement benefits schemes	1,267	820
Restricted share award	—	5,825
	43,908	36,421

42 GUARANTEE

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (i)	2,140,598	2,648,983
Guarantee to joint ventures in respect of borrowings (ii)	230,316	141,558
	<u>2,370,914</u>	<u>2,790,541</u>

- (i) The Group has in cooperation with certain financial institutions arranged mortgage loan facilities for its purchasers of properties and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees will be released by banks upon the issuance of the real estate ownership certificate to the purchasers or the satisfaction of mortgaged loan by the purchaser of properties, whichever is earlier. In the opinion of directors of the Company, the fair value of the financial guarantee contracts is not significant.
- (ii) As at 31 December 2017, the Group provided a guarantee to Fenway Ventures Point Properties LLC, a 50% joint venture of LS-Boston Point LLC, for its bank borrowings. Obligations under such guarantees shall be discharged pursuant to the counter-indemnity provided by Landsea Group Co., Ltd.

43 PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2017 are as follows:

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group as at 31 December 2016 (%)	Principal activities and place of operation
Cathay Holdings Limited (note 1)	Hong Kong	2 shares of HK\$1 each	100	100	100	Investment holding
China Information Industry Limited (note 1)	Hong Kong	2 shares of HK\$1 each	–	100	100	Investment holding
Dawning Information Industry (Shenzhen) Limited [#]	PRC	HK\$152,120,000	–	100	100	Property leasing and building management
GOI Limited (note 1)	Hong Kong	2 shares of HK\$1 each	100	100	100	Investment holding
Green Future Holdings Limited (note 1)	Hong Kong	1 share of HK\$1	100	100	100	Investment holding
Green Homeland Limited (note 1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Green Theme Limited (note 1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
New Phenomenon Technology Limited (note 1)	BVI	1 share of US\$1	100	100	100	Investment holding

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group as at 31 December 2016 (%)	Principal activities and place of operation
Aqua Sky Limited <i>(note 1)</i>	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Easy Shine Global Limited <i>(note 1)</i>	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Green Era Limited <i>(note 1)</i>	BVI	US\$50,000	100	100	100	Investment holding
Power Sky Enterprise Limited <i>(note 1)</i>	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Prosperous Eagle Limited <i>(note 1)</i>	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Nanjing Langming Real Estate Group Limited	PRC	RMB1,050,000,000	–	100	100	Investment holding
Hangzhou Langhong Property Limited*#	PRC	RMB100,000,000	–	100	100	Property development
Chengdu Langming Property Limited*#	PRC	RMB8,000,000	–	100	100	Property development
Shanghai Langming Property development Limited*#	PRC	RMB50,000,000	–	100	100	Property development
Suzhou Langkun Property Limited*#	PRC	RMB100,000,000	–	55	55	Property development
Shanghai Langxin Properties Development Limited*#	PRC	RMB50,000,000	–	100	100	Property development
Wuxi Langhua Development Co., Ltd.*#	PRC	RMB50,000,000	–	100	100	Property development
Nanjing Ganjia Investment Limited*#	PRC	RMB8,000,000	–	100	100	Property development
Nanjing Landsea Shenlu Property Management Limited*#	PRC	RMB5,000,000	–	100	100	Property leasing and building management
Nanjing Landsea Investment Management Limited*#	PRC	RMB200,000,000	–	100	100	Investment holding
Shanghai Landsea Investment Management Limited*#	PRC	US\$5,000,000	–	100	100	Investment holding
Shanghai Langmao Investment Management Limited*#	PRC	US\$500,000	–	100	100	Investment holding

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group as at 31 December 2016 (%)	Principal activities and place of operation
Nanjing Langqing Property Limited*#	PRC	HK\$1,371,480,000	–	100	100	Property development
Nanjing Landsea Construction and Decoration Limited*#	PRC	RMB50,000,000	–	100	100	Decoration and design
Zhejiang Langyue Construction and Decoration Limited*#	PRC	RMB10,000,000	–	100	100	Decoration and design
Ningbo Jinwo Business Investment Co., Ltd.*#	PRC	RMB30,000,000.00	–	100	–	Property development
Wuxi Minglang Property Limited*#	PRC	RMB50,000,000	–	100	100	Property development
Chongqing Langrui Equity Investment Fund Partnership (Limited Partnership)*#	PRC	RMB2,000,000,000	–	100	100	Investment holding
Wuhan Langxi Equity Investment Fund Partnership (Limited Partnership)*#	PRC	RMB1,999,800,000	–	100	100	Investment holding
Shanghai Langqing Investment Management Limited*#	PRC	RMB17,183,252.53	–	100	100	Investment holding
Nanjing Xinbeisheng Investment Limited*#	PRC	Subscription	–	100	100	Investment holding
Nanjing Bozhixin Investment Management Limited*#	PRC	RMB17,880,000	–	100	100	Investment holding
Nanjing Xinhuisheng Investment Management Limited*#	PRC	RMB8,000,000	–	60	60	Investment holding
Nanjing Xinzhousheng Investment Management Limited*#	PRC	Subscription	–	100	100	Investment holding
Nanjing Xinmingsheng Investment Management Limited*#	PRC	Subscription	–	100	100	Investment holding
Suzhou Langrui Investment Management Limited*#	PRC	Subscription	–	100	100	Investment holding
Hangzhou Langhui Investment Management Limited*#	PRC	RMB5,000,000	–	100	100	Investment holding
Shanghai Langju Properties Development Limited*#	PRC	Subscription	–	100	100	Property development

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group as at 31 December 2016 (%)	Principal activities and place of operation
Beijing Landsea Investment Management Limited*#	PRC	RMB50,000,000	–	100	100	Property development
Nanjing Landsea Landscape Limited*#	PRC	RMB2,000,000	–	100	100	Property development
Wuhan Langming Investment Limited*#	PRC	Subscription	–	100	100	Property leasing and building management
Zhongfuyiyang (Tianjin) Real Estate Co., Ltd.*#	PRC	RMB100,000,000	–	75	75	Property development
Shanghai Landsea Planning and architectural design Co., Ltd.*#	PRC	RMB3,000,000	–	100	100	Decoration and design
Wuhan Langheng Industrial Co. Ltd.*##	PRC	Subscription	–	100	100	Property development
Shanghai Langji Enterprise Management Consulting Co., Ltd.*#	PRC	Subscription	–	100	100	Investment holding
Shanghai Langshan Industrial Co., Ltd.*#	PRC	RMB10,000,000	–	100	100	Property development
Hangzhou Langkang Investment Co., Ltd.*#	PRC	Subscription	–	100	100	Investment holding
Xian Jiapeng Real Estate Development Co. LTD.*#	PRC	RMB20,000,000	–	70	–	Property development
Xian Langshiming Real Estate Development Co. LTD.*#	PRC	Subscription	–	100	–	Property development
Shanghai Langzhi Property Limited*#	PRC	RMB8,000,000	–	100	100	Property development
Hangzhou Langyu Investment Management Co. LTD.*#	PRC	RMB105,492,600.00	–	100	–	Leasing
Beijing Langshiyu Business Management Co. LTD.*#	PRC	RMB12,270,000.00	–	100	–	Leasing
Langshiyu(Shenzhen) Business Management Co. LTD.*#	PRC	RMB2,180,000.00	–	100	–	Leasing
Hangzhou Langrong Investment Co. LTD.*#	PRC	RMB44,530,000.00	–	100	100	Leasing
Shanghai Langsong Industrial Co. LTD.*# (note 1)	PRC	RMB120,000,000.00	–	100	100	Leasing

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group as at 31 December 2016 (%)	Principal activities and place of operation
Nanjin Langshiyu Business Management Co. LTD.*#	PRC	RMB50,000,000.00	–	100	–	Leasing
Chengdu Langming Real Estate Co. LTD.*# (note 1)	PRC	RMB8,000,000.00	–	100	100	Property development
Chengdu Langsheng Enterprise Management Consulting Co. LTD.*#	PRC	Subscription	–	100	–	Investment holding
Landsea Holdings Corporation (note)	US	US\$158,873,331	–	100	100	Investment holding
SF Vale LLC (note 2)	US	US\$9,000,000	–	5	5	Investment holding
LS– Jordan Ranch LLC	US	US\$19,900,870	–	100	100	Real estate development and sales US
159 Aliso Ridge Loop LLC	US	US\$4,004,043	–	100	100	Sell real estate held for development US
LS-LA Simi LLC	US	US\$21,786,756	–	100	100	Real estate development and sales US
LS-OC Portola LLC	US	US\$102,849,956	–	100	100	Real estate development and sales US
LS-Walnut Creek LLC	US	US\$12,945,233	–	100	100	Real estate development and sales US
LS-NJ Port Imperial LLC	US	US\$96,335,191	–	100	100	Real estate development and sales — New Jersey
LS-Sunnyvale LLC	US	US\$133,269,944	–	71	71	Real estate development and sales — California
Long City Ventures Limited	BVI	US\$50,000	–	100	100	Property development
Epic China Limited	BVI	US\$50,000	100	100	100	Investment holding
Landsea Equity LLC	Delaware	US\$51,900,000	–	100	100	Investment holding

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Note 1: Certain borrowings are guaranteed by these shares of the companies (note 29).

Note 2: The Group is the only managing member of the company.

44 ASSOCIATES

Particulars of the Group's associates as at 31 December 2017 are as follows:

Name	Place of establishment/ operations	Percentage of ownership interests (%)	Principal activities
Hangzhou Wanye Property Co., Ltd.*#	PRC	34	Property development
Suzhou Science and Technology Town Landsea Property Co., Ltd.*#	PRC	20	Property development
Nanjing Merchant Xingsheng Property Development Co., Ltd.*#	PRC	30	Property development
Nanjing Aojian Properties Co., Ltd.*#(a)	PRC	12.97	Property development
Nanjing Xueheng Properties Co., Ltd.*#	PRC	49.9	Property development
Chengdu Chenshi Properties Co., Ltd.*#	PRC	25	Property development
Hangzhou Langyou Properties Development Limited*#	PRC	49	Property development
Hangzhou Langning Investment Limited*#	PRC	27	Investment holding
Chengdu Taihang Ruihong Properties Development Limited*#(a)	PRC	9.91	Property development
Chengdu Chengfeng Enterprise Management and Consultant Limited*#	PRC	33	Investment holding
Allgreen Properties (Chengdu) Pte. Ltd.*#	PRC	33	Property development
Zhejiang Tianyuan Properties Development Company Limited*#	PRC	40	Property development
Haining Langhong Property Development Limited*#(b)	PRC	80	Property development
Suzhou Qiandao Industrial Co., LTD.*#	PRC	19	Property development
Nanjing Xushenghui Enterprise Management Consulting Co., LTD.*#	PRC	40	Investment holding
Nanjing Yicheng Real Estate Development Co. LTD.*#	PRC	20	Property development
Jiangyin Lansheng Real Estate Development Co. LTD.*#	PRC	19	Property development
Landsea Rongda (Beijing) Investment Management Co., Ltd.*#	PRC	20	Investment holding

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(a) The Group has one board seat in Nanjing Aojian Properties Co., Ltd. and Chengdu Taihang Ruihong Properties Development Limited, respectively.

