LANDSEA 朗诗
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LANDSEA GREEN GROUP CO., LTD.
朗 詩 綠 色 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 106)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHT

- The return on equity for the Shareholders of the Group for the year of FY2018 amounted to 30.3%, representing an increase of 10.8 percentage point as compared to last year;
- The net profit for the year was RMB1.44 billion, representing an increase of 99.9% as compared to last year;
- The net core earnings for the year was RMB1.27 billion, representing an increase of 36.1% as compared to last year;
- Gross profit margin and net profit margin for the year amounted to 28.5% and 19.1% respectively;
- Basic earnings per share for the year was RMB27 cents, representing an increase of 92.9%;
- The Board recommended the distribution of a final dividend of HK cents 4.5 per ordinary share for the year ended 31 December 2018.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 ("FY2018") 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 2018

		For the year ended	
		31 December 2018	31 December 2017
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**7,560,526**	6,213,931
Cost of sales and services	*7*	**(5,406,474)**	(4,690,410)
Gross profit		**2,154,052**	1,523,521
Other income	*5*	**171,562**	150,704
Selling expenses	*7*	**(243,990)**	(119,889)
Administrative expenses	*7*	**(568,935)**	(420,235)
Fair value gain on investment properties	*12*	**7,363**	28,910
Other gains/(losses) — net	*6*	**374,110**	11,991
Operating profit		**1,894,162**	1,175,002
Finance income	*8*	**23,750**	10,120
Finance costs	*8*	**(323,018)**	(249,045)
Finance costs — net		**(299,268)**	(238,925)
Share of net profit of associates		**408,854**	169,453
Share of net profit of joint ventures		**257,991**	21,881
Profit before income tax		**2,261,739**	1,127,411
Income tax expenses	*9*	**(821,169)**	(406,570)
Profit for the year		**1,440,570**	720,841

	Note	For the year ended 31 December 2018 RMB'000	31 December 2017 RMB'000
Other comprehensive income			
Items that may be reclassified to profit or loss:			
— Exchange difference on translation of foreign operations		**(126,796)**	145,300
Items that will not be reclassified to profit or loss:			
— Revaluation gain on the property transferring from property, plant and equipment to investment properties		**14,515**	–
Other comprehensive income for the year, net of tax		**(112,281)**	145,300
Total comprehensive income for the year		**1,328,289**	866,141
Profit for the year attributable to:			
— The shareholders of the Company		**1,112,774**	580,523
— Non-controlling interests		**327,796**	140,318
		1,440,570	720,841
Total comprehensive income for the year attributable to:			
— The shareholders of the Company		**998,260**	744,968
— Non-controlling interests		**330,029**	121,173
		1,328,289	866,141
Earnings per share attributable to the shareholders of the Company for the year (expressed in RMB per share)			
Basic earnings per share	*10*	**RMB0.27**	RMB0.14
Diluted earnings per share	*10*	**RMB0.24**	RMB0.13

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	**As at 31 December 2018 RMB'000**	As at 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Investment properties	*12*	**505,630**	319,830
Property, plant and equipment		**1,234,573**	656,245
Intangible assets		**2,279**	–
Interests in associates		**1,315,706**	983,077
Interests in joint ventures		**2,596,047**	1,885,436
Trade and other receivables, prepayments and deposits	*15*	**2,168,445**	1,552,361
Deferred income tax assets		**352,469**	237,735
Goodwill		**9,460**	9,460
		8,184,609	5,644,144
Current assets			
Properties held for sale	*13*	**876,881**	847,831
Properties under development	*14*	**8,688,579**	6,658,882
Inventories		**116,561**	52,069
Contract assets	*3.2*	**107,941**	–
Trade and other receivables, prepayments and deposits	*15*	**2,676,639**	3,493,788
Financial assets at fair value through profit or loss		**176,809**	–
Restricted cash		**542,299**	281,952
Cash and cash equivalents		**5,404,956**	3,341,835
		18,590,665	14,676,357
Total assets		**26,775,274**	20,320,501

	Note	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*16*	**2,829,643**	2,731,823
Borrowings	*17*	**6,341,015**	3,254,957
Deferred income tax liabilities		**122,556**	75,537
		9,293,214	6,062,317
Current liabilities			
Trade and other payables	*16*	**6,912,769**	4,064,098
Advanced proceeds received from customers		**13,869**	4,051,066
Contract liabilities	*3.2*	**4,510,186**	–
Borrowings	*17*	**683,580**	2,174,458
Current income tax liabilities		**600,761**	270,499
		12,721,165	10,560,121
Total liabilities		**22,014,379**	16,622,438
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital		**38,702**	31,800
Convertible perpetual securities		**–**	495,425
Reserves		**4,344,853**	2,964,716
		4,383,555	3,491,941
Non-controlling interests		**377,340**	206,122
Total equity		**4,760,895**	3,698,063
Total liabilities and equity		**26,775,274**	20,320,501

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2018

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Group is principally engaged in development and sales of properties, provision of management services and leasing of long-term rental apartments.

The immediate holding company and the ultimate controlling shareholder of the Company are Greensheid Corporation, a company established in the British Virgin Islands (the "BVI") and 朗詩集團股份有限公司 (Landsea Group Co., Ltd. ("Landsea Group")), a company established in the People's Republic of China (the "PRC"), respectively.

The financial statements are presented in thousands of Renminbi ("RMB'000") unless otherwise stated.

The financial statements were approved for issue by the Board on 22 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

(a) Compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Companies Ordinance ("HKCO")

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and disclosure requirements of HKCO Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and investment properties measured 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.

(c) New and amended standards adopted by the Group

A number of new or revised standards, amendments and interpretations to existing standards are mandatory for the financial year beginning on 1 January 2018:

- *HKFRS 9 — Financial instruments ("HKFRS 9")*
- *HKFRS 15 — Revenue from contracts with customers ("HKFRS 15")*
- *Amendments to HKFRS 2 — Classification and Measurement of Share-based Payment Transactions*

- *Amendments to HKFRS 4 — Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*

- *Annual improvements 2014–2016 cycle*

- *Amendments to HKFRS 40 — Transfers of investment Property, and*

- *HK(IFRIC) 22 Foreign Currency Transactions and Advance Consideration.*

The effects of the adoption of HKFRS 9 and HKFRS 15 are disclosed in note 2.2. The other standards, amendments and interpretations described above are either currently not relevant to the Group or had no material impact on the Group's financial performance and position.

(d) *New standards and interpretations not yet adoped*

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for the financial year beginning 1 January 2018 and relevant to the Group and have not been early adopted by the Group.

Standards, amendments and interpretations		**Effective for annual periods beginning on or after**
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendment to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual improvements to HKFRS	2015–2017 cycle (HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23)	1 January 2019
Amendments to HKFRS 19	Plan amendment, curtailment or settlement	1 January 2019
HKFRS 17	Insurance contracts	1 January 2022
Amendments to HKFRS 10 and HKRFS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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 with the exception of HKFRS 16.

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The Group is the lessee of certain buildings which are currently classified as operating lease. The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB8,790,894,000. Of these commitments, approximately RMB317,000 relate to short-term leases and low value leases which will both be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments the Group expects to recognize right-of-use assets and lease liabilities of amount ranging from RMB5 billion to RMB6.5 billion. Overall net assets before fair value adjustment made to right-of-use assets leased out as long-term apartment will be the same.

The Group is the lessor of long-term rental apartments, most of which are held under operating lease. For right-of-use assets together with leasehold improvements leased out as long-term apartment, the Group will classify them as investment properties carried at fair value. The Group has already commenced an assessment of the fair value for the furnished right-of-use assets that meet the definition of investment property. However, some additional disclosures will be required from next year. No other major changes are expected related to the accounting treatment where the Group acts as a lessor.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). For leases previously accounted for as operating lease that with be accounted for as investment property using fair value model, the right-of-use asset will be measured at fair value at the date of initial application.

2.2 Changes in Accounting Policies

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial statements.

2.2.1 Impact on the financial statements

The Group has elected to apply the practical expedients and the modified retrospective approach permitted under HKFRS 9 and HKFRS 15 respectively. The effects of adopting HKFRS 15 for uncompleted contracts with customers as at 31 December 2017 are adjusted at the opening balance of equity as at 1 January 2018 and prior period comparatives are not restated. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. Consequently, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings.