(b) According to the co-operation agreement with a third party, the Group only has significant influence in the entity, the Group account it as interest in associate.

45 JOINT VENTURES

Name	Place of establishment/ operations	Percentage of ownership interests (%)	Principal activities
Nanjing Langrun Property Development Company Limited [#]	PRC	50.1	Property development
Suzhou Langhong Property Limited ^{*#}	PRC	51.0	Property development
Silver Knight Global Limited (HK)	Hong Kong	38.46	Investment holding
Hangzhou Langping Property Co., Ltd. ^{*#}	PRC	50	Property development
Suzhou Gaotixincheng Landsea Properties Co., Ltd. ^{*#}	PRC	51	Property development
Shenzhen Langxinhe Investment Company (Limited Partnership) ^{#*}	PRC	23	Investment holding
Wuhan Changan Investment Limited ^{#*}	PRC	60	Investment holding
LS-Boston Point LLC	US	50	JV with Ping An — invested in Boston project
Hubei Supply and Marketing Xudong Minsheng Plaza Properties Limited ^{**}	PRC	30	Property development
Zhongfuleling (Tianjin) Real Estate Co., Ltd. ^{*#}	PRC	35	Property development
Zhongfuyile (Tianjin) Real Estate Co., Ltd. ^{*#}	PRC	35	Property development
Chengdu Shanggao Investment Co., Limited ^{*#}	PRC	50	Property development
Chengdu Langhui Corporate Management and Consulting Co., Ltd.	PRC	50	Investment holding
Chengdu Hanfei Properties Development Co., Ltd ^{*#}	PRC	50	Property development
Hangzhou Langzheng Investment Limited ^{*#}	PRC	50	Property development
Jiaxin Langda I Investment Partnership (Limited Partnership) ^{*#}	PRC	30	Investment holding

Name	Place of establishment/ operations	Percentage of ownership interests (%)	Principal activities
Jiaxin Langda II Investment Partnership (Limited Partnership) *#	PRC	30	Investment holding
Shanghai Zhongcheng Qiannian Investment Company (Limited Partnership)*#	PRC	50	Investment holding
Tianjin Langxin investment management Co., LTD.*#	PRC	51	Investment holding
Shanghai Zhujiu Enterprise Management Consulting Co., LTD.*#	PRC	50	Investment holding
Yixing Meisheng Real Estate Co. LTD.*#	PRC	51	Property development
Feidong Wanxin Cultural Industry Investment Co., LTD.*#	PRC	10	Investment holding
Hefei Wanxin Cultural Investment Co., LTD.*#	PRC	25	Investment holding
Shanghai Landsea Shenlv Investment Enterprise (limited partnership)*#	PRC	5.44	Investment holding
Chongqing Xingde Real Estate Development Co. LTD.*#	PRC	25.5	Property development
Asia Pacific Business Link Limited	Hong Kong	38.46	Property development
Shanghai Asia Pacific International real estate Co.,LTD.*#	PRC	38.46	Property development
# Limited liability company registered in the PRC			
* For identification purpose only			

46 SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2017 were approximately RMB206,122,000, of which approximately RMB231,637,000 were attributed as below for Suzhou Langkun Property Limited.

Summarised statements of balance sheet

	31 December 2017 RMB'000	31 December 2016 RMB'000
Current		
Assets	2,350,624	2,718,592
Liabilities	(1,816,969)	(2,293,163)
Total current net assets	533,655	425,429
Non-current		
Assets	9,094	7,620
Liabilities	(28,000)	(247,000)
Total non-current net assets	(18,906)	(239,380)
Net assets	514,749	186,049
Accumulated non-controlling interest	231,637	83,722

Summarised statements of comprehensive income

	31 December 2017 RMB'000	31 December 2016 RMB'000
Revenue	1,254,315	785,240
Profit before income tax	428,632	134,747
Income tax expense	99,932	33,762
Total profit	328,700	100,985
Total comprehensive income attributable to non-controlling interest	147,915	45,443
Dividend paid to non-controlling interest	—	—

Summarised cash flows

	For the year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	240,717	(196,144)
Net cash generated from/(used in) investing activities	25,190	(16)
Net cash (used in)/generated from financing activities	(313,045)	248,472
Net (decrease)/increase in cash and cash equivalents	(47,138)	52,312
Cash and cash equivalents at year beginning	168,610	116,298
Effect of currency translation on cash and cash equivalents	–	–
Cash and cash equivalents at year end	121,472	168,610

47 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance Sheet of the Company

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current assets		
Investments in subsidiaries	399,089	78,126
Investments in joint ventures	129,701	123,755
	528,790	201,881
Current assets		
Other receivables, prepayments and deposits	415	2,350
Amounts due from subsidiaries	4,405,246	4,120,585
Restricted cash	–	1,325
Cash and cash equivalents	8,823	13,148
	4,414,484	4,137,408
Total assets	4,943,274	4,339,289
Current liabilities		
Creditors and accruals	17,559	3,355
Amounts due to subsidiaries	2,799,566	1,985,429
Borrowings	1,002,958	292,156
	3,820,083	2,280,940

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current liabilities		
Borrowings	213,990	685,747
Total liabilities	4,034,073	2,966,687
Equity		
Share capital	31,800	31,800
Convertible perpetual securities	495,425	484,204
Reserves	381,976	856,598
Total equity	909,201	1,372,602
Total liabilities and equity	4,943,274	4,339,289

Note (a) Convertible perpetual securities and reserves movement of the Company

	Convertible perpetual securities RMB'000	Reserves RMB'000 (a)	Total RMB'000
At 1 January 2016	110,054	640,212	750,266
Exchange difference arising from translation of foreign operation	–	153,219	153,219
Loss for the year	–	(157,272)	(157,272)
Total comprehensive loss for the year	–	(4,053)	(4,053)
Issuance of shares	–	360,943	360,943
Shares held for restricted share award scheme	–	1,846	1,846
Employee share based compensation	–	10,245	10,245
Issuance of convertible perpetual securities (note 34)	363,847	–	363,847
Accrued distribution to holders of convertible perpetual securities	18,661	(18,661)	–
Share premium reduction	–	–	–
Distributions to holders of convertible perpetual securities	(8,358)	–	(8,358)
Dividend	–	(133,934)	(133,934)
Subtotal of transaction with shareholders	374,150	220,439	594,589
At 31 December 2016	484,204	856,598	1,340,802

	Convertible perpetual securities RMB'000	Reserve RMB'000 (b)	Total RMB'000
At 1 January 2017	<u>484,204</u>	<u>856,598</u>	<u>1,340,802</u>
Exchange difference arising from translation of foreign operation	–	(76,929)	(76,929)
Loss for the year	<u>–</u>	<u>(232,789)</u>	<u>(232,789)</u>
Total comprehensive loss for the year	<u>–</u>	<u>(309,718)</u>	<u>(309,718)</u>
Shares held for restricted share award scheme	<u>–</u>	<u>(6,543)</u>	<u>(6,543)</u>
Accrued distribution to holders of convertible perpetual securities	19,679	(19,679)	–
Share premium reduction	–	–	–
Distributions to holders of convertible perpetual securities	(8,458)	–	(8,458)
Dividend	<u>–</u>	<u>(138,682)</u>	<u>(138,682)</u>
Subtotal of transaction with shareholders	<u>11,221</u>	<u>(164,904)</u>	<u>(153,683)</u>
At 31 December 2017	<u><u>495,425</u></u>	<u><u>381,976</u></u>	<u><u>877,401</u></u>

	Share premium RMB'000	Translation reserve RMB'000	Share based compensation reserve RMB'000	Employee share trust RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	751,108	(34,905)	9,555	(30,753)	23,185	–	(77,978)	640,212
Exchange difference arising from translation of foreign operation	–	153,219	–	–	–	–	–	153,219
Loss for the year	–	–	–	–	–	–	(157,272)	(157,272)
Total comprehensive loss for the year	–	153,219	–	–	–	–	(157,272)	(4,053)
Issuance of shares	360,943	–	–	–	–	–	–	360,943
Shares held for restricted share award scheme	–	–	–	1,846	–	–	–	1,846
Employee share based compensation	–	–	10,245	–	–	–	–	10,245
Accrued distribution to holders of convertible perpetual securities	–	–	–	–	–	–	(18,661)	(18,661)
Share premium reduction	(400,000)	–	–	–	–	248,645	151,355	–
Dividend	–	–	–	–	–	(133,934)	–	(133,934)
Subtotal of transaction with shareholders	(39,057)	153,219	10,245	1,846	–	114,711	(24,578)	216,386
At 31 December 2016	712,051	118,314	19,800	(28,907)	23,185	114,711	(102,556)	856,598
	Share premium RMB'000	Translation reserve RMB'000	Share based compensation reserve RMB'000	Employee share trust RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	712,051	118,314	19,800	(28,907)	23,185	114,711	(102,556)	856,598
Exchange difference arising from translation of foreign operation	–	(76,929)	–	–	–	–	–	(76,929)
Loss for the year	–	–	–	–	–	–	(232,789)	(232,789)
Total comprehensive loss for the year	–	(76,929)	–	–	–	–	(232,789)	(309,718)
Issuance of shares	–	–	–	–	–	–	–	–
Shares held for restricted share award scheme	–	–	–	(6,543)	–	–	–	(6,543)
Accrued distribution to holders of convertible perpetual securities	–	–	–	–	–	–	(19,679)	(19,679)
Share premium reduction	(500,000)	–	–	–	–	500,000	–	–
Dividend	–	–	–	–	–	(138,682)	–	(138,682)
Subtotal of transaction with shareholders	(500,000)	–	–	(6,543)	–	361,318	(19,679)	(164,904)
At 31 December 2017	212,051	41,385	19,800	(35,450)	23,185	476,029	(355,024)	381,976

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the year of 2017, the Group continued to deepen the transformation and upgraded strategy of “product-differentiation, asset-light transformation and market-internationalisation”, stayed true to put green products differentiation into practice, and actively explored and made an attempt to business mode 2.0 for property development. Based on our real estate business, the Group will vigorously develop project development and management service business while put great emphasis in promoting the development of related diversified businesses. With the initiation of “banyan tree scheme”, the Group expands its business segment to, among others, long-term rental apartments, elderly care services, green financial services, design institute, property and decoration, hence the core value of environmental protection has gradually turning out and the Group has achieved remarkable results.

After four years of nurturing by Landsea Group, the Group has substantially enhanced its main capability in property development business and the provision of development and management services, which has gained market recognition. The revenue of the Group for 2017 amounted to approximately RMB6,214.0 million (2016: RMB4,845.0 million), representing an increase of approximately 28.3% as compared with that for the previous year. The total profit of the Group amounted to approximately RMB720.8 million, representing an increase of 18.8% as compared with that for the previous year. The net core earnings (i.e. net profit excluded after tax exchange gain/loss and change of fair value on investment property) amounted to approximately RMB932.2 million (2016: RMB401.9 million), representing a significant increase of 1.3 times as compared with that for the previous year. Net core earnings margin was 15% (2016: 8.3%). The Group has been making good progress in the segment of development and management services. In 2017, the Group had entered into projects in relation to property development and management services with independent third parties or cooperating parties, with contract sum of approximately RMB1,407.2 million (2016: RMB1,259.3 million), whereas the revenue recognised from the provision of development and management services amounted to approximately RMB752.6 million (2016: RMB549.1 million), representing an increase of 37.1% as compared with the corresponding period of the previous year. For the year of 2017, the Group achieved fruitful results, reporting segment profit before income tax of approximately RMB410.9 million (2016: RMB340.2 million) arising from the asset-light services projects with independent third parties or cooperating parties.

For the year of 2017, “Landsea Products” (referring to development operation projects entirely managed by Landsea Group, including equity-held projects and projects engaged in entrusted development management) recorded contracted sales of RMB32,053,283,000 (including RMB28,411,048,000 from the Group and a small amount of remaining projects entrusted by Landsea Group) with contracted gross floor areas of approximately 1,629,394 square meters (including 1,406,466 square meters from the Group and a small amount of remaining projects entrusted by Landsea Group).

Owing to the strategic development and upgrading, the Group is actively expanding its operations of light-asset management and operation services, from the traditional property development to the development of various kinds of green operation business, including long-term rental apartment, elderly care services, green financial services, green architectural design, property services and decoration. The Group hence changed its name to “Landsea Green Group Co., Ltd.”, as the original name “Landsea Green Properties Co., Ltd.” can no longer match with our diversified businesses. The management considers the new company name can better reflect the new business strategies of the Company, which aligns businesses of green development and services (i.e. vertical business integration).

BUSINESS DEVELOPMENT

In 2017, the Group secured a total of 34 projects in Shanghai, Nanjing, Hangzhou, Chengdu, Xi'an, Chongqing and the US respectively, of which 30 were in the PRC and 4 were in the US, among which 32 projects were under development for sale (including 19 projects in which the Group held equity interests and 13 development management projects by entrusted independent third parties) and 2 were properties held for rent, which is a satisfactory result in project expansion in view of the unfavourable market conditions. For projects under development for sale, the Group recorded a salable GFA of approximately 3,401,298 square meters and expected salable value of approximately RMB53.7 billion, in which approximately 2,311,568 square meters in gross floor areas, salable GFA of approximately 1,617,087 square meters and expected salable value of approximately RMB28.4 billion secured for equity-held projects of the Group, with gross floor areas of approximately 1,326,771 square meters, salable GFA of approximately 851,984 square meters and expected salable value of approximately RMB14.1 billion attributable to the Group and gross floor areas of approximately 2,366,765 square meters, salable GFA of approximately 1,784,211 square meters and expected salable value of approximately RMB25.3 billion secured for entrusted development management projects. 90% of the projects were obtained through mergers and acquisitions, entrusted development and in form of share, which has effectively prevented the occurrence of record-high land prices.

As at 31 December 2017, the Group had project reserves with salable GFA of approximately 6,352,998 square meters and expected salable value of approximately RMB117.9 billion, in which total gross floor areas of approximately 8,380,791 square meters, salable GFA of approximately 3,606,959 square meters and salable value of approximately RMB68.4 billion secured for the equity-held projects, with salable GFA of approximately 1,446,646 square meters and salable value of approximately RMB29.2 billion attributable to the Group. The Group had also acquired 26 development management projects by entrusted independent third parties, with salable area of approximately 2,746,039 square meters and expected sales amount of approximately RMB49.5 billion. For the properties held for rent, the Group recorded an increase of total gross floor areas of approximately 57,723 square meters, in which approximately 34,575 square meters attributable the Group.

The long-term rental apartment market is considered to be a sustainable business by the industry as a result of favourable policies and stepping into the era of inventory houses in the real estate market of certain first-tier and second-tier major cities. The transactions of second-hand housing in Beijing and Shanghai are far more than those of commodity housing. Young buyers in first-tier cities face tremendous pressure of realising their dreams of buying house in a short period of time. It is contemplated that more and more people will tend to rent houses in order to solve their housing issues, resulting in gradual increase in the rentals of the long-term rental apartment market in future. In 2017, the Group has attached great weight to develop the long-term rental apartment brand “Landsea Apartment” (朗詩寓) which has the product lines of youth apartment, white collar apartment, boutique apartment and service apartment. “Landsea Apartment” project was thoughtfully planned by the end of 2016 and fully implemented in February after the Spring Festival in 2017, currently having 55 projects covering a total of 11 cities, namely Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Nanjing, Suzhou, Chengdu, Xi’an, Ningbo and Wuxi with a total area of more than 526,000 square meters, representing an expansion of 15,040 apartments. The project will be expanded into other major first and second-tier cities in the future. For the year ended 31 December 2017, “Landsea Apartment” with 2,010 rooms in operation contributed revenue of approximately RMB8,282,000 to the Group. The long-term rental apartment business is expected to contribute considerable revenue to the Group in the future.

“Landsea Chang Qingteng” is Landsea’s another development focus following the long-term rental apartment project. The Group intends to establish Landsea Chang Qingteng as the best elderly care services centers in the PRC. Landsea Group initiated its updated green strategy in 2012, part of which is elderly care. Since 2012, Landsea Group has studied the projects operated domestically and abroad and established its presence across the country based on its experience in Nanjing. Since 2018, the business operations have expanded to, while carried out by the Group as the main entity, certain number of first-tier cities, such as Beijing, Shanghai, Hangzhou, Guangzhou and Suzhou, and such existing projects acquired as of the end of 2017 are being considered to be injected into the Group’s business though no injection agreement has been signed.

The Group officially established a real estate company in Xi’an in May 2017, and acquired a project in Xi’an in June 2017. With the Group tapping into Xi’an, a “green” wave may sweep into the property market of West Avenue (西部大道).

Further, the business sector and architectural design companies in the US were injected into the Group in 2016. Its ancillary businesses related to green properties were strategically consolidated, aiming at developing a listed platform with vertically-integrated business focusing on green property development and green services to drive the growth of the Group’s sales revenue in the global market. In particular, the assets of the US business accounted for approximately 24.1% of the Group’s assets as at 31 December 2017. For the year of 2017, the total contracted sales of the US projects amounted to approximately RMB3,372,634,000. The revenue from sale of properties of approximately RMB193,944,000 and sales areas of approximately 6,638 square meters were recognized by the US business of the Group for the year of 2017. In addition, the Group disposed of the land parcels with total land areas of 290,301 square meters from The Vale, Ironridge and Sanctuary in 2017 and sales areas of approximately 219,255 square meter were recognized. The total selling price of those three land parcels was approximately RMB1,730,143,000, contributing a revenue of approximately RMB1,136,901,000 for the year ended 31 December 2017. The business strategy of the Group for market internationalisation began to yield positive results.

OPERATION INCOME AND GROSS PROFIT

For the year ended 31 December 2017, the Group’s revenue was mainly derived from development and management services income of approximately RMB753,225,000, income from sale of properties of approximately RMB5,425,876,000 and rental and property management fee income of approximately RMB34,830,000, which in aggregate was approximately RMB6,213,931,000, representing an increase of approximately 28.3% over the total revenue for the year of 2016. The increase in revenue was mainly due to an increase of approximately 29.3% in revenue from sale of properties as compared with that for the previous year. Despite an increase of approximately 20.9% in total development and management services income, the income from development and management services from independent third parties or cooperating parties increased by 37.1% to approximately RMB752,613,000 as compared with that for the corresponding period of last year. As a result of the completion of most of the projects for which property development and management services had been provided to Landsea Group by the Company for more than three years, the income derived from the development and management services of the Group to Landsea Group was

approximately RMB612,000 for the year ended 31 December 2017 as compared with that of approximately RMB74,045,000 for the previous year. With the Group's operation strategy of "asset-light", the number of entrusted development management contracts entered into with independent third parties or cooperating parties also increased.

For the year ended 31 December 2017, the gross profit of the Group was approximately RMB1,523,521,000, representing an increase of approximately 100.8% as compared with the gross profit for the year of 2016. The overall gross profit margin of the Group was approximately 24.5% (2016: approximately 15.7%), representing an increase of 8.8% as compared with that of 2016. The gross profit margin of joint ventures and associates was 22.2% (2016: 17.8%).

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

For the year ended 31 December 2017, the profit attributable to the Shareholders of the Company was approximately RMB580,523,000, representing a decrease of approximately 2.5% as compared with that for 2016. That was mainly due to unrealized foreign exchange losses arising from foreign currency loans and foreign currency exchanges between the subsidiaries within the Group during the year. The core earnings attributable to shareholders of the Company amounted to approximately RMB791,888,000, after deducting foreign exchange losses and fair value, representing a significant increase of approximately 103% as compared with that for 2016.