(a) The following tables show the adjustments recognised for each financial statements line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated balance sheet (extract)	**31 December 2017 as originally presented** *RMB'000*	**HKFRS 9** *RMB'000*	**HKFRS 15** *RMB'000*	**1 January 2018 Restated** *RMB'000*
Non-current assets				
Trade and other receivables, prepayments and deposits	1,552,361	(14,091)	–	1,538,270
Deferred income tax assets	237,735	13,139	–	250,874
Interests in joint ventures	1,885,436	–	(165)	1,885,271
Current assets				
Properties under development	6,658,882	–	120,984	6,779,866
Trade and other receivables, prepayments and deposits	3,493,788	(31,708)	(225,267)	3,236,813
Contract assets	–	(6,758)	225,267	218,509
Total assets	20,320,501	(39,418)	120,819	20,401,902
Current liabilities				
Advanced proceeds received from customers	4,051,066	–	(4,051,066)	–
Contract liabilities	–	–	4,178,144	4,178,144
Total liabilities	16,622,438	–	127,078	16,749,516
Equity				
Retained earnings	2,232,712	(39,418)	(5,253)	2,188,041
Non-controlling interests	206,122	–	(1,006)	205,116
Total equity	3,698,063	(39,418)	(6,259)	3,652,386

(b) The amount by each financial statements line items affected in the current year by the application of HKFRS 9 and HKFRS 15 is as follows:

	As at 31 December 2018			
Consolidated balance sheet (extract)	**Amounts without the adoption of HKFRS 9 and 15** *RMB'000*	**Effects of the adoption of HKFRS 9** *RMB'000*	**Effects of the adoption of HKFRS 15** *RMB'000*	**Amounts as reported** *RMB'000*
Non-current assets				
Trade and other receivables, prepayments and deposits	2,189,920	(21,475)	–	2,168,445
Deferred income tax assets	341,106	11,363	–	352,469
Current assets				
Properties under development	8,631,499	–	57,080	8,688,579
Trade and other receivables, prepayments and deposits	2,808,556	(11,983)	(119,934)	2,676,639
Contract assets	–	(11,993)	119,934	107,941
Current liabilities				
Advanced proceeds received from customers	4,466,975	–	(4,453,106)	13,869
Contract liabilities	–	–	4,510,186	4,510,186
Equity				
Retained earnings	3,112,121	(34,088)	–	3,078,033

	For the year ended 31 December 2018			
Consolidated statement of comprehensive income (extract)	**Amounts without the adoption of HKFRS 9 and 15** *RMB'000*	**Effects of the adoption of HKFRS 9** *RMB'000*	**Effects of the adoption of HKFRS 15** *RMB'000*	**Amounts as reported** *RMB'000*
Revenue	7,336,019	–	224,507	7,560,526
Cost of sales and services	(5,181,967)	–	(224,507)	(5,406,474)
Administrative expenses	(576,041)	7,106	–	(568,935)
Income tax expenses	(819,393)	(1,776)	–	(821,169)
Profit for the year:				
— profit attribute to the shareholders of the Company	1,107,444	5,330	–	1,112,774

3. REVENUE

3.1 Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Revenue recognised at a point in time		
Property development and sales		
— PRC	**3,879,123**	4,095,031
— The United States of America (the "US")	**2,323,310**	1,330,845
Management services *(a)*		
— PRC	**580,273**	455,753
— US	**25,144**	19,997
	6,807,850	5,901,626
Revenue recognised over period		
Property development and sales		
— US	**204,118**	–
Management services — development management services *(a)*		
— PRC	**394,282**	277,475
	598,400	277,475
Rental income		
— Office investment properties	**28,826**	26,548
— Long-term rental apartments	**125,450**	8,282
	154,276	34,830
	7,560,526	6,213,931

(a) Breakdown of the revenue from management services is as follows:

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Revenue from development management services	**419,426**	297,472
Revenue from sales management services	**383,513**	281,572
Revenue from green product integration services	**169,000**	152,775
Revenue from brand authorisation services	**27,760**	21,406
	999,699	753,225

3.2 Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	31 December 2018	1 January 2018
	RMB'000	*RMB'000*
Contract assets related to property development and sales	**119,934**	225,267
Less: Provision for bad debt	**(11,993)**	(6,758)
	107,941	218,509
Contract liabilities related to		
— Property development and sales	**4,456,933**	4,156,608
— Management services	**53,253**	21,536
	4,510,186	4,178,144

(a) Significant changes in contract assets and liabilities

Contract assets consist of unbilled amount resulting from property development and sales in US when revenue recognized over the development period by reference to the costs incurred up to the end of reporting period as a percentage of the total expected costs to complete the contract exceeds the amount billed to customers.

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties in the PRC.

(b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	For the year ended 31 December 2018
	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	
— Property development and sales	**3,084,941**
— Management services	**21,536**
	3,106,477

(c) ***Contracted amounts to be recognized in future***

(i) *Property development and sales*

The following table shows the contracted amounts to be recognized in future resulting from property development and sales.

	As at 31 December 2018 *RMB'000*
Expected to be recognised within one year	**1,998,099**
Expected to be recognised after one year	**2,458,834**
	4,456,933

(ii) *Management services*

Most of the management services are billed based on time incurred. As permitted by HKFRS 15, the unsatisfied contract amount was not disclosed.

(d) ***Contract cost***

Costs directly attributable to obtaining a contract such as stamp duty and sales commissions are immaterial and expensed when they were incurred.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The reports are prepared on the same basis as consolidated financial statements.

The executive directors consider the business from services perspective and have identified the following operating segments:

- Property development and sales;
- Management services;
- Office property investment; and
- Long-term rental apartments.

The Group established the business of long-term rental apartments in late 2017. To better measure the performance, a separate segment is reported for the year ended 31 December 2018.

The executive directors assess the performance of operating segments based on a measure of segment revenue and segment profit.

Segment profit includes net profit from subsidiaries, share of net profit of joint ventures and associates. This represents the profit earned by each segment without allocation of interest income on bank deposits, corporate expenses and 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 2018 is as follows:

	For the year ended 31 December 2018				
	Property development and sales	**Management services**	**Office property investment**	**Long-term rental apartments**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue (from external customers) *(note 3)*					
— Revenue recognised at a point in time under HKFRS 15	**6,202,433**	**605,417**	**–**	**–**	**6,807,850**
— Revenue recognised over period under HKFRS 15	**204,118**	**394,282**	**–**	**–**	**598,400**
— Rental income	**–**	**–**	**28,826**	**125,450**	**154,276**
	6,406,551	**999,699**	**28,826**	**125,450**	**7,560,526**
Segment profit/(loss)	**2,465,355**	**456,816**	**26,116**	**(190,205)**	**2,758,082**
Depreciation of property, plant and equipment	**(7,959)**	**(7,677)**	**(13)**	**(41,424)**	**(57,073)**
Fair value gain on investment properties *(note 12)*	**–**	**–**	**7,363**	**–**	**7,363**
Share of net profit of associates	**408,854**	**–**	**–**	**–**	**408,854**
Share of net profit of joint ventures	**257,991**	**–**	**–**	**–**	**257,991**
As at 31 December 2018					
Segment assets	**21,628,232**	**3,424,012**	**515,642**	**1,207,388**	**26,775,274**
Interests in associates	**1,315,706**	**–**	**–**	**–**	**1,315,706**
Interests in joint ventures	**2,596,047**	**–**	**–**	**–**	**2,596,047**
Additions to non-current assets (excluding financial assets)	**75,178**	**6,831**	**190,352**	**494,046**	**766,407**
Segment liabilities	**19,496,811**	**2,081,024**	**73,569**	**362,975**	**22,014,379**

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

	For the year ended 31 December 2017				
	Property development and sales	Management services	Office property investment	Long-term rental apartments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue (from external customers) *(note 3)*	5,425,876	753,225	26,548	8,282	6,213,931
Segment profit/(loss)	1,113,465	410,885	45,511	(44,170)	1,525,691
Depreciation of property, plant and equipment	(9,374)	(1,739)	(3)	(142)	(11,258)
Fair value gain on an investment property *(note 12)*	–	–	28,910	–	28,910
Share of net profit of associates	169,453	–	–	–	169,453
Share of net profit of joint ventures	21,881	–	–	–	21,881
As at 31 December 2017					
Segment assets	17,140,908	2,526,845	349,941	302,807	20,320,501
Interests in associates	983,077	–	–	–	983,077
Interests in joint ventures	1,885,436	–	–	–	1,885,436
Additions to non-current assets (excluding financial assets)	220,746	13,814	28,925	156,910	420,395
Segment liabilities	15,772,957	662,542	83,313	103,626	16,622,438

The Group does not have any single customer which contributed to more than 10% of the Group's revenue. 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**	
	For the year ended 31 December 2018	For the year ended 31 December 2017	**As at 31 December 2018**	As at 31 December 2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**5,007,954**	4,863,089	**7,239,353**	5,064,967
The US	**2,552,572**	1,350,842	**463,253**	578,475
Hong Kong (domicile)	**–**	–	**60**	702
	7,560,526	6,213,931	**7,702,666**	5,644,144

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.

Reconciliation of segment profit to profit before income tax is as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	RMB'000	*RMB'000*
Segment profit	**2,758,082**	1,525,691
Finance costs, net	**(299,268)**	(238,925)
Unallocated corporate expenses	**(197,075)**	(159,355)
Profit before income tax	**2,261,739**	1,127,411

Reconciliations of segments' assets and liabilities to total assets and total liabilities are as follows:

	As at 31 December 2018	As at 31 December 2017
	RMB'000	*RMB'000*
Segment assets	**26,775,274**	20,320,501
Unallocated assets	**–**	–
Total assets	**26,775,274**	20,320,501
Segment liabilities	**22,014,379**	16,622,438
Unallocated liabilities	**–**	–
Total liabilities	**22,014,379**	16,622,438

5. OTHER INCOME

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Interest income from:		
— Amounts due from joint ventures and associates	**105,735**	105,402
— Amounts due from non-controlling interests	**22,338**	23,764
— Loan to third parties and deposit paid for acquisition of an associate	**8,751**	13,362
Government grants	**34,738**	5,083
Sundry income	**–**	3,093
	171,562	150,704

6. OTHER GAINS/(LOSSES) — NET

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Gain on disposal of subsidiaries	**166,822**	285,619
Gain on re-measurement of existing interest in a joint venture upon conversion to a subsidiary	**19,653**	–
Gain on disposal of a joint venture	**–**	608
Loss on disposal of property, plant and equipment	**(10)**	(2)
Net exchange gains/(losses)	**185,188**	(270,320)
Gain on financial asset at fair value through profit or loss	**2,675**	–
Others	**(218)**	(3,914)
	374,110	11,991

7. EXPENSES BY NATURE

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Employee benefit expenses		
Directors' remuneration		
— Fees	**900**	900
— Salaries and allowances	**17,350**	15,324
— Retirement benefit scheme contributions	**482**	355
— Restricted share award	**–**	–
	18,732	16,579
Other staff costs		
— Wages, salaries and allowances	**345,528**	218,675
— Retirement benefit scheme contributions	**41,114**	18,682
— Other staff benefit	**34,016**	15,875
— Restricted share award	**–**	–
	420,658	253,232
Cost of property development and sales		
— PRC *(a)*	**2,612,402**	2,991,577
— US	**2,042,662**	1,183,222
Cost of management services		
— PRC	**479,647**	391,784
Rental expense in respect of properties	**196,079**	47,447
Operating costs in respect of investment properties	**5,687**	5,700
Other taxes	**79,756**	140,073
Advertising and promotion expenses	**157,281**	72,133
Legal and professional fees	**55,310**	25,216
Depreciation of property, plant and equipment	**57,073**	11,258
Provision for impairment of financial assets	**(714)**	2,783
Auditor's remuneration		
— Audit services	**1,446**	1,298
— Non-audit services	**953**	864
Provision for decline in the value of properties under development and held for sale	**5,873**	1,032
Others *(b)*	**86,554**	86,336
	5,780,009	4,960,723
	6,219,399	5,230,534
Representing:		
Cost of sales and services	**5,406,474**	4,690,410
Administrative expenses	**568,935**	420,235
Selling expenses	**243,990**	119,889
	6,219,399	5,230,534

(a) Cost of property development and sales includes decoration materials used of RMB119,830,000 (2017: RMB4,788,000).

(b) Others include the Group's subsidiaries' statutory and non-statutory audit fee of RMB4,059,000 to their respective auditors (2017: RMB3,727,000).

8. FINANCE COSTS, NET

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Financial cost		
— Bank borrowings	**133,245**	151,084
— Loans from the ultimate controlling shareholder	**95,483**	126,888
— Senior private notes	**118,620**	78,195
— EB-5 loans	**20,327**	21,626
— Loans from other financial institutes	**19,634**	18,062
— Junior private notes	**–**	14,942
— Interest expense on amounts due to related parties	**61,954**	99,275
— Sell and buy-back arrangement	**45,538**	9,733
— Discounted bank accepted notes	**15,529**	4,380
— Loans from non-controlling interests	**7,368**	2,628
— Financing component of contracts with customers	**154,509**	–
— Other finance charges	**–**	7,518
	672,207	534,331
Less: interest capitalised	**(349,189)**	(285,286)
	323,018	249,045
Finance income		
— Bank interest income	**(23,750)**	(10,120)
	299,268	238,925

The average interest rate of borrowing costs capitalised for the year ended 31 December 2018 was approximately 6.54% per annum (2017: 6.50%).

9. INCOME TAX EXPENSE

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Current income tax		
— Hong Kong profit tax *(a)*		
Tax expense for the year	**–**	1,770
— PRC enterprise income tax *(b)*		
Tax expense for the year	**497,342**	383,903
— US profit tax *(d)*		
Tax expense for the year	**76,194**	–
	573,536	385,673
PRC land appreciation tax *(b)*	**393,938**	103,087
Deferred income tax	**(146,305)**	(82,190)
	821,169	406,570

(a) Hong Kong profit tax has been provided at 16.5% (2017: 16.5%) on the assessable profits arising in Hong Kong for the year.

(b) The Group's subsidiaries in the PRC are subject to enterprise income tax at the rate of 25% (2017: 25%) for the year ended 31 December 2018, except for Shanghai Landsea Planning and Architectural Design Co., Ltd. (上海朗詩規劃建築設計有限公司) which enjoys a preferential income tax rate of 15% as approved by relevant tax authorities.

Land appreciation tax in the PRC is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures. The tax is incurred upon transfer of property ownership.

As of 31 December 2018, the Group has unused tax losses RMB30,689,000 (2017: RMB31,298,000) available for offset against future profits for certain entities in the PRC which have not been recognised due to the unpredictability of future profit streams. The tax losses would expire within five years.

(c) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, a withholding tax at 10% is imposed for dividends distributed by a the 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 company is established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Group controls the dividend policies of subsidiaries in the PRC. The directors of the Company confirmed that the remaining retained earnings of the Group's subsidiaries in the PRC as at 31 December 2018 will not be distributed to its immediate holding company in the foreseeable future. As at 31 December 2018, deferred income tax liability of RMB354,702,000 (2017: RMB259,722,000) on the remaining unremitted distributable profit generated by the Group's subsidiaries in the PRC attributable to its immediate holding company with the amount of RMB3,547,020,000 (2017: RMB2,597,218,000) was not recognized.

(d) In accordance with US tax law, the statutory tax rate for both federal and state tax purposes was 28.28%. This is then adjusted for items which are not assessable or deductible to arrive at an effective tax rate of 26.68%.

Taxes on profit 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:

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Profit before income tax	**2,261,739**	1,127,411
PRC land appreciation tax	**(393,938)**	(103,087)
	1,867,801	1,024,324
Tax on profit before income tax, calculated at the rate of 25% (2017: 25%)	**466,950**	256,081
Effect of different tax rates of the Group's subsidiaries operating in other jurisdictions	**11,247**	(248)
Tax effect of non-taxable income *(i)*	**(129,124)**	(50,953)
Tax effect of non-deductible expenses	**22,235**	29,175
Tax effect of unrecognized tax losses	**53,804**	52,900
Others *(ii)*	**2,119**	16,528
	427,231	303,483
PRC land appreciation tax	**393,938**	103,087
	821,169	406,570

(i) Non-taxable income are mainly share of net profit of associates and joint ventures.

(ii) Others mainly represent tax effect of realization of unrecognized temporary difference in prior periods.

10. EARNINGS PER SHARE

(a) 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.

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Profit attributable to shareholders of the Company	**1,112,774**	580,523
Accrued distribution of the convertible perpetual securities	**(29,599)**	(19,679)
Profit used to determine basic earnings per share	**1,083,175**	560,844
Weighted average number of ordinary shares in issue (in thousands)	**3,981,529**	3,917,571
— Basic earnings per share	**RMB0.27**	RMB0.14

(b) 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.

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Profit attributable to shareholders of the Company	**1,112,774**	580,523
Weighted average number of ordinary shares in issue (in thousands)	**3,981,529**	3,917,571
Adjustment for:		
— Assumed conversion of convertible perpetual securities (in thousands)	**586,646**	660,530
Adjusted weighted average number of ordinary shares for diluted earnings per share (in thousands)	**4,568,175**	4,578,101
— Diluted earnings per share	**RMB0.24**	RMB0.13

11. DIVIDEND

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Final dividend for the year ended 31 December 2017 of RMB3.54 cents (2016: RMB3.54 cents) per fully paid share	**138,682**	138,682
Dividend of convertible perpetual securities	**29,599**	19,679

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Proposed distribution of final dividend out of contributed surplus account of HK cents 4.50 (equivalent to RMB cents 3.83) (2017: HK cents 4.42 (equivalent to RMB cents 3.54)) per ordinary share	**180,990**	138,682

A final dividend relating to the year ended 31 December 2017 amounted to RMB138,682,000 was fully paid on 15 June 2018.

The Board proposed to make a distribution out of contributed surplus account of HK4.50 cents (equivalent to RMB cents 3.83) (2017: HK cents 4.42 (equivalent to RMB3.54)) per ordinary share amounting to a total of RMB180,990,000. The proposed distribution is based on 4,722,307,545 (2017: 3,917,570,961) shares issued as at 22 March 2019. The proposed final dividend is not reflected as a dividend payable as of 31 December 2018, but will be recorded as a distribution for the year ending 31 December 2019.

The proposed distribution out of contributed surplus account is subject to the passing of an ordinary resolution for approving the distribution of final dividend out by the shareholders at the annual general meeting of the Company to be held on 27 May 2019.

12. INVESTMENT PROPERTIES

As at 31 December 2018, the Group held certain properties located in the PRC. Changes to the carrying amount of investment properties in the consolidated balance sheet are summarized as follows:

	For the year ended	
	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
At 1 January	**319,830**	290,920
Transfer from property, plant and equipment *(a)*	**60,780**	–
Transfer from properties held for sale *(b) (Note 13)*	**117,657**	–
Fair value gain	**7,363**	28,910
At 31 December	**505,630**	319,830

For the year ended 31 December 2018, rental income and operating expense arising from leasing of investment properties are as follows:

	For the year ended	
	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Rental income	**31,662**	26,463
Direct operating expense from properties that generate rental income	**10,977**	5,700
Direct operating expense from properties that did not generate income	**1,471**	–

The Group's rights on investment properties at its carrying amount is analysed as follows:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
In the PRC, held on:		
Lease of 40–70 years	**505,630**	319,830

(a) In June 2018, the Group commenced the leasing of an apartment building (Nanjing Huafei Apartment) located in Nanjing, Jiangsu Province, the PRC, which represents a change in use of the apartment building. Accordingly the Group reclassified the apartment building from property, plant and equipment to investment property. As at the transfer date, the carrying amount and the fair value of the property is RMB41,427,000 and RMB60,780,000 respectively. The difference between the carrying amount and the fair value at the transfer date was credited to other comprehensive income.

(b) In September 2018, the Group commenced the leasing of a commercial building (Landsea Neighbourhood Union) located in Wuxi, Jiangsu Province, the PRC, which represents a change in use of the commercial building. Accordingly the Group reclassified the commercial building from properities held for sale to investment property. As at the transfer date, the carrying amount and the fair value of the property is RMB117,657,000 and RMB117,700,000 respectively. The difference between the carrying amount and the fair value at the transfer date was credited as fair value gain in the consolidated statement of comprehensive income (note 13).

(c) Investment properties were valued at 31 December 2018 by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Apprasial 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.

(d) As at 31 December 2018, investment property with carrying amount of RMB401,210,000 (2017: RMB319,830,000) was pledged as collateral for the Group's borrowings (note 17(a)&(g)).