CONTRACTED SALES AND PROPERTIES SOLD BUT NOT RECOGNISED

In 2017, "Landsea Products" recorded contracted sales of RMB32,053,283,000 (including RMB28,411,048,000 from the Group and a small amount of remaining projects entrusted by Landsea Group) with contracted gross floor areas of approximately 1,629,394 square meters (including 1,406,466 square meters from the Group and a small amount of remaining projects entrusted by Landsea Group), among which the total contracted sales of the property projects in which the Group held equity interests amounted to approximately RMB17,799,404,000 with contracted sales areas of approximately 665,989 square meters, i.e. an average selling price of RMB26,726 per square meter, while the total contracted sales of land sites amounted to RMB1,730,143,000 with contracted sales areas of approximately 290,301 square meters, i.e. an average selling price of RMB5,960 per square meter. The Group recorded total contracted sales of RMB19,529,547,000 from equity-held projects for property and land, representing an increase of 30.2% as compared to 2016 while the contracted sales areas were 956,289 square meters, representing an increase of 18.4% as compared to 2016. The contracted sales were mainly from the on-sale projects in Nanjing, Shanghai, Suzhou, Hangzhou, Chengdu in the PRC and Boston, New Jersey and San Francisco in the US. As at 31 December 2017, the Group's accumulated areas of properties sold but not recognised were approximately 1.43 million square meters, amounting to approximately RMB28.460 billion, in which areas of properties sold but not recognised attributable to the Group were 440,000 square meters, amounting to approximately RMB9.170 billion.

Project	Equity Holding	Contracted Sales Amounts (RMB'000)	Contracted Sales GFA (Square Meters)	Average Contracted Sales Selling Price per Square Meter (RMB)
Property Sales:				
1. Nanjing Youth Block	100%	778,040	56,825	13,692
2. Nanjing Future Home	50.10%	83,933	7,871	10,663
3. Nanjing Poly Landsea Weilan	29.94%	2,196,174	67,864	32,362
4. Nanjing Landsea Xihua Mansion	12.9%	2,067,219	59,122	34,965
5. Shanghai Future Block	100%	35,342	1,730	20,432
6. Shanghai The Course of The Future	100%	35,314	1,808	19,528
7. Shanghai New Mansion	38.46%	573,120	5,841	98,114
8. Shanghai Putuo Changfeng	23%	329,941	6,273	52,597
9. Wuxi Tiancui	100%	2,554	138	18,487
10. Wuxi Luka Small Town	100%	23,108	1,953	11,833
11. Suzhou Green County of Landsea	55%	862,338	44,855	19,225
12. Suzhou Landsea Luzhou	20%	14,440	243	59,423
13. Suzhou 8 Renmin Road	51%	702,836	26,516	26,506
14. Hangzhou Mer De Fleus	100%	92,508	2,782	33,255
15. Hangzhou Landsea Xihua Mansion	49%	3,190,843	70,150	45,486
16. Hangzhou Le Mansion	50%	1,243,691	27,018	46,032
17. Chengdu Southern Gate Green	25%	1,458,267	79,016	18,455
18. Chengdu Golden Sand City	9.91%	285,107	17,546	16,249
19. Chengdu Landsea Future Home	50%	279,386	44,637	6,259
20. Chengdu Landsea Xihua Mansion	33%	1,902,753	112,731	16,879
21. Kingswood	100%	117,751	4,092	28,776
22. Pierce Boston	25%	416,617	3,955	105,339
23. Avora	51%	232,851	3,198	72,811
24. Stoney Ridge & Stoney Hill	100%	38,449	870	44,194
25. The Vale	71%	693,539	13,615	50,939
26. Ironridge	100%	143,284	5,340	26,832
		<u>17,799,404</u>	<u>665,989</u>	<u>26,726</u>
Lots sales:				
1. The Vale	71%	416,890	21,707	19,206
2. IronRidge	100%	268,001	42,569	6,296
3. Newark	100%	1,045,252	226,025	4,624
		<u>1,730,143</u>	<u>290,301</u>	<u>5,960</u>
Total		<u>19,529,547</u>	<u>956,290</u>	<u>20,422</u>

RECOGNISED SALES

For the year ended 31 December 2017, the Group recorded recognised sales revenue of approximately RMB5,425,876,000 (2016: RMB4,195,374,000), representing an overall increase of approximately 29.3%. The recognised revenue from sales of properties and total areas were approximately RMB4,288,975,000 and 303,921 square meters respectively, mainly attributable to the Nanjing Youth Block, Suzhou Green County of Landsea, Wuxi Luka Small Town, Wuxi Tiancui, Shanghai Future Block, Shanghai The Course of The Future, Hangzhou Mer De Fleus and Kingswood in the US. The average selling price of recognised sales was approximately RMB14,112 per square meter. In addition, the Group has sold land lots of The Vale, Ironridge and Sanctuary in April, August and December 2017 respectively and sales area of approximately 219,255 square meter were recognised. The total selling price of these three land lots was approximately RMB1,730,143,000 and revenue of approximately RMB1,136,901,000 therefrom have been realised during the year.

PROPERTY DEVELOPMENT AND MANAGEMENT SERVICES

For the year ended 31 December 2017, the Group recorded property development and management services income of approximately RMB753,225,000 (2016: RMB623,171,000), representing an overall increase of approximately 20.9%. The income from property development and management services provided to independent third parties or cooperating parties increased by 37.1% to approximately RMB752,613,000 (2016: RMB549,126,000) as compared with the previous year. Therefore, benefiting from the implementation and enhancement of the operation strategy of “asset-light” in full of the Group, the income from provision of property development and management services received from independent third parties or cooperating parties increased significantly.

RENTAL AND MANAGEMENT FEE

The Group’s investment property, namely Landsea Tower, is located in Shenzhen, the PRC. For the year ended 31 December 2017, the Group recognised income of approximately RMB26,548,000 (2016: RMB26,463,000), representing an increase of approximately 0.3% as compared to 2016. Such slight increase was mainly attributable to no rental income from a unit on the second floor of Landsea Tower from February to June 2017, due to improvement works performed in the relevant period. Leveraging its prime location and quality property management services, Landsea Tower maintained a high occupancy rate during the year. In addition, under the effective cost control, stable net operation income from this building was guaranteed. Moreover, “Landsea Apartment” generated revenue of approximately RMB8,282,000 (2016: Nil), with aggregate rental and management fee income of approximately RMB34,830,000 (2016: RMB26,463,000).

PROPERTY INVESTMENT

For the year ended 31 December 2017, the Group’s fair value gain on the investment property was approximately RMB28,910,000. The fair value of Shenzhen Landsea Tower was determined by a competent independent valuer based on the property’s current business model adopted by the Group and its expected income to be generated.

SELLING EXPENSES

For the year ended 31 December 2017, the Group recorded selling expenses of approximately RMB119,889,000 (2016: RMB90,115,000), representing an increase of approximately 33% as compared to 2016. Selling expenses mainly include the projects' pre-sale promotional expenses and sales commissions.

ADMINISTRATIVE EXPENSES

The Group continued to implement budget control since 2017. For the year ended 31 December 2017, the Group recorded administrative expenses of approximately RMB420,235,000 (2016: RMB288,754,000), representing an increase of approximately 45.5% as compared to 2016. The increase was within the budget control and was mainly due to the Group's significant expansion of business scale as compared to the same period of last year with an increase of 30.9% in staff number as a result of the establishment of a company in Xi'an by the Group during the year, representing an active expansion in new businesses including the long-term rental apartments, and thus relevant human resources are prepared for the development of the newly entered region. At the same time, since the US business has been in the rapid expansion of the scale with improved deployment of personnel, the administrative expenses increased accordingly.

FINANCE COSTS

During the year ended 31 December 2017, the Group recorded interest expense of approximately RMB526,813,000 (2016: RMB571,684,000), representing a decrease of approximately 7.8% as compared to 2016, as a result of its effective management of borrowing balance and the weighted average finance cost. Under the asset-light strategy, new projects of the Group mainly included non-consolidated projects of joint ventures and associates. As a result, the capitalized portion of interest payable which was charged to finance costs recognized for the year declined, with the capitalization rate of interest expenses of 53% in 2017 (2016: 67%). For the year ended 31 December 2017, the finance costs recognized for the Group were approximately RMB238,925,000 (2016: RMB194,085,000). For the finance costs recognized, it is more reasonable to consider the interest income on equity borrowings of the Group received from joint ventures and associates as credited to other income to be treated as net finance costs on an aggregate basis. For the year ended 31 December 2017, net finance costs of the Group were approximately RMB93,822,000 (2016: RMB62,204,000). During the year, weighted average finance cost was 7.4% (2016: 8.0%).

TAXATION

For the year ended 31 December 2017, the Group recorded taxation charge of approximately RMB406,570,000 (2016: RMB225,631,000). The increase was mainly due to the significant increase of 35.4% in assessable profit of the Group.

EARNINGS PER SHARE

For the year ended 31 December 2017, the basic and diluted earnings per share attributable to the Shareholders of the Company were RMB0.143 and RMB0.127 respectively (2016: RMB0.147 and RMB0.131 respectively). The basic core earnings per share was RMB0.197 (2016: RMB0.095), representing an increase of approximately 107% as compared to 2016.

PROJECT RESERVES

As at 31 December 2017, the Group had project reserves with total gross floor areas of 12,865,868 square meters, salable GFA of 6,352,998 square meters and expected salable value of approximately RMB117.9 billion. Calculated according to equity interests, the total gross floor areas of the project reserves attributable to the Group were 3,758,640 square meters, salable GFA of 1,446,646 square meters and expected salable value of approximately RMB29.2 billion. The Group had also acquired 26 development management projects by entrusted independent third parties, with salable GFA of approximately 2,746,039 square meters and expected sales value of RMB49.5 billion.