(e) **Fair value hierarchy**

Independent valuations of the Group's investment properties were performed by an independent and professionally qualified valuer to determine the fair value of investment properties as at 31 December 2018 and 2017.

As at 31 December 2018 and 2017, all of the Group's investment properties were within level 3 of the fair value hierarchy as 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 properties were valued at 31 December 2018 by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experiences in the locations and segments of the investment properties being 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 were held between the finance department and the valuer at least once every six months.

At the end of each reporting period, finance department:

- Verifies all major inputs in 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 properties, income approach and discounted cash flow analysis ("DCF analysis") had been adopted by the Group. When using income approach, the Group takes into account the net rental income of the properties 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. DCF analysis involves discounting future cash flow of the property to its present value by using an appropriate discount rate with due allowance for the reversionary net income of the property, which is capitalized with a terminal capitalization rate. In the course of valuation, the Group assumed the property is available for lease. With regards to the existing market conditions, the incomes and expenses, stabilization period and rental growth for each component of the property are estimated to reflect the property performance in the market. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

Information about fair value measurements using significant unobservable inputs (level 3) is as follows:

Description	Fair value at 31 December 2018 (RMB'000)	Fair value at 31 December 2017 (RMB'000)	Valuation technique(s)	Unobservable inputs	Unobservable inputs (probability-weighted average) 2018	Unobservable inputs (probability-weighted average) 2017	Relationship of unobservable inputs to fair value
Landsea Tower — commercial building	**323,570**	319,830	Term and reversionary method	Term yields	**5.00%**	5.50%	The higher the term yields, the lower the fair value
				Reversionary yields	**5.50%**	4.50%	The higher the reversion yields, the lower the fair value
				Vacancy rate	**5.00%**	6.00%	The higher the vacancy rate, the lower the fair value
				Average daily rental per square meter	**2.89**	3.20	The higher the average daily rental per square meter the higher the fair value
Nanjing Huafei Apartment	**64,360**	n/a	Discounted cash flow analysis	Term yields	**6.00%**	n/a	The higher the term yields, the lower the fair value
				Vacancy rate	**10.00%**	n/a	The higher the vacancy rate, the lower the fair value
				Average daily rental per square meter	**3.47**	n/a	The higher the average daily rental per square meter the higher the fair value
Landsea Neighbour-hood Union	**117,700**	n/a	Term and reversionary method	Term yields	**5.00%**	n/a	The higher the term yields, the lower the fair value
				Reversionary yields	**5.50%**	n/a	The higher the reversion yields, the lower the fair value
				Vacancy rate	**5.00%**	n/a	The higher the vacancy rate, the lower the fair value
				Average daily rental per square meter	**1.45**	n/a	The higher the average daily rental per square meter the higher the fair value

13. PROPERTIES HELD FOR SALES

Analysis of properties held for sale is as follows:

	As at 31 December 2018 RMB'000	2017 RMB'000
Properties held for sale:		
— PRC	**882,923**	830,982
— US	**–**	20,038
	882,923	851,020
Less: provision for decline in the value of properties held for sale	**(6,042)**	(3,189)
	876,881	847,831

Movements of properties held for sale are as follows:

	As at 31 December 2018 RMB'000	2017 RMB'000
As at 1 January	**851,020**	397,490
Transfer from properties under development *(note 14)*	**4,684,794**	4,987,120
Transfer to investment properties *(note 12)*	**(117,657)**	–
Cost of property development and sales	**(4,535,234)**	(4,533,590)
As at 31 December	**882,923**	851,020

All of the properties held for sale are within normal operating cycle and hence included under current assets. The amounts of properties held for sale expected to be recovered after more than one year is RMB67,083,000 (2017: RMB31,060,000).

Movements of provision for decline in the value of properties held for sale are as follows:

	2018 RMB'000	2017 RMB'000
As at 1 January	**3,189**	2,157
Provision during the year	**2,853**	1,032
As at 31 December	**6,042**	3,189

For the year ended 31 December 2018, the Group recognized impairment losses of RMB2,853,000 (2017: RMB1,032,000) on properties held for sale.

As at 31 December 2018, properties held for sale with carrying amount of RMB52,630,000 (2017: RMB526,511,000) were mortgaged as collateral for the Group's borrowings (note 17).

14. PROPERTIES UNDER DEVELOPMENT

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Properties under development located in:		
— PRC	**4,506,998**	3,277,259
— US	**4,184,601**	3,381,623
	8,691,599	6,658,882
Less: provision for decline in the value of properties under development	**(3,020)**	–
	8,688,579	6,658,882
Amount comprises:		
— Land payments	**4,824,473**	3,849,021
Leasehold land, PRC	**3,029,651**	2,179,574
Freehold land, US	**1,794,822**	1,669,447
— Development expenditures and improvements	**3,071,764**	2,097,565
— Interest capitalized	**795,362**	712,296
	8,691,599	6,658,882

Movements of properties under development are as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	RMB'000	*RMB'000*
As at 1 January	**6,658,882**	10,379,261
Additions	**4,787,294**	5,958,140
Acquisition of subsidiaries	**2,692,768**	–
Disposal of subsidiaries	**(762,551)**	(4,691,399)
Transfer to properties held for sale *(note 13)*	**(4,684,794)**	(4,987,120)
As at 31 December	**8,691,599**	6,658,882

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 RMB1,660,010,000 (2017: RMB3,005,694,000). The remaining balance is expected to be completed within one year.

As at 31 December 2018, properties under development with carrying amount of RMB3,033,882,000 (2017: RMB2,138,953,000) were mortgaged as collateral for the Group's borrowings (note 17).

On 11 October 2017, certain subsidiary of the Group signed an agreement with a third party at a consideration of RMB869,586,000 to sell a parcel of leasehold land located in Tianjin, PRC. As at 31 December 2018, RMB600,000,000 had been received and were recorded as contract liabilities, related leasehold land with carrying amount of RMB194,379,000 was pledged for the third party's borrowing. The disposal of the leasehold land has not been completed as at 31 December 2018.

Certain subsidiary of the Group located in US entered into sell and buy-back agreements with a third party, whereby properties under development were sold and the Group has the option to repurchase the properties under development on a predetermined schedule at a nominated value. Such properties under development are not derecognized, considering the borrowing substance of the arrangements. However, the asset is restricted under the agreement as the title of freehold land has been transferred to the third party. As at 31 December 2018, properties under this restriction amounted to US$66,254,000 (equivalent to RMB454,713,000) (2017: US$104,656,000 (equivalent to RMB683,843,000)), and related borrowing amounted to US$41,667,000 (equivalent to RMB285,967,000) (2017: US$41,374,000 (equivalent to RMB270,345,000)) (note 17).

15. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Included in non-current assets:		
Prepayments		
— Prepayments for acquisition of subsidiaries	**3,539**	55,539
— Value added tax ("VAT") to be offset *(b)*	**–**	1,000
	3,539	56,539
Amounts due from related parties	**1,631,495**	1,370,535
Less: provision for bad debt	**(16,315)**	–
	1,615,180	1,370,535
Amounts due from non-controlling interests *(d)*	**515,965**	–
Less: provision for bad debt	**(5,160)**	–
	510,805	–
Other receivables		
— Lendings to third parties *(e)*	**27,652**	113,460
— Deposits for property maintenance *(g)*	**12,385**	12,385
	40,037	125,845
Less: provision for bad debt	**(1,116)**	(558)
	38,921	125,287
	2,168,445	1,552,361

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Included in current assets:		
Trade receivables *(a)*		
— Related parties	**335,294**	223,651
— Third parties	**185,927**	411,153
	521,221	634,804
Less: provision for bad debt		
— Related parties	**(3,353)**	–
— Third parties	**(10,160)**	(5,342)
	(13,513)	(5,342)
	507,708	629,462
Prepayments		
— Prepaid taxes *(b)*	**177,738**	139,534
— Prepaid VAT and other surcharges *(b)*	**208,947**	152,596
— Prepayments for rental fee *(c)*	**309,131**	59,916
— Prepayments for land bidding	**89,439**	–
— Other prepayments	**139,716**	22,616
	924,971	374,662
Amounts due from related parties	**745,811**	1,559,826
Less: provision for bad debt	**(7,458)**	–
	738,353	1,559,826
Amounts due from non-controlling interests *(d)*	**3,425**	571,500
Less: provision for bad debt	**(34)**	–
	3,391	571,500
Deposits for purchase of land *(f)*	**242,689**	212,125
Less: provision for bad debt	**(2,427)**	–
	240,262	212,125
Other receivables		
— Deposits for apartments rental	**85,002**	33,483
— Deposits for building construction	**2,284**	20,540
— Deposits in housing fund	**16,874**	18,712
— Lendings to third parties (e)	**104,894**	–
— Others	**59,505**	80,356
	268,559	153,091
Less: provision for bad debt	**(6,605)**	(6,878)
	261,954	146,213
	2,676,639	3,493,788

(a) Trade receivables

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables from property development and sales	**88,913**	263,339
Trade receivables from management services	**432,308**	371,465
	521,221	634,804
Less: provision for bad debt	**(13,513)**	(5,342)
	507,708	629,462

The aging analysis of the current trade receivables based on invoice date is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Related parties		
— Less than one year	**290,912**	213,869
— One to two years	**35,738**	9,782
— Two to three years	**8,644**	–
	335,294	223,651
Third parties		
— Less than one year	**123,315**	343,735
— One to two years	**61,664**	52,720
— Two to three years	**598**	14,698
— Three to four years	**350**	–
	185,927	411,153
	521,221	634,804

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

(b) Effective from 1 May 2016, the Group's subsidiaries in the PRC are subject to VAT for its sales of properties. The applicable tax rate is 10% (11% before 1 May 2018) under normal VAT arrangement and is 5% for qualified old projects with a simplified method. Input VAT under normal VAT arrangement is deductible and is recorded as "prepayments — VAT to be offset" when there is a debit balance.

The Group's subsidiaries in the PRC which develop properties for sale are subjected to prepayment of VAT at the rate of 3% on advance collected from customers. Such prepayments are recorded as "prepayments — prepaid VAT and other surcharges".

These subsidiaries are also subjected to prepayments of EIT and land appreciation tax on expected profit margin and land appreciation tax based on advance collected from customers together. Such prepayments are recorded as "prepayments — prepaid tax".

(c) Prepayments for rental fee are mainly related to rental paid to landlord in advance for long-term rental apartments. The term of prepaid rents is usually less than one year.

(d) In January 2018, 中福頤養(天津)置業有限公司 (Zhongfuyiyang (Tianjin) Real Estate Co., Ltd.) ("Zhongfuyiyang") an indirect non-wholly owned subsidiary of the Group signed an agreement with its owners, pursuant to which Zhongfuyiyang would advance loan to its owners on pro-rata basis according to their respective shareholding interest in Zhongfuyiyang. The loan is unsecured, repayable within two years and Zhongfuyiyang shall charge an annual interest rate ranging from 4.35% to 6.50% per annum on the actual amounts of drawdown. As at 31 December 2018, the outstanding amounts due from the non-controlling shareholders of Zhongfuyiyang amounted to RMB29,154,000.

In December 2018, 蘇州朗坤置業有限公司 (Suzhou Langkun Real Estate Co., Ltd.) ("Suzhou Langkun"), an indirect non-wholly owned subsidiary of the Company, entered into the supplemental agreement with its owners, pursuant to which Suzhou Langkun agreed to extend the loan term from 31 December 2018 to 31 December 2021. The loan is unsecured, repayable within three years, and Suzhou Langkun shall charge an annual interest rate of 4.35% per annum on the actual amounts of drawdown. As at 31 December 2018, the outstanding amounts due from the non-controlling shareholders of Suzhou Langkun amounted to RMB486,811,000.

The remaining amounts are interest-free and repayable on demand.

(e) The balances of lendings to third parties generate interest ranging from 7.75% to 14.00% per annum. Of the total lendings to third parties, RMB87,651,000 (2017: RMB66,443,000) was secured by the equity securities of two companies which hold properties in the PRC.

(f) As at 31 December 2018, deposits for purchase of land are mainly related to acquisition of land use right upon successfully bidding at the land auctions. The relevant land use right certificates have not been obtained at 31 December 2018.

(g) Deposits for property maintenance are repayable within two to eight years from the end of the year.

As at 31 December 2018, the carrying amounts of trade and other receivables, prepayments and deposits (netting off provision for bad debt) were denominated in below currencies:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
RMB	**4,339,020**	4,546,667
US$	**492,507**	495,530
HK$	**13,557**	3,952
	4,845,084	5,046,149

The fair values of trade and other receivables, prepayments and deposits (netting off provision for bad debt) are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Included in non-current assets:		
Prepayments	**3,539**	56,539
Amounts due from related parties	**1,615,180**	1,370,535
Amounts due from non-controlling interests	**510,805**	–
Other receivables — deposits for property maintenance	**8,593**	8,597
Other receivables — lendings to third parties	**27,652**	113,460
	2,165,769	1,549,131
Included in current assets:		
Trade receivables	**507,708**	629,462
Prepayments	**924,971**	374,662
Amounts due from related parties	**738,353**	1,559,826
Amounts due from non-controlling interests	**3,391**	571,500
Deposits for purchase of land	**240,262**	212,125
Other receivables	**261,954**	146,213
	2,676,639	3,493,788

The fair values of deposits for property maintenance are based on cash flows discounted using a rate based on the borrowing rate of 4.75% to 4.90%. The fair values are within level 2 of the fair value hierarchy.

16. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Included in non-current liabilities:		
— Amounts due to related parties	**2,804,826**	2,714,606
— Warranty accrual	**24,817**	–
— Amounts due to non-controlling interests *(a)*	**–**	17,217
	2,829,643	2,731,823
Included in current liabilities:		
— Amounts due to related parties	**2,908,526**	2,044,080
— Payables for construction materials and services	**1,964,956**	1,162,081
— Amounts due to non-controlling interests *(a)*	**410,045**	18,110
— Interest payable	**348,592**	235,257
— Deposits received from rental and construction services	**348,045**	190,115
— Amounts due to a joint venture partner *(b)*	**320,000**	–
— Accruals for staff costs	**252,813**	159,949
— Value added tax and other tax payables	**180,823**	126,353
— Consideration payables *(c)*	**141,667**	92,144
— Other payables	**37,302**	36,009
	6,912,769	4,064,098

(a) As of 31 December 2018, current amounts due to non-controlling interests include RMB388,859,000 bearing interest at 4.65% per annum and the remaining amounts are interest-free.

As of 31 December 2017, non-current amounts due to non-controlling interests bear interest at 10.00% per annum. Current amounts due to non-controlling interests are interest-free.

All amounts due to non-controlling interests are unsecured.

(b) As of 31 December 2018, the amount of due to joint venture partner includes RMB120,000,000 bearing interest ranging from 6.00% to 8.00%. The remaining amount is interest-free and was subsequently repaid on 2 January 2019.

(c) As of 31 December 2018, consideration payables are mainly related to payables for acquisition of investments, of which RMB89,523,000 was due to the former shareholders of 成都海興冷業貿易股份有限公司 (Chengdu Haixing Cold Industry Trading Co., Ltd.) ("Chengdu Haixing") . The remaining amount, RMB52,144,000 was due to the former shareholder of 武漢朗泓置業有限公司 (Wuhan Langhong Real Estate Co., Ltd.).

As at 31 December 2018, the carrying amounts of trade and other payables approximate their fair values.

As at each balance sheet date, the aging analysis of the payables for construction materials and services based on invoice date is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than one year	**1,808,395**	1,035,053
One to two years	**145,160**	30,933
Two to three years	**11,401**	5,865
Over three years	**–**	90,230
	1,964,956	1,162,081

As at each balance sheet date, the carrying amounts of trade and other payables were denominated in below currencies:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
RMB	**8,974,693**	6,096,059
US$	**734,738**	680,894
HK$	**32,981**	18,968
	9,742,412	6,795,921

17. BORROWINGS

	As at 31 December			
	2018		2017	
	Current	**Non-current**	Current	Non-current
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Secured				
— Bank borrowings *(a)*	**266,597**	**1,224,335**	1,098,218	672,233
— Senior private notes *(c)*	**–**	**–**	659,534	–
— Sell and buy-back arrangements *(note 14)*	**–**	**285,967**	–	270,345
— Discounted bank accepted notes *(f)*	**316,983**	**–**	–	–
— Loans from other financial institutions *(g)*	**–**	**310,306**	–	–
Total secured borrowings	**583,580**	**1,820,608**	1,757,752	942,578
Unsecured				
— Bank borrowings *(a)*	**100,000**	**859,772**	–	126,045
— Guaranteed senior notes *(d)*	**–**	**1,380,523**	–	–
— Loans from the ultimate controlling shareholder *(b)*	**–**	**1,665,000**	–	1,665,000
— EB-5 loans *(e)*	**–**	**575,112**	–	521,334
— Discounted bank accepted notes *(f)*	**–**	**–**	90,000	–
— Loan from other financial institutions *(g)*	**–**	**40,000**	326,706	–
Total unsecured borrowings	**100,000**	**4,520,407**	416,706	2,312,379
Total borrowings	**683,580**	**6,341,015**	2,174,458	3,254,957

Borrowings carry interest ranging from 3.19% to 13.50% (2017: 4.75% to 8.00%) per annum.

The movements in borrowings of the Group are analysed as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	RMB'000	*RMB'000*
At 1 January	**5,429,415**	6,083,341
Proceeds from borrowings	**6,248,362**	2,887,033
Acquisition of subsidiaries	**296,198**	–
Repayments of borrowings	**(4,789,111)**	(2,319,051)
Disposal of subsidiaries	**(255,400)**	(1,259,440)
Exchange difference	**95,131**	37,532
At 31 December	**7,024,595**	5,429,415

At at each balance sheet date, the carrying amounts of borrowings were denominated in the following currencies:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
RMB	**3,508,890**	3,202,900
US$	**3,169,781**	1,995,807
HK$	**345,924**	230,708
	7,024,595	5,429,415

The Group's borrowings are repayable as follows as at each balance sheet date:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within one year	**683,580**	2,174,458
Between one and two years	**4,441,395**	188,019
Between two and five years	**1,899,620**	3,066,938
	7,024,595	5,429,415

(a) Bank borrowings are jointly secured by:

(i) restricted cash with carrying amount of RMB183,866,000 (2017: RMB7,291,000);

(ii) properties under development with carrying amount of RMB3,033,882,000 (2017: RMB2,138,953,000 *(note 14)*);

(iii) investment properties of the Group with carrying amount of RMB323,570,000 (2017: RMB319,830,000 *(note 12)*);

(iv) guarantee provided by the ultimate holding company;

(v) equity interest of certain subsidiaries of the Group;

(vi) property, plant and equipment with carrying amount of RMB502,576,000 (2017: Nil);

(vii) no property held for sale is mortgaged as collateral for the Group's bank borrowing (2017: RMB526,511,000 *(note 13)*);

Bank borrowings carry interest ranging from 3.19% to 8.60% (2017: 4.75% to 8.00%) per annum.

(b) The loans from the ultimate controlling shareholder

The loans from the ultimate controlling shareholder are unsecured and carry interest ranging from 5.30% to 5.65% (2017: 5.30% to 6.60%) per annum.