Projects	Equity Holding	Value Sold (RMB'000)	GFA Sold (Square Meters)	Salable Value (RMB'000)	Salable GFA (Square Meters)
1. Shanghai Future Block	100%	1,934,080	105,117	1,183,800	43,449
2. Hangzhou Mer De Fleus	100%	1,395,380	140,980	25,340	689
3. Shanghai The Course of The Future	100%	1,312,640	79,499	43,030	1,479
4. Nanjing Youth Block	100%	2,804,510	253,421	165,860	4,153
5. Nanjing Future Home	50.10%	911,310	105,387	49,450	4,412
6. Nanjing Landsea Xihua Mansion	12.97%	5,091,180	143,519	514,490	4,924
7. Nanjing Poly Landsea Weilan	29.94%	5,517,080	194,358	163,880	3,183
8. Suzhou 8 Renmin Road	51%	1,299,810	44,723	454,460	12,105
9. Suzhou Green County of Landsea	55%	3,638,250	229,857	1,849,500	97,472
10. Wuxi Tiancui	100%	469,780	34,411	14,120	582
11. Wuxi Luka Small Town	100%	683,530	93,808	236,710	16,877
12. Chengdu Southern Gate Green	25%	1,325,440	156,769	213,020	1,828
13. Shanghai New Mansion	38.46%	624,560	6,299	787,000	8,735
14. Hangzhou Landsea Xihua Mansion	49%	3,190,840	70,568	1,076,740	18,863
15. Hangzhou Le Mansion	50%	1,243,690	27,514	1,430,720	27,765
16. Chengdu Golden Sand City	9.91%	1,597,980	123,897	5,342,960	218,373
17. Tianjin Zhong Xin Eco-City Project	75%	–	–	1,524,420	106,739
18. Tianjin Huoli Gang Project	35%	–	–	1,758,260	109,989
19. Shanghai Putuo Changfeng, Project	23%	325,040	6,273	552,000	12,133
20. Suzhou High-Speed Rail New Town Project	51%	–	–	822,060	63,403
21. Wuhan Xudong Project	30%	–	–	3,932,910	100,326
22. Chengdu Muhua Road Project	4.85%	–	–	8,259,760	724,177
23. Wuhan Sanjintan Project	5%	2,225,100	136,767	695,000	31,233
24. Changsha Jurong Shuixi Project	1%	95,200	36,667	686,440	123,836
25. Chengdu Landsea Xihua Mansion	33%	1,325,440	156,769	213,020	1,828

Projects	Equity Holding	Value Sold (RMB'000)	GFA Sold (Square Meters)	Salable Value (RMB'000)	Salable GFA (Square Meters)
26. Hangzhou Yuhang North Upper Loop Bridge Project	50%	–	–	532,000	37,385
27. Hefei Wanxin Hi-tech District Project	25%	–	–	2,493,050	93,413
28. Hangzhou Xiasha Project	40%	–	–	1,401,680	72,627
29. Hangzhou Ningbo Jiangbei Project	100%	–	–	1,179,940	73,262
30. Chengdu Landsea Future Home	50%	279,390	45,000	602,280	63,008
31. Chengdu North Jianshe Road	50%	–	–	325,650	22,375
32. Xian Jiapeng Project	70%	–	–	550,590	55,384
33. Hefei Feidong Jade Garden	10%	–	–	757,900	40,333
34. Yixing Red Star Macalline Project	51%	–	–	1,584,530	165,805
35. Jiangyin Chengjiang Project C-10	19%	–	–	1,551,990	99,997
36. Jiangyin Chengjiang Project C-11	19%	–	–	1,002,790	63,274
37. Suqian Weilan Court	100%	–	–	2,176,650	160,038
38. Suqian Weilan Elegant Court	100%	–	–	1,631,039	138,890
39. Chongqing Caijia Project	25.5%	–	–	5,264,320	272,043
40. Haining University District Project	80%	–	–	1,416,650	82,916
41. Nanjing Lishui Project	20%	–	–	2,785,290	153,252
42. Avora	51%	474,940	5,240	1,345,660	14,846
43. The Westerly	100%	–	–	788,550	34,559
44. Pierce Boston	25%	523,670	7,023	2,014,660	27,021
45. Stoney Ridge & Stoney Hill	100%	37,700	836	188,500	4,181
46. Siena	100%	–	–	425,430	12,079
47. IronRidge	100%	412,634	45,922	2,640,749	97,859
48. The Vale	71%	1,043,230	35,311	1,966,620	42,382
49. Lido Villas	100%	–	–	366,560	4,350
50. Synagogue	90%	–	–	537,110	3,408
51. Sanctuary — Village II	100%	1,032,130	226,026	858,240	33,719
52. Nanjing Xinglong Avenue Project	0%	6,685,950	161,750	2,588,250	57,732
53. Nanjing Jinpu Project	0%	2,599,910	118,846	3,693,021	124,707
54. Nanjing Jiulonghu Plot C	0%	–	–	1,135,000	40,916
55. Nanjing Jiulonghu Plot A/B	0%	1,643,960	70,633	364,230	14,904
56. Changhou Landsea Garden	0%	1,389,738	16,784	98,670	5,453
57. Hefei Wanxin's Green County	0%	1,309,520	125,069	119,010	707
58. Wuxi New County Project	0%	1,396,930	51,659	1,740,529	76,105
59. Neijiang Lexian Project	0%	109,263	30,644	2,155,740	245,904
60. Baoding Xishanyue Project	0%	121,892	6,004	249,694	8,036
61. Wuzhong Hongzhuang Project in Suzhou	0%	–	–	996,100	42,683
62. Chengdu Jixian Xipu Project	0%	–	–	459,854	35,652
63. Century Plaze Project in Yancheng Dongtai	0%	–	–	1,511,510	159,028
64. Nanjing Project G68	0%	–	–	9,000,000	150,000
65. Shangyuan Project in Wuxi Hongshan	0%	–	–	1,154,000	118,567
66. Wuxi New County Project 2A3	0%	–	–	4,161,050	188,457
67. Jiangyin Lingang Project	0%	–	–	687,190	107,236
68. Beijing Kangzeyuan Project	0%	–	–	1,778,095	33,998
69. Xuzhou Peixian Fankuai Road Project	0%	–	–	2,004,948	333,498
70. Ma'anshan Hori Hill Road	0%	–	–	2,233,170	227,863

Projects	Equity Holding	Value Sold (RMB'000)	GFA Sold (Square Meters)	Salable Value (RMB'000)	Salable GFA (Square Meters)
71. Jurong Baohua Project	0%	50,540	5,344	1,810,394	110,269
72. Beijing Zhangjiakou Project	0%	–	–	966,674	75,699
73. Jinan Sinotruk Project	0%	–	–	1,826,920	182,692
74. Tangshan Yutian Project	0%	–	–	774,146	124,046
75. Nanjing Jiangning Project G45	0%	–	–	2,625,000	105,000
76. Shangfang Project G22 in Nanjing Jiangning	0%	–	–	2,546,455	75,324
77. Shangfang Project G62 in Nanjing Jiangning	0%	–	–	2,827,480	101,562
Total		56,122,236	3,098,694	117,890,509	6,352,998
Of which Subtotal of Equity-held Projects		40,814,534	2,511,961	68,383,378	3,606,959
Subtotal of Entrusted Development and Management Projects		15,307,703	586,733	49,507,130	2,746,039

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%	233,791	233,791	–	–
2. Hangzhou Mer De Fleus	100%	180,473	180,473	–	–
3. Shanghai The Course of The Future	100%	108,264	108,264	–	–
4. Nanjing Youth Block	100%	314,704	167,558	147,146	–
5. Nanjing Future Home	50.10%	133,530	133,530	–	–
6. Nanjing Landsea Xihua Mansion	12.97%	202,487	–	202,487	–
7. Nanjing Poly Landsea Weilan	29.94%	250,567	–	250,567	–
8. Suzhou 8 Renmin Road	51%	85,231	–	85,231	–
9. Suzhou Green County of Landsea	55%	432,700	184,200	248,500	–
10. Wuxi Tiancui	100%	48,772	48,772	–	–
11. Wuxi Luka Small Town	100%	139,689	115,100	24,589	–
12. Chengdu Southern Gate Green	25%	235,149	–	235,149	–
13. Shanghai New Mansion	38.46%	15,787	–	15,787	–
14. Hangzhou Landsea Xihua Mansion	49%	139,152	–	139,152	–
15. Hangzhou Le Mansion	50%	80,602	–	80,602	–
16. Chengdu Golden Sand City	9.91%	685,684	–	440,759	244,925
17. Tianjin Zhong Xin Eco-City Project	75%	144,100	–	144,100	–
18. Tianjin Huoli Gang Project	35%	155,136	–	59,332	95,804
19. Shanghai Putuo Changfeng, Project	23%	18,406	–	18,406	–
20. Suzhou High-Speed Rail New Town Project	51%	92,600	–	–	92,600

Projects	Equity Holding	GFA (Square Meters)	Developed GFA (Square Meters)	Developing GFA (Square Meters)	GFA for Future Development
					(Square Meters)
21. Wuhan Xudong Project	30%	130,529	–	–	130,529
22. Chengdu Muhua Road Project	4.85%	1,022,400	–	–	1,022,400
23. Wuhan Sanjintan Project	5%	235,532	–	235,532	–
24. Changsha Jurong Shuixi Project	1%	245,541	–	80,541	165,000
25. Chengdu Landsea Xihua Mansion	33%	367,753	–	367,753	–
26. Hangzhou Yuhang North Upper Loop Bridge Project	50%	37,699	–	–	37,699
27. Hefei Wanxin Hi-tech District Project	25%	131,445	–	131,445	–
28. Hangzhou Xiasha Project	40%	94,095	–	94,095	–
29. Hangzhou Ningbo Jiangbei Project	100%	73,790	–	–	73,790
30. Chengdu Landsea Future Home	50%	146,733	–	146,733	–
31. Chengdu North Jianshe Road	50%	30,157	–	30,157	–
32. Xian Jiapeng Project	70%	72,196	–	–	72,196
33. Hefei Feidong Jade Garden	10%	57,398	–	42,557	14,841
34. Yixing Red Star Macalline Project	51%	220,044	–	–	220,044
35. Jiangyin Chengjiang Project C-10	19%	134,812	–	–	134,812
36. Jiangyin Chengjiang Project C-11	19%	85,820	–	–	85,820
37. Suqian Weilan Court	100%	225,000	–	18,474	206,526
38. Suqian Weilan Elegant Court	100%	193,500	–	6,436	187,064
39. Chongqing Caijia Project	25.5%	272,520	–	–	272,520
40. Haining University District Project	80%	84,266	–	–	84,266
41. Nanjing Lishui Project	20%	210,485	–	–	210,485
42. Avora	51%	31,776	–	31,776	–
43. The Westerly	100%	34,560	983	819	32,758
44. Pierce Boston	25%	39,202	–	39,202	–
45. Stoney Ridge & Stoney Hill	100%	5,017	334	1,171	3,512
46. Siena	100%	12,079	–	–	12,079
47. IronRidge	100%	143,781	2,634	48,800	92,347
48. The Vale	71%	77,694	–	43,787	33,907
49. Lido Villas	100%	4,350	–	–	4,350
50. Synagogue	90%	4,049	–	4,049	–
51. Sanctuary — Village II	100%	259,745	–	226,026	33,719
52. Nanjing Xinglong Avenue Project	0%	278,684	–	278,684	–
53. Nanjing Jinpu Project	0%	307,241	–	307,241	–
54. Nanjing Jiulonghu Plot C	0%	44,271	–	44,271	–
55. Nanjing Jiulonghu Plot A/B	0%	115,000	115,000	–	–
56. Changhou Landsea Garden	0%	177,769	177,769	–	–
57. Hefei Wanxin's Green County	0%	139,409	139,409	–	–
58. Wuxi New County Project	0%	205,189	51,519	153,670	–
59. Neijiang Lexian Project	0%	255,343	–	69,534	185,809
60. Baoding Xishanyue Project	0%	11,320	–	11,320	–