(c) Senior private notes

Senior private notes of the Company matured and were repaid on 30 April 2018.

(d) Guaranteed senior notes

Guaranteed senior notes issued by the Company in FY2018 were listed on the Singapore Exchange Securities Trading Limited on 25 April 2018 and will mature on 25 April 2020, with 9.625% per annum paid semi-annually in arrears. All of the guaranteed senior notes are subject to the fulfilment of covenants relating to certain of the Company's debt servicing financial indicators. The Company regularly monitors its compliance with these covenants. As at 31 December 2018, none of the covenants had been breached. All guaranteed senior notes are guaranteed by certain subsidiaries of the Company.

At any time, the Company will be entitled at its option to redeem the senior notes in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date.

At any time and from time to time the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the proceeds from sales of certain kinds of capital stocks of the issuer at a redemption price of 109.625% of the principal amount of the senior notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

(e) EB-5 loans

EB-5 Loans represent loans from third parties and carry interest of 4.00% (2017: 3.60% to 4.00%) per annum and are guaranteed by Landsea Holdings Corporation, an indirect subsidiary of the Company. The balances are repayable ranging from 24 July 2020 to 29 June 2023 (2017: 3 January 2020 to 31 March 2021).

(f) Discounted bank accepted notes

Discounted bank accepted notes are secured by restricted cash with carrying amount of RMB85,000,000.

(g) Loans from other financial institutions

Loans from other financial institutions carry interest from 8.00% to 11.50% (2017: 8.00%) per annum. The balance is repayable from 6 July 2020 to 27 December 2020.

Loans from other financial institutions are jointly secured by:

(i) properties held for sale with carrying amount of RMB52,630,000 (2017: Nil) (note 13);

(ii) investment properties of the Group with carrying amount of RMB77,640,000 (2017: Nil) (note 12);

(iii) guarantee provided by Nanjing Langming Properties Group Limited ("Nanjing Langming"), an indirect subsidiary of the Company.

(h) Fair values of the borrowings are not materiality different to the carrying amounts. Since the interest on those borrowings are either close to current market rates or borrowings are of a short term nature. The carrying amounts and fair values of the non-current borrowings are as follows:

	As at December 31			
	2018		2017	
	Carrying amounts	**Fair values**	Carrying amounts	Fair values
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Bank borrowings *(ii)*	**2,084,107**	**2,084,107**	798,278	798,278
Guaranteed senior notes *(i) (ii)*	**1,380,523**	**1,352,229**	–	–
Sell and buy-back arrangements *(ii)*	**285,967**	**285,967**	270,345	270,345
Loans from the ultimate controlling shareholder *(ii)*	**1,665,000**	**1,665,000**	1,665,000	1,665,000
EB-5 loans *(ii)*	**575,112**	**575,112**	521,334	521,334
Loan from other financial institutions *(ii)*	**350,306**	**350,306**	–	–

(i) These guaranteed senior notes are listed on Singapore Exchange and the fair value are determined based on quoted price and are categorized with Level 1 of the fair value hierarchy.

(ii) Fair values of bank borrowings, sell and buy-back arrangements, loans from the ultimate holding, EB-5 loans and loan from other financial institutions are based on discounted cash flows and current borrowing rate and are categorised within Level 2 of the fair value hierarchy.

CHAIRMAN'S STATEMENT

I am pleased to present the business review for the year ended 31 December 2018 and the prospects for 2019 of Landsea Green Group Co., Ltd. ("Landsea" or the "Company") and its subsidiaries (collectively, the "Group").

2018 in Review

In 2018, China's economy was under increasing downward pressure, the real estate market had a pullback, notably showing a structural adjustment. Due to rapid changes in the market, the Company has not completely fulfilled the targets set up at the beginning of the year in terms of contracted sales amount and value of new projects, however, the Company has achieved satisfactory performance in net profit, net gearing ratio, cash flow, product differentiation, management and control model and team building.

Operating Results

During the period under review, the Group's profit for the year amounted to approximately RMB1.44 billion, representing an increase of 99.9% as compared to last year; the net core profit amounted to RMB1.27 billion, representing an increase of 36.1% as compared with the corresponding period of last year; the development management service fee income from independent third parties or cooperative partners amounted to approximately RMB1.00 billion, representing an increase of 32.8% as compared with the corresponding period of 2017, and the profit after tax for development management services was approximately RMB350 million, representing an increase of 11.7% as compared with the corresponding period of last year. In addition, for the year ended 31 December 2018, Landsea Group recorded contracted sales of approximately RMB38.15 billion, with contracted gross floor areas of approximately 1.965 million square meters. In 2018, the Group acquired a total of 28 projects, including 20 projects in the PRC and 8 projects in US.

Product Differentiation and Standardisation

Adhering to the core value of "building home for people" under the production principle of "building first, and the equipment second" (先上建築，後上設備), Landsea has carried out its construction projects by computer-aided model analysis and design optimisation, offering its customers residential products with the advantages of wellness, comfort, intelligence, energy-saving and environmental protection. During the period, the Company continued to enhance its capability of green differentiation products and effectively facilitated the standardisation of the four product lines, namely "Le Mansion", "Xihua Mansion", "Linglong" and "Future Block".

The "Le Mansion" product line targets the top-tier customers with newly built green residence of high comfort, including villas and mansions in the CBD area;

The "Xihua Mansion" product line targets the upper-tier customers with newly built cluster-residence of high-comfort;

The "Linglong" product line targets middle-to-upper-tier customers with newly built cluster-residence of a unit-by-unit system;

"Future Block" targets the inelastic demand from middle-tier customers with complex residential communities newly built according to a green idea.

With regard to the above four product lines, the Company provided its staff with systematic product training, with a view to effectively improve the capability of product and development services of all operating units.

Extensive Exploration of Innovative Business Model

The Company has determinedly executed its strategy of "product-differentiation, asset-light transformation and revenue-diversification" for transformation and upgrade, and explored all possibilities in innovative business, including newly developed green residential community, passive house (Northern China Passive House), residential rehabilitation (Shanghai Landsea New Mansion), public rehabilitation (China Europe International Business School Shenzhen Campus, New York Manhattan Synagogue Project), green office transformation (Landsea Green Centre in Shanghai) and commercial community (Wuxi Neighbourhood Union).

More importantly, the headquarters of Landsea have moved into Landsea Green Center ("LGC") in Shanghai in 2018. Such integration of green architecture has demonstrated the application of old building rehabilitation and green office. Application for LEED and WELL Platinum Certification (U.S.), DGNB Certificate (Germany) and Green Building Evaluation Label (China three star) is in progress, and Landsea Green Centre is expected to become the first project with the four top eco-accreditations in the world.

Maximised competitiveness of product differentiation has prepared the flexibility for the Company to meet the changes in policies and market demands while staying in line with its strategies. Active implementation of the "asset-light" business model focusing on minority interests has secured projects with a majority of cooperative projects, with sources of revenue including income from development services, product integration and profit-sharing. The outstanding brand effect of "Landsea Product" and the core ability of product differentiation can attract financial institutions, well-known large and medium-sized enterprises to enter into strategic cooperation with the Company for advantages complementary to each other.

Prudent and Stable Business Strategy

Amidst changes in the market in 2018, Landsea has, as always, maintained its operation stability with its prudent business strategy. In terms of investment, Landsea focused on metropolitan regions including Yangtze River Delta, Beijing-Tianjin-Hebei region and Chengdu-Chongqing region, as well as other second-tier cities, avoiding the most expensive piece of land. In terms of financing, the Company actively explored a wide range of financing approaches, including taking advantage of favorable market conditions to successfully issue the green bonds in an aggregated amount of US$200 million in the first half of 2018, which received the world's highest rating in terms of green standard certification by S&P. We have also achieved breakthrough in asset securitization financing. Continuous optimisation of debt structure has reduced finance costs. A prudent strategy of operation that ensured sufficient cash flow and lower debt level has laid a solid foundation for healthy development.

The Group's "Green Fir Investment" has integrated the entire workflow of "financing, investment, management, exiting" of real estate funds, allowing the Group to carry out various innovative exploration and secure projects through different means including acquisition and merger of assets and equity and distressed assets package. As at 31 December 2018, Green Fir Investment managed assets of approximately RMB8.76 billion, firmly supporting the development of the core business.

In U.S, the Company expanded its presence into Phenix City, a new market with high growth potential in 2018, in addition to its unceasing development across East Coast and West Coast. A total of 16 projects in the U.S. provided Landsea Homes with increasing brand reputation as a Chinese real estate pioneer penetrating the U.S. market. During the period, our U.S. company recorded favourable results of operation with significant growth in revenue and profit by continuously implementing strategy of localization.

The Group's related business, such as long-term rental apartments, elderly care services, property management and design, have also yielded substantial growth through continuous exploration during the year.

Corporate Culture and Sustainable Development

With strong adherence to the core value of "people-oriented, positive and green", Landsea stands firm against bribery and official embezzlement, with zero tolerance of corruption. During the period, a few cases of corruption was successfully prevented, protecting the interest of the Company.

Landsea has attached importance to the balance of environment, social and governance in order to substantiate the concept of sustainable development. Landsea has continued to encourage other domestic property development enterprises to participate in "China's Real Estate Industry Green Supply Chain Action", advocating "green procurement only", with an aim to pursue a green value chain and encourage efficiency in resource use.

OUTLOOK FOR 2019

Landscape Analysis

The PRC's economy has gradually entered a stage of development from high-speed growth to moderate speed of growth. The real estate industry has seen its turning point with the entering of new development stage due to the shift in modes of development. We have strong belief that our clear strategy, healthy corporate culture and competitiveness of product differentiation are the keys to seize better opportunities.

Focusing on Green Development and Segregating Innovative Business

The market capitalisation of the Group has not been reflected in the capital market for years. In addition of product differentiation, revenue from development services and real estate business in the U.S., Landsea has broadwise and diversified innovative businesses with value creation, such as property management, long-term leasing, elderly care services and design. However, diversified business with perplexity may not be easy for the capital market to understand the Group, marketing expenses for the Group could be unduly high. Some of the Group's infant innovative business reduced the Groups' profit for the year and partially impaired the share price of the Company, it is apparently not in the interest of the shareholders of the Company. As such, we propose to segregate the innovative business at its initial stage from the real estate business in phases. Landsea Group Co. Ltd., the controlling shareholder of the Group, will be responsible for nurturing the innovative business and continue to promote healthy growth of such business. As such, the Company will focus on a clear green property development business line. Despite a loss for the year from the innovative business, the net return on assets remained above 30%. Upon the segregation of the non-property business, the profit margin, return on assets, net return on assets of the Company are expected to further improve.

The Company would like to unveil the profitability of Landsea to the market through the proposal and the reasons behind for segregating innovative business, i.e. competitiveness of product differentiation and revenue from light-asset services model thereon.

Acknowledgement

Landsea — an enterprise of humanity and idealism — has the vision of being an esteemed enterprise with continuous innovation, value for customers and adherence to green strategy. The continuous support from stakeholders and valuable contribution from the dedicated staff at all levels are essential to the strong development of the Group. On behalf of the Board, I would like to take this opportunity to extend our heartfelt gratitude to our staff, investors and business associates for their support. We will continuously create value for our customers, staff, shareholders, cooperative partners and other stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

The Group continued to deepen the development strategy of "product-differentiation, asset-light transformation and revenue-diversification". Leveraging its resource endowments, on-going optimisation of green products differentiation. Meanwhile, with the advantages of green diversification products, the Group actively expanded the asset-light business focusing on minority interests, and vigorously developed project development and management service business, with a view to achieve revenue-diversification.

In 2018, the Group's return on equity ("ROE") continued to increase to 30.3%, representing an increase of 10.8 percentage points as compared to last year. Basic earnings per share attributable to the shareholders of the company for the year was RMB0.27 (2017: RMB0.14), representing an increase of approximately 90.2% as compared to 2017. The increase in ROE and earnings per share was mainly attributable to the significant increase in net profit for the year. Meanwhile, thanks to the Group's prudent financial strategy and management over debt and cash level, the closing net debt ratio for the year amounted to 34.0% (31 December 2017: 56.5%). The Group had sufficient cash and healthy liquidity. Cash-to-short-term borrowing ratio amounted to 8.7 times. The net profit of the Group for the year of 2018 amounted to approximately RMB1.44 billion, representing an increase of approximately 99.9% as compared with last year, with net profit margin of approximately 19.1% (2017: approximately 11.6%). The net core profit (i.e. net profit excluding exchange gain/loss and change of fair value on investment property) amounted to approximately RMB1.27 billion (2017: approximately RMB932.2 million), representing a significant increase of approximately 36.1% as compared with last year. Net core profit margin was approximately 16.8% (2017: approximately 15.0%). The increase in net profit and net profit margin were principally attributable to the significant improvement in gross profit margin of property development projects delivered during the year. At the same time, good progress in the high-margin segment of development and management services is also the essential factor contributing to a significant increase in net profit and net core profit margin.

For the year of 2018, the revenue recognised from the subsidiaries of the Group amounted to approximately RMB7.56 billion (2017: approximately RMB6.21 billion), revenue recognised from joint ventures and associates attributable to the Group amounted to RMB3.54 billion (2017: approximately RMB493.3 million), with an aggregate sales revenue recognised amounted to RMB11.10 billion, representing an increase of approximately 65.5% (2017: approximately RMB6.71 billion) as compared to last year. The revenue recognised from the provision of development and management services amounted to approximately RMB999.7 million (2017: approximately RMB752.6 million), representing an increase of approximately 32.8% as compared with the last year. In FY 2018, reporting segment profit before income tax arising from projects in relation to development and management services with independent third parties or cooperative partners amounted to approximately RMB456.8 million (2017: approximately RMB410.9 million), representing an increase of approximately 11.2%.

In FY 2018, “Landsea Products” recorded contracted sales of approximately RMB38.15 billion (including approximately RMB35.95 billion from the Group and a small amount of remaining projects entrusted by Landsea Group) (2017: approximately RMB32.05 billion), representing an increase of approximately 19.0% as compared with the year of 2017, with contracted gross floor areas of 1,964,658 square meters (including 1,846,575 square meters from the Group and a small amount of remaining projects entrusted by Landsea Group) (2017: 1,629,394 square meters), representing an increase of 20.6% as compared with the year of 2017.

BUSINESS DEVELOPMENT

The Group achieved a satisfactory result in project expansion notwithstanding of the unfavourable market conditions. In FY2018, the Group secured a total of 28 projects of which 20 were in the PRC and 8 were in the United States. They were in Guangzhou, Hangzhou, Nanjing, Chengdu, Suzhou, Wuhan, Xian and other cities in the PRC as well as the first-tier cities of West Coast and East Coast in the United Stated among which 27 projects were under development for sale (including 18 projects in which the Group held equity interests and 9 development management projects by entrusted independent third parties) and 1 property held for rent.

In FY2018, the Group recorded an increase in the new project saleable gross floor area (“GFA”) of 2,456,347 square meters (“sq.m.”) and expected new project saleable value of approximately RMB38.77 billion, in which 1,604,111 sq.m. in new project construction GFA, 1,186,231 sq.m. in new project saleable GFA and approximately RMB22.10 billion of expected new project saleable value are recorded from the new project the Group held interest respectively. According to the Company’s attributable equity interest in the new project, the Group recorded a new project construction GFA of 976,222 sq.m., new project saleable GFA of 734,525 square meters as well as expected new project saleable value of approximately RMB14.61 billion in FY2018. In FY2018, the Group obtained new entrusted development management projects with construction GFA of 1,869,189 sq.m., saleable GFA of 1,270,115 sq.m. and expected saleable value of approximately RMB16.67 billion. Approximately 80% of the new projects were obtained through mergers and acquisitions, entrusted development and in form of equity participation, which has effectively prevented the occurrence of record-high land prices.

As at 31 December 2018, the Group had project reserves with saleable GFA of 6,719,580 square meters and expected saleable value of approximately RMB121.91 billion, in which total gross floor areas of 9,886,444 square meters, saleable GFA of 3,696,217 square meters and saleable value of approximately RMB69.31 billion secured for the equity-held projects, with saleable GFA of 1,463,534 square meters and saleable value of approximately RMB31.96 billion attributable to the Group. The Group had also acquired 32 development management projects by entrusted independent third parties, with saleable area of 3,023,363 square meters and expected sales amount of approximately RMB52.60 billion. The Group held the leased properties with total GFA of 109,362 square meters and the equity-held projects with GFA of 78,542 square meters.

The Group's property development business covers both PRC and the United States. In particular, the assets of the United States business accounted for approximately 22.7% of the Group's assets. In FY2018, the total contracted sales of the United States projects amounted to approximately RMB3.50 billion. The revenue from sale of properties of approximately RMB2.32 billion with sales areas of 57,887 sq.m. were recognised in the United States. The revenue from sale of lands of approximately RMB204.1 million with sales areas of 40,191 square meters were recognised in 2017 according to the percentage of completion during the year. In the future, Landsea will continue to spread its green ideas in the United States as it continues to deepen the development across East Coast and West Coast with an integration to high-growth markets.

"Green Fir Investment" is a property investment fund and platform of the Group. Currently, Green Fir Investment has established different kinds of fund and joint investment platforms with Cinda Investment and Pingan Real Estate respectively. It focused on the real estate inventory in both first-tier cities and strong second-tier cities and acquisition of distressed assets for creating comprehensive capabilities of fund raising, acquisition, reconstruction, asset management and fund withdrawal, exploring and practicing an integrated real estate fund model of "investment, financing, management and exiting" all-in-one. As at 31 December 2018, the management fund size of Green Fir Investment has reached RMB8.76 billion.

OPERATING INCOME AND GROSS PROFIT

For the year ended 31 December 2018, the Group's revenue was mainly derived from development and management services income of approximately RMB999.7 million (2017: approximately RMB753.2 million), income from sale of properties of approximately RMB6.41 billion (2017: approximately RMB5.43 billion) and rental and property management fee income of approximately RMB154.3 million (2017: approximately RMB34.8 million), which in aggregate was approximately RMB7.56 billion (2017: approximately RMB6.21 billion), representing an increase of approximately 21.7% as compared with the year of 2017. Total income from development and management services income increased by approximately 32.7% and sale of properties increased by approximately 18.1% respectively.

For the year ended 31 December 2018, the gross profit of the Group was approximately RMB2.15 billion (2017: approximately RMB1.52 billion), representing an increase of approximately 41.4% as compared with the year of 2017. The overall gross profit margin of the Group was approximately 28.5% (2017: approximately 24.5%), representing an increase of 4 percentage points as compared with the year of 2017. It was mainly due to an increase of approximately 32.7% in revenue from the development and management services with higher gross profit margins as compared with last year. The gross profit margin of joint ventures and associates was approximately 24.5% (2017: approximately 22.2%).

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

For the year ended 31 December 2018, the profit attributable to the shareholders of the Company was approximately RMB1.11 billion (2017: approximately RMB580.5 million), representing a significant increase of approximately 91.7% as compared with the year of 2017. The net core profit attributable to the shareholders of the Company after deducting unrealized foreign exchange gains arising from foreign currency loans and current accounts between the subsidiaries of the Group during the year, as well as the gain on fair value changes, amounted to approximately RMB941.3 million (2017: approximately 791.9 million) representing an increase of approximately 18.9% as compared with the year of 2017.