Projects	Equity Holding	GFA (Square Meters)	Developed GFA (Square Meters)	Developing GFA (Square Meters)	GFA for Future Development (Square Meters)
61. Wuzhong Hongzhuang Project in Suzhou	0%	131,102	–	–	131,102
62. Chengdu Jixian Xipu Project	0%	51,934	–	51,934	–
63. Century Plaze Project in Yancheng Dongtai	0%	209,251	–	46,740	162,511
64. Nanjing Project G68	0%	191,800	–	–	191,800
65. Shangyuan Project in Wuxi Hongshan	0%	177,336	–	–	177,336
66. Wuxi New County Project 2A3	0%	268,752	–	–	268,752
67. Jiangyin Lingang Project	0%	131,098	–	–	131,098
68. Beijing Kangzeyuan Project	0%	45,860	–	–	45,860
69. Xuzhou Peixian Fankuai Road Project	0%	433,637	–	–	433,637
70. Ma'anshan Hori Hill Road	0%	330,339	–	34,814	295,525
71. Jurong Baohua Project	0%	192,904	–	24,397	168,507
72. Beijing Zhangjiakou Project	0%	128,446	–	–	128,446
73. Jinan Sinotruk Project	0%	182,692	–	–	182,692
74. Tangshan Yutian Project	0%	134,625	–	–	134,625
75. Nanjing Jiangning Project G45	0%	105,896	–	–	105,896
76. Shangfang Project G22 in Nanjing Jiangning	0%	101,138	–	–	101,138
77. Shangfang Project G62 in Nanjing Jiangning	0%	134,041	–	–	134,041
Total		12,865,868	1659,336	4,663,764	6,542,768
Of which Subtotal of Equity-held Projects		8,380,791	1,175,639	3,641,160	3,563,992
Subtotal of Entrusted Development and Management Projects		4,485,077	483,697	1,022,605	2,978,775

Projects	Equity holding	Status	Usage	GFA (Squares Meters)
Shanghai Huangxing Building	100%	Under renovation	To be leased	11,427
Shanghai Senlan Apartment*	50%	Under renovation	To be leased	46,296
Nanjing Huafei Dormitory	100%	Under renovation	To be leased	5,729
Shenzhen Landsea Tower	100%	Completed	Leasing	23,736
Total				87,188

* The property is a joint venture of the Group

LIQUIDITY AND FINANCIAL RESOURCES

Cash position

As at 31 December 2017, the Group's cash and cash equivalents and restricted cash amounted to approximately RMB3,623,787,000 (2016: RMB2,976,852,000), representing an increase of 21.7% as compared to 31 December 2016. As at 31 December 2017, the Group's current ratio (current assets divided by current liabilities) was approximately 1.4 times (2016: 2.0 times).

Indebtedness

As at 31 December 2017, the total indebtedness of the Group amounted to approximately RMB5,429,415,000 (2016: RMB6,083,341,000), representing a decrease of 10.7% as compared to 31 December 2016, mainly comprised shareholder's loans, secured bank loans, senior private notes and EB-5 financing. As at 31 December 2017, the proportion of short-term debts was 40% and long-term debts was 60%.

Analysis of Indebtedness:

	31 December 2017		31 December 2016	
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>
Analysis of indebtedness by currency:				
Denominated in RMB	3,202,900	59.0%	4,514,861	74.2%
Denominated in USD	1,995,807	36.8%	1,359,568	22.4%
Denominated in HK\$	230,708	4.2%	208,912	3.4%
	<u>5,429,415</u>	<u>100.0%</u>	<u>6,083,341</u>	<u>100.0%</u>
Analysis of indebtedness by maturity:				
Within one year	2,174,458	40.0%	1,267,990	20.8%
Between one and two years	188,019	3.5%	2,022,747	33.3%
Over two years	3,066,938	56.5%	2,792,604	45.9%
	<u>5,429,415</u>	<u>100.0%</u>	<u>6,083,341</u>	<u>100.0%</u>

OFF-BALANCE SHEET EQUITY DATA

With the implementation of the asset-light strategy, the newly added projects to the pipeline of the Group primarily relates to joint ventures and associates accounted for using the equity method, the balance sheet information of which has not yet been included to the combined financial statements of the Group. During the year ended 31 December 2017, the balance of monetary capital attributable to the Group in proportion to the equity in joint ventures and associates was RMB2,345,389,000 (2016: RMB724,724,000), while the balance of interest-bearing liabilities attributable to the Group in proportion to the equity in joint ventures and associates was RMB1,889,027,000 (2016: RMB1,368,555,000), and the net cash balance attributable to the Group in proportion to the equity in joint ventures and associates was RMB456,363,000 (2016: net debt attributed RMB643,831,000).

GEARING RATIOS

The Group has been working hard on optimizing its capital and debt structure. As at 31 December 2017, the net debts to equity ratio[#] of the Group was approximately 48.8% (2016: 101.8%), representing a significant decrease of 53 percentage-point as compared to 31 December 2016, and off-balance sheet liabilities and net cash as at end of 2017 are net cash. The Group's debt to total assets ratio (total borrowings divided by total assets) was approximately 26.7% as at 31 December 2017 (2016: 33.8%), representing a decrease of 7.1 percentage-point as compared to 31 December 2016. In addition, the debt to assets ratio of the Group was 81.8% (2016: 83.0%), representing a slight decrease of 1.2 percentage point as compared to that as of 31 December 2016. The management will continue to monitor the Group's capital and debt structure from time to time with an aim to mitigating its exposure to the risk of gearing.

[#] net debts to equity ratio = total debts less cash and cash equivalents and restricted cash divided by total equity

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2017, the bank loans of the Group were secured by one or a combination of the following securities: investment property, leasehold land payments, properties under development, properties held for sale, restricted cash and guarantees provided by controlling shareholders. Senior private notes were guaranteed by shares of subsidiaries of the Company. EB-5 loans are guaranteed by a subsidiary.

FOREIGN EXCHANGE AND CURRENCY RISK

As at 31 December 2017, the Group's cash and cash equivalents and restricted cash were mainly denominated in Renminbi, Hong Kong dollar and United States dollar. The functional currency of the Group's subsidiaries in the United States is United States dollar while that of the Hong Kong subsidiaries is Hong Kong dollar, and that of the domestic subsidiaries is Renminbi. As of 31 December 2017, the borrowing of RMB1,665,000,000 to the Group's subsidiary in the United States from the ultimate controlling shareholder was the long-term financial support to the Group. The amounts of RMB2,173,200,000 of the Group's Hong Kong subsidiary due to its domestic subsidiary were dealt in transactions within the Group. The exchange rate changes in the said amounts resulted in exchange losses recorded by the Group of RMB270,320,000 (2016: exchange gain of RMB226,898,000). The exchange loss is unrealized and hence no financial instrument is required for hedging purposes.

INTEREST RATE RISK

As at 31 December 2017, the debts payable borne with fixed interest rate accounted for approximately 84.2% (2016: 62.5%) of the total debts of the Group. In this regard, the exposure to interest rate risk was minimal. The Group will continue to monitor the trend of interest rates in the market closely and seek to adopt appropriate risk management measures for mitigating the exposure to the interest rate risk.

MATERIAL ACQUISITION AND DISPOSAL

On 3 January 2017, 杭州朗輝投資管理有限公司 (Hangzhou Langhui Investment Management Company Limited*) (“Hangzhou Langhui”), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with 寧波金沃房地產開發有限公司 (Ningbo Jinwo Real Estate Development Company Limited*) (“Ningbo Jinwo”), pursuant to which Hangzhou Langhui had conditionally agreed to purchase, and Ningbo Jinwo had conditionally agreed to sell, the entire equity interest in 寧波金沃商業投資有限公司 (Ningbo Jinwo Commercial Investment Company Limited*), a company holding a piece of land in Ningbo for commercial use, at a consideration of not more than RMB270,000,000. The transaction was completed on 20 February 2017. (Please refer to the announcement of the Company dated 3 January 2017 for further details).

On 3 January 2017, Hangzhou Langhui entered into an acquisition agreement with 杭州紅寶電力燃料有限公司 (Hangzhou Hongbao Electric Fuel Company Limited*) (“Hangzhou Hongbao Electric Fuel”), pursuant to which Hangzhou Langhui had conditionally agreed to purchase, and Hangzhou Hongbao Electric Fuel had conditionally agreed to sell, 100% equity interest in 浙江天元房地產開發有限公司 (Zhejiang Tianyuan Properties Development Company Limited*) (“Zhejiang Tianyuan”), and Hangzhou Langhui had conditionally agreed to provide a shareholder’s loan to Zhejiang Tianyuan, at a total consideration of RMB286,910,039. Zhejiang Tianyuan holds a piece of land in Nongfa District, Haining City, Zhejiang for commercial and residential use. The transaction was completed on 18 January 2017. (Please refer to two announcements of the Company both dated 3 January 2017 for further details).

On 10 February 2017, 成都朗輝企業管理諮詢有限公司 (Chengdu Langhui Corporate Management Consulting Company Limited*) (“Chengdu Langhui”), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Masque Enterprises Limited (“MASQUE”), pursuant to which Chengdu Langhui had conditionally agreed to purchase, and MASQUE had conditionally agreed to sell, the entire equity interest in 成都漢飛房地產開發有限公司 (Chengdu Hanfei Properties Development Company Limited*), a company holding a piece of land in Chengdu City for residential and commercial use, at a consideration of RMB186,000,000. The transaction was completed on 14 April 2017. (Please refer to two announcements of the Company dated 10 February 2017 and 13 February 2017 for further details).

On 24 February 2017, 上海朗松實業有限公司 (Shanghai Langsong Enterprises Company Limited*) (“Shanghai Langsong”), a wholly-owned subsidiary of the Company, successfully bid for 中國上海市楊浦區黃興路18號辦公樓 (the office building located at No. 18, Huangxing Road, Yangpu District, Shanghai, the PRC*) (the “Properties”) held by China Pacific Life Insurance Co., Ltd (“China Pacific Life Insurance”) at the public auction held by Shanghai United Assets and Equity Exchange and entered into the Shanghai property right transfer agreement, pursuant to which Shanghai Langsong agreed to purchase, and China Pacific Life Insurance agreed to sell, the Properties at a consideration of RMB312,000,000. The transaction was completed on 25 August 2017. (Please refer to the announcement of the Company dated 24 February 2017 for further details).

On 3 April 2017 (US time), LS-NJ Port Imperial Member, LLC. (“LS-NJ”), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with PL North America-NJ Port Imperial, Inc. (“PL North America”), pursuant to which it was agreed that LS-NJ and PL North America would cooperate to develop the Avora Project held by LS-NJ Port Imperial LLC (“LS-NJ Port Imperial”), a then wholly-owned subsidiary of the Company through the injection of capital in the amount of US\$45,666,654 into LS-NJ Port Imperial by PL North America. Upon completion of the transactions contemplated under the cooperation agreement on 5 April 2017, LS-NJ Port Imperial was held as to 51% by LS-NJ and as to 49% by PL North America. (Please refer to two announcements of the Company dated 4 April 2017 and 11 April 2017 for further details).

On 26 May 2017, 南京朗銘地產集團有限公司 (Nanjing Langming Real Estate Group Limited*) (“Nanjing Langming”), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Mr. Qiang Zhuang, Mr. Zhang Tao and Mr. He Xiaoning (collectively, the “Vendors”), pursuant to which Nanjing Langming had agreed to purchase, and the Vendors agreed to sell, the entire equity interest in 陝西長泰房地產開發有限公司 (Shaanxi Changtai Real Estate Development Company Limited*), a company holding a piece of land in Shaanxi Province, at a consideration of RMB150,000,000. The transaction had not yet been completed on as at the date of this announcement. (Please refer to the announcement of the Company dated 26 May 2017 for further details).

On 27 May 2017, Nanjing Langming, 成都朗銘置業有限公司 (Chengdu Langming Real Estate Company Limited*) (“Chengdu Langming”) and Chengdu Langhui, all being wholly-owned subsidiaries of the Company, entered into equity transfer and investment agreements with 南京洛德德寧房地產投資合伙企業(有限合伙) (Nanjing Luode Dening Real Estate Investment Partnership) (Limited Partner) (“Nanjing Luode Dening”), pursuant to which Chengdu Langming and Nanjing Luode Dening had agreed to cooperate in the development of Chengdu Landsea Future Home project held by Chengdu Langhui. Upon completion of the transactions contemplated under the equity transfer and investment agreements on 1 June 2017, Chengdu Langhui was held as to 50% by each of Chengdu Langming and Nanjing Luode Dening. (Please refer to the announcement of the Company dated 27 May 2017 for further details).

On 2 August 2017, Nanjing Langming entered into agreements with 無錫星海房地產開發有限公司 (Wuxi Xinghai Real Estate Development Co., Ltd*) (“Wuxi Xinghai”), 安徽日報報業集團 (Anhui Daily Newspaper Press Group*) (“Anhui Daily Newspaper”) and 馬鞍山星文房地產開發有限公司 (Ma An Shan Xingwen Real Estate Development Co., Limited*) (the “Target Company”), pursuant to which Nanjing Langming had conditionally agreed to purchase, and Wuxi Xinghai had conditionally agreed to sell 70% equity interest of the Target Company at zero consideration, and Nanjing Langming had conditionally agreed the provision of the shareholder’s loan of RMB280,000,000 to the Target Company which holds a land parcel in Ma An Shan City for real estate development project. The transaction was completed on 7 August 2017. (Please refer to the announcement of the Company dated 2 August 2017 for further details).

On 14 August 2017, Hangzhou Langhui as vendor, and 杭州弘成投資管理有限公司 (Hangzhou Hongcheng Investment Management Company Limited*) (“Hangzhou Hongcheng”) as purchaser, entered into the equity transfer and development cooperation agreement, pursuant to which Hangzhou Langhui conditionally agreed to sell and assign, and Hangzhou Hongcheng conditionally agreed to purchase and accept assignment of, 60% equity

interest of and 60% of the outstanding shareholder's loan owed by Zhejiang Tianyuan to Hangzhou Langhui at the total consideration of RMB266,364,419 (subject to adjustment), among which the consideration for the sale shares is RMB94,701,010 and the consideration for the sale loan is RMB171,663,409 (subject to adjustment). Zhejiang Tianyuan holds a land parcel in Haining City, Zhejiang for commercial and residential use. Upon completion of the transaction on 18 August 2017, Zhejiang Tianyuan is no longer a subsidiary of the Group. (Please refer to the announcement of the Company dated 14 August 2017 for further details).

On 14 August 2017, 武漢朗恒實業有限公司 (Wuhan Langheng Enterprise Company Limited*) ("Wuhan Langheng"), a wholly-owned subsidiary of the Company, participated in the public auction held by Wuhan Optics Valley United Property Rights Exchange for the proposed acquisition of 60% equity interest of 湖北供銷徐東民生廣場置業有限公司 (Hubei Supply and Marketing Xudong Minsheng Plaza Properties Limited*) (the "Xudong Minsheng Company") and the loan at a total consideration of RMB1,082,200,000. On 15 August 2017, Wuhan Langheng received two confirmation notices of intended transferees qualification dated 15 August 2017 issued by Wuhan Optics Valley United Property Rights Exchange, confirming Wuhan Langheng, upon the fulfillment of the conditions, as qualified transferee for: (1) 51% equity interest of the Xudong Minsheng Company and the loan; and (2) 9% equity interest of the Xudong Minsheng Company. Xudong Minsheng Company holds a property in Xudong Village, Hongshan District, Wuhan for residential use. The transaction was completed on 19 September 2017. Wuhan Langheng further acquired the remaining 20% equity interest in Xudong Minsheng Company pursuant to the equity transfer agreement entered into with 武漢利好房地產開發有限公司 (Wuhan Lihao Real Estate Development Company Limited*) on 18 September 2017 at a consideration of RMB132,144,000 which has been completed on 20 September 2017, and since then Xudong Minsheng Company became a wholly-owned subsidiary of the Company. (Please refer to the two announcements of the Company dated 14 and 15 August 2017 and the circular of the Company dated 24 November 2017 for further details).

On 11 October 2017, 中福頤養(天津)置業有限公司 (Zhongfu Yiyang (Tianjin) Properties Company Limited*), an indirect non-wholly owned subsidiary of the Company as vendor, entered into the cooperation agreement with 天津泰禾錦川置業有限公司 (Tianjin Taihe Jinchuan Properties Company Limited*), as purchaser, in relation to the disposal of the land use right and the construction project on the land parcel at Sino-Singapore Tianjin Eco-city (天津市中新天津生態城) at a consideration of RMB849,586,000. (Please refer to the announcement of the Company dated 11 October 2017 and the circular of the Company dated 24 November 2017 for further details).

On 29 November 2017, Nanjing Langming entered into a cooperation agreement with 中北盛業房地產開發有限公司 (Zhongbei Shengye Properties Development Co. Ltd*) ("Zhongbei Shengye"), pursuant to which Zhongbei Shengye shall subscribe the additional registered capital of RMB7,500,000 of 南京旭晟輝企業管理諮詢有限公司 (Nanjing Xushenghui Corporate Management and Consulting Co., Ltd*) (the "Nanjing Xushenghui Company") and provide shareholder's loan of RMB217,035,000. Nanjing Xushenghui Company owns 50% in a project company holding a piece of land in Lishui District, Nanjing City for developing into commercial and residential project. Upon completion of the share capital increase on 30 November 2017, Nanjing Xushenghui Company was owned as to 40% by Nanjing Langming and as to 60% by Zhongbei Shengye. (Please refer to the announcement of the Company dated 29 November 2017 for further details).

On 30 November 2017, 上海朗青投資管理有限公司 (Shanghai Langqing Investment Management Limited*) (“Shanghai Langqing”), a wholly-owned subsidiary of the Company, entered into the cooperation agreement with 深圳恒創投資管理有限公司 (Shenzhen Hengchuang Investment Management Limited*) (“Hengchuang Investment”) and 上海著久企業管理諮詢有限公司 (Shanghai Zhujiu Enterprises Management Consulting Limited*) (“Shanghai Zhujiu”), pursuant to which, Shanghai Langqing conditionally agreed to transfer, and Hengchuang Investment conditionally agreed to accept transfer of 50% equity interest of Shanghai Zhujiu at a consideration of RMB1, while Shanghai Langqing and Hengchuang Investment shall make payment for their respective subscription capital in Shanghai Zhujiu of RMB5,000,000 each; and the parties agreed to acquire the entire equity interest of the project company which holds the project locating at Pudong New District of Shanghai pursuant to the terms to be agreed by Shanghai Langqing and Hengchuang Investment through Shanghai Zhujiu, the consideration for which shall be satisfied by the shareholders’ loan to be provided by Shanghai Langqing and Hengchuang Investment to Shanghai Zhujiu. Upon completion of the transaction on 13 December 2017, Shanghai Zhujiu became a joint venture of the Company. (Please refer to the announcement of the Company dated 30 November 2017 for further details).

On 18 December 2017, 廣州朗秀企業管理諮詢有限公司 (Guangzhou Langxiu Corporate Management consulting Limited*) (“Guangzhou Langxiu”), a wholly-owned subsidiary of the Company entered into the acquisition agreement with 建昭有限公司 (Jianzhao Company Limited*) (“Vendor I”) and 漢國置業(深圳)有限公司廣州分公司 (Hanguo Properties (Shenzhen) Company Limited, Guangzhou Branch*) (“Vendor II”), pursuant to which (i) Guangzhou Langxiu conditionally agreed to acquire, and Vendor I conditionally agreed to sell, the entire equity interest of 廣州市建昭置業有限公司 (Guangzhou Jianzhao Properties Company Limited*), a company holding properties in Yuexiu District, Guangzhou, at the consideration of RMB230,000,000 (subject to adjustment), and (ii) Guangzhou Langxiu conditionally agreed to accept assignment of and Vendor II conditionally agreed to assign, the loan at the consideration of RMB30,000,000. The transaction had not yet been completed as at the date of this announcement. (Please refer to the announcement of the Company dated 18 December 2017 for further details).

On 25 December 2017, Nanjing Langming and Shanghai Langqing entered into the limited partnership agreement with 上海中城年代股權投資基金管理有限公司 (Shanghai Zhongcheng Era Equity Investment Fund Management Co., Ltd.*) (“Shanghai Zhongcheng Era”) and 上海中城勇逸投資中心(有限合伙) (Shanghai Zhongcheng Yongyi Investment Center (Limited Partnership*)) (“Zhongcheng Yongyi”), pursuant to which the parties shall make capital contribution to 上海中城乾念投資中心(有限合伙) (Shanghai Zhongcheng Qiannian Investment Centre (Limited Partnership*)) (“Zhongcheng Fund”), whereby the 100% equity interest of the Group in Zhongcheng Fund amounted to 50% by the capital contribution of RMB336 million. The investment goals of Zhongcheng Fund are principally high quality real estate development and sale projects. The transaction was completed on 29 December 2017. (Please refer to the announcement of the Company dated 25 December 2017 for further details).

On 25 December 2017, Nanjing Langming and 南京旭博輝企業管理有限公司 (Nanjing Xubohui Corporate Consulting Management Company Limited*) (“Nanjing Xubohui”), wholly-owned subsidiaries of the Company, entered into the cooperation framework agreement with 合肥皖新朗詩文化投資有限公司 (Hefei Wanxin Landsea Cultural Investment Company Limited*) (the “Hefei Project Company”) and Zhongcheng Fund, pursuant to which Nanjing Xubohui has agreed to sell and Zhongcheng Fund has agreed to acquire 48% equity

interest of the Hefei Project Company at a consideration of RMB24.85 million, and Nanjing Xubohui has agreed to assign and Zhongcheng Fund has agreed to accept assignment of the loan owed by Hefei Project Company to Nanjing Xubohui of RMB629.32 million, and Zhongcheng Fund has agreed to provide the shareholder's loan of not exceeding RMB17.83 million to Hefei Project Company. The transaction was completed on 29 December 2017. (Please refer to the announcement of the Company dated 25 December 2017 and the circular of the Company dated 26 March 2018 for further details).

On 27 December 2017, 南京朗慶置業有限公司 (Nanjing Langqing Property Co., Ltd.*) ("Nanjing Langqing"), an indirect wholly-owned subsidiary of the Company, 宿遷朗鑫置業有限公司 (Suqian Langxin Property Co., Ltd.*) ("Project Company I") and 四川藍光和駿實業有限公司 (Sichuan BRC Hejun Industrial Co., Ltd.*) ("Sichuan BRC") entered into the equity transfer agreement, pursuant to which Nanjing Langqing and Sichuan BRC agreed to jointly develop the real estate development project on the land parcel No. 05 located at Susu Industrial Park, Suqian City (宿遷市蘇宿工業園區05地塊), the PRC held by Project Company I, of which (a) Nanjing Langqing conditionally agreed to sell and Sichuan BRC conditionally agreed to purchase 60% equity interest of Project Company I at the consideration of RMB129,580,124; and (b) Sichuan BRC conditionally agreed to provide shareholder's loan of RMB7,790,880; and Nanjing Langqing, 宿遷朗詩置業有限公司 (Suqian Landsea Property Co., Ltd.*) ("Project Company II") and Sichuan BRC entered into the equity transfer agreement, pursuant to which Nanjing Langqing and Sichuan BRC agreed to jointly develop the real estate development project on the land parcel No. 06 located at Susu Industrial Park, Suqian City (宿遷市蘇宿工業園區06地塊), the PRC held by Project Company II, of which (a) Nanjing Langqing conditionally agreed to sell and Sichuan BRC conditionally agreed to purchase 60% equity interest of Project Company II at the consideration of RMB111,400,133; and (b) Sichuan BRC conditionally agreed to provide shareholder's loan of RMB7,206,540. The transaction had not yet been completed as at the date of this announcement. (Please refer to the announcement of the Company dated 27 December 2017 for further details).

On 28 December 2017, Nanjing Langming and Shanghai Langqing entered into the limited partnership agreement with 天津朗信投資管理有限公司 (Tianjin Langxin Investment Management Limited*) ("Langxin Capital") and 信達投資有限公司 (Xinda Investment Company Limited) ("Xinda Investment"), pursuant to which the parties agreed to set up Jiaxing Langda LP. Nanjing Langming and Xinda Investment shall be the limited partners of Jiaxing Langda LP which will subscribe 30% and 70% respectively of the capital of Jiaxing Langda LP, while Langxin Capital shall be the general partner of Jiaxing Langda LP, which will subscribe RMB1,000,000. Shanghai Langqing shall be the administrator of Jiaxing Langda LP; and Wuhan Langheng entered into the agreement with Jiaxing Langda LP and Xudong Minsheng Company, pursuant to which Wuhan Langheng agreed to sell and Jiaxing Langda LP agreed to purchase 99.9% of the equity interest of Xudong Minsheng Company, at a consideration of RMB660,000,000 and Xinda Investment or its connected parties agreed to accept assignment of part of Wuhan Langheng shareholder's loan of RMB680,000,000; and Jiaxing Langda LP will provide a shareholder's loan of RMB461,000,000 to Xudong Minsheng Company. The principal activities of Xudong Minsheng Company are real estate development and management, which holds a project company holding a property in Xudong Village, Hongshan District, Wuhan. The transaction was completed on 29 December 2017. (Please refer to the announcement of the Company dated 28 December 2017 and the circular of the Company dated 26 March 2018 for further details).

Save as disclosed above, the Group was not involved in any material acquisition or disposal during the year ended 31 December 2017.

CONTINGENT LIABILITIES

The Group cooperates with various financial institutions to arrange mortgage loan facilities for the purchasers of its properties and provides guarantees to secure such purchasers' obligations of repayment. As at 31 December 2017, the outstanding guarantees amounted to approximately RMB2,140,598,000 (31 December 2016: approximately RMB2,648,983,000). Such guarantees will be discharged upon the earlier of (i) the issuance of the real estate ownership certificate; and (ii) the satisfaction of relevant mortgage loan by purchasers. In addition, the Group provides guarantee to secure the bank borrowings granted to Fenway Ventures Point Properties LLC, a joint venture owned as to 50% by its joint venture LS-Boston Point LLC. As at 31 December 2017, such guarantee amounted to RMB230,316,000 (31 December 2016: approximately RMB141,558,000). Such guarantee will be discharged upon the release of corresponding indemnity provided by Landsea Group.

As at 31 December 2017, there were certain corporate guarantees provided by the subsidiaries of the Group for each other in respect of their borrowings. The management considered that the subsidiaries had sufficient financial resources to fulfill their obligations.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2017.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had 2,110 employees (31 December 2016: 1,612) who were responsible for the managerial, administrative, technical and general functions in Hong Kong, the US and the PRC. The increment levels of the employees' emolument, promotion and remuneration were determined with reference to their duties, performance and professional experience. Other employee benefits included mandatory provident fund scheme, insurance and medical coverage. According to the terms of the Share Option Scheme adopted on 25 April 2012 and the Share Award Scheme adopted on 2 July 2014, the Company will grant share options or awarded shares to the Group's management and staff based on their individual performance.

EVENTS AFTER THE REPORTING PERIOD

On 7 February 2018, Shanghai Langqing and Nanjing Langming entered into the transfer agreement with CITIC Capital Holdings Limited ("CITIC Capital") and 上海平安闔鼎投資管理有限責任公司 (Shanghai Pingan Heding Investment & Management Co., Ltd.*) ("Pingan Heding"), pursuant to which (i) CITIC Capital conditionally agreed to sell and Shanghai Langqing conditionally agreed to purchase the entire property share of general partner of 上海睿開投資合夥企業(有限合夥) (Shanghai Rui Kai Investment Partnership (limited partnership*)) (the "Partnership") at the consideration of RMB10,000; and (ii) Pingan Heding

conditionally agreed to sell and Nanjing Langming conditionally agreed to purchase the entire property share of limited partner of the Partnership at the consideration of RMB221,000,000. The Partnership holds 100% equity interest of Best Benefit Limited, and Best Benefit Limited and the Company each holds 61.54% and 38.46% equity interest of Silver Knight Global Limited respectively. Silver Knight Global Limited is the special purpose vehicle for holding and developing the properties in 中國上海市長寧區青溪路770弄25號 (the unsold 40 residential units, car parks and public facilities located at No. 25, Alley 770, Qingxi Road, Changning District, Shanghai, the PRC*). (Please refer to the announcements of the Company dated 7 February 2018 and 8 February 2018 for further details).

At the special general meeting of the Company held on 28 February 2018, the shareholders of the Company approved the special resolution for the change of the English name of the Company from “Landsea Green Properties Co., Ltd.” to “Landsea Green Group Co., Ltd.” and the adoption of “朗詩綠色集團有限公司” as the new secondary name in Chinese of the Company to replace its secondary name in Chinese “朗詩綠色地產有限公司”. The Registrar of Companies in Bermuda enters the new English name and the secondary name in Chinese of the Company on the register maintained by it in place of the former name of the Company on 2 March 2018. The Registrar of Companies in Hong Kong issued the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company on 22 March 2018.

DISTRIBUTION

The Directors recommended to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Monday, 28 May 2018 (“AGM”), the distribution out of contributed surplus account of RMB3.54 cents per share (equivalent to HK cents 4.42) to be paid on Wednesday, 20 June 2018 to the shareholders whose names appear on the register of members of the Company on Tuesday, 5 June 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 21 May 2018 to Monday, 28 May 2018, both dates inclusive, during which period no transfer of shares will be effected. All transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 May 2018 .

For determining the entitlement of the shareholders to the proposed distribution, the register of members of the Company will be closed from Tuesday, 5 June 2018 to Wednesday, 6 June 2018, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited for registration not later than 4:30 p.m. on Monday, 4 June 2018.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017, other than those purchased by the trustee for the Share Award Scheme.

MODEL CODE FOR DIRECTORS SECURITIES TRANSACTIONS

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 of Hong Kong Limited (the "Listing Rules") as its own code of conduct regarding directors' securities transactions.

The Company confirms that, having made specific enquiry of all Directors, all Directors have complied with the required standards as set out in the Model Code for the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICE

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 year ended 31 December 2017, the Company was in compliance with all the relevant code provisions under the CG Code.

AUDIT COMMITTEE

The Audit Committee comprises one non-executive Director, namely Mr. Zhou Yimin 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, control systems and interim and annual results of the Group and to review the risk management and internal control systems of the Group. The consolidated financial statements of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee.

By order of the Board
Landsea Green Group Co., Ltd.
Chan Yuen Ying, Stella
Company Secretary

Hong Kong, 28 March 2018

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 Ms. Zhou Qin, one non-executive Director, namely Mr. Zhou Yimin, and three independent non-executive Directors, namely Mr. Xu Xiaonian, Mr. Ding Yuan and Mr. Lee Kwan Hung.