CONTRACTED SALES AND PROPERTIES SOLD BUT NOT RECOGNISED

For the year of 2018, "Landsea Products" recorded contracted sales of approximately RMB38.15 billion (including the contracted sales of approximately RMB35.95 billion from the Group and a small amount of remaining projects entrusted by Landsea Group) (2017: RMB32.05 billion), representing an increase of approximately 19.0% as compared with the year of 2017. The contracted gross floor area of 1,964,658 square meters, representing an increase of approximately 20.6% as compared with the year of 2017 (including 1,846,575 square meters from the Group and a small amount of remaining projects entrusted by Landsea Group) (2017: 1,629,394 square meters), among which the total contracted sales of the property projects in which the Group held equity interests amounted to approximately RMB23.62 billion with contracted sales area of approximately 1,172,410 square meters, i.e. an average selling price of RMB20,146 per square meter. The contracted sales were mainly from the on-sale projects in Shanghai, Hangzhou, Nanjing, Chengdu, Tianjin, Suzhou etc. in the PRC and the first-tier portal cities in the United States. As at 31 December 2018, the Group's accumulated areas of properties sold but not recognised were 1,655,467 square meters (2017: 1,430,000 square meters), amounting to approximately RMB29.66 billion (2017: approximately RMB28.46 billion), in which areas of properties sold but not recognised attributable to the Group were 656,458 square meters (2017: 440,000 square meters), amounting to approximately RMB12.26 billion (2017: approximately RMB9.17 billion).

	Projects	**Equity Holding**	**Contracted Sales Amounts**	**Contracted Sales GFA**	**Average Contracted Sales Selling Price per Square Meter**
			(RMB'000)	*(Square Meters)*	*(RMB)*
	Property sales				
1.	Nanjing Youth Block	100.0%	64,523	3,959	16,298
2.	Nanjing Future Home	50.1%	52,361	4,890	10,707
3.	Nanjing Poly Landsea Weilan	29.9%	57,910	1,367	42,372
4.	Nanjing Landsea Xihua Mansion	19.0%	452,500	5,188	87,213
5.	Hefei Feidong Jade Garden	10.0%	370,883	19,659	18,866
6.	Shangshi Landsea Future Block	100.0%	166,612	7,018	23,741
7.	Shanghai The Course of The Future	100.0%	1,922	117	16,479
8.	Shanghai New Mansion	100.0%	572,558	6,022	95,076

	Projects	Equity Holding	Contracted Sales Amounts	Contracted Sales GFA	Average Contracted Sales Selling Price per Square Meter
			(RMB'000)	*(Square Meters)*	*(RMB)*
9.	Shanghai Changfenghui Silver Premier	23.0%	610,116	12,349	49,408
10.	Wuxi Tiancui	100.0%	29,255	2,614	11,193
11.	Suzhou Green County of Taihu	55.0%	2,067,080	116,378	17,762
12.	Wuxi Luka Small Town	100.0%	9,535	616	15,471
13.	Suzhou 8 Renmin Road	51.0%	730,931	13,635	53,608
14.	Yixin Xindu Mansion	26.0%	512,687	50,010	10,252
15.	Hangzhou Mer De Fleus	100.0%	28,234	1,162	24,301
16.	Hangzhou Xihua Mansion	49.0%	1,136,085	20,226	56,171
17.	Hangzhou Le Mansion	50.0%	1,448,129	31,017	46,689
18.	Hangzhou Light of City	40.0%	1,410,611	72,627	19,423
19.	Ningbo Crystal Apartment	40.0%	201,069	14,046	14,315
20.	Hangzhou Maple Union	50.0%	306,319	18,563	16,501
21.	Hangzhou Weilan Block	20.0%	364,960	27,482	13,280
22	Chengdu Southern Gate Green	25.0%	147,738	2,900	50,936
23.	Chengdu Golden Sand City	9.9%	2,594,764	142,249	18,241
24.	Chengdu Future Home	50.0%	403,446	60,846	6,631
25.	Chengdu Xihua Mansion	33.0%	2,799,026	161,502	17,331
26.	Chongqing Yue Mansion	30.0%	534,261	39,233	13,618
27.	Chengdu Landsea Cuiyue	50.0%	23,388	1,690	13,839
28.	Chengdu Shanglin Xihua Mansion	100.0%	283,424	28,433	9,968
29.	Tianjin Emerald Tsuen Wan	75.0%	1,452,823	102,459	14,180
30.	Tianjin Cuiweilan Pavilion	35.0%	487,539	35,855	13,598
31.	Shijiazhuang Luquan Project	25.5%	412,970	53,960	7,653
32.	Suqian Weilan Elegant Yard	51.0%	384,678	38,114	10,093
33.	Avora	51.0%	201,088	2,825	71,189
34.	Brookhaven	100.0%	169,295	5,903	28,680
35.	Copperleaf	100.0%	33,469	1,204	27,794
36.	Echo	70.0%	810,143	15,234	53,180
37.	Nexus	70.0%	692,296	13,062	53,022
38.	Pierce Boston	25.0%	471,977	4,046	116,652
39.	Sagebluff	100.0%	204,080	7,024	29,055
40.	Siena	100.0%	332,822	8,005	41,575
41.	Stoneyridge	100.0%	174,873	3,406	51,339
42.	Westerly	100.0%	191,263	8,086	23,656
43.	Windstone	100.0%	219,582	7,429	29,577
	Contract sales of the Group held equity interest	Total	23,619,225	1,172,410	20,146

RECOGNISED SALES OF PROPERTIES OF SUBSIDIARIES

For the year ended 31 December 2018, the Group recorded recognised revenue of approximately RMB7.56 billion (2017: approximately RMB6.21 billion), representing an overall increase of approximately 21.7%. In particular, the consolidated subsidiaries of the Group recognised revenue from sales of properties and total sales area were approximately RMB6.41 billion (2017: approximately RMB5.43 billion) and 255,254 square meters respectively, mainly attributable to Suzhou Green County of Taihu, Nanjing Youth Block, Shanghai New Mansion, Shanghai Future Block, Hangzhou Mer De Fleus Project, Wuxi Luka Small Town, Wuxi Landsea Tiancui in the PRC, and The Vale Project, IronRidge Project, Westerly Project, Stoneyridge Project and Aliso Ridge Project in the United States. The average selling price in the PRC was RMB16,589 per sq.m. while the average selling price in the United States was RMB40,102 per sq.m..

RECOGNISED SALE OF PROPERTIES OF JOINT VENTURES AND ASSOCIATES ATTRIBUTABLE TO THE GROUP

For the year ended 31 December 2018, the recognised sales of joint ventures and associates attributable to the Group of approximately RMB3.54 billion (2017: approximately RMB493.3 million), represent an overall increase of approximately 617.4% and 114,503 sq.m. in gross floor areas attributable to the Group. Sales attributable to the Group is mainly generated from Nanjing Xihua Mansion, Nanjing Poly Landsea Weilan, Suzhou Renmin Road, Chengdu Southern Gate Green, Shanghai Changfenghui Silver Premier and Nanjing Future Home in the PRC, and Pierce Boston Project and Avora Project in the United States. The average selling price in the PRC regions was approximately RMB26,273 per sq.m. and the average selling price in the United States regions was approximately RMB84,929 per square meter.

PROPERTY DEVELOPMENT AND MANAGEMENT SERVICES

Benefiting from the full commencement of “asset-light” strategy of the Group, the Group recorded property development and management services income of approximately RMB999.7 million (2017: approximately RMB753.2 million) for the year ended 31 December 2018, representing an overall increase of approximately 32.7%. Gross profit margin of property development and management services income was maintained at 55.0%.

RENTAL AND MANAGEMENT FEE

For the year ended 31 December 2018, the Group recognised rental and management fee income of approximately RMB154.3 million (2017: approximately RMB34.8 million), representing an increase of approximately 342.9% as compared with the year of 2017.

FAIR VALUE GAIN ON INVESTMENT PROPERTIES

The Group's investment properties included Landsea Tower in Shenzhen, Huafei Apartment in Nanjing, Neighbourhood Union in Wuxi located in the PRC. Leveraging prime location and quality property management services of investment properties, they maintained a high occupancy rate during the year. For the year ended 31 December 2018, the Group's fair value gain on the investment properties was approximately RMB7.4 million (2017: RMB28.9 million). The fair value of investment properties 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. As at 31 December 2018, Wuxi Neighbourhood Union has started to be leased out by the Group. Therefore, the Group reclassified that property from properties held for sale to investment property.

SELLING EXPENSES

For the year ended 31 December 2018, the Group recorded selling expenses of approximately RMB244.0 million (2017: approximately RMB119.9 million), representing an increase of 103.5% as compared with the year of 2017. The increase in selling expenses was mainly attributable to an increase of 80.0% in contract sales from consolidated projects during this year as compared with last year, and the corresponding pre-project promotion fees and sales commissions increased accordingly.

ADMINISTRATIVE EXPENSES

The Group continued to implement its strict budget management in 2018. For the year ended 31 December 2018, the Group recorded administrative expenses of approximately RMB568.9 million (2017: approximately RMB420.2 million), representing an increase of approximately 35.4% as compared with the year of 2017 and within the budget control. During the year, the number of employees of the Group increased by 26.2% as compared with the year of 2017, therefore the administrative expenses increased.

OTHER GAINS

For the year ended 31 December 2018, the Group recorded other gains of approximately RMB374.1 million (2017: approximately RMB12.0 million) representing an increase of approximately 3,019.9% as compared to 2017. The increase was mainly attributable to unrealized foreign exchange gains of approximately RMB185.2 million (2017: foreign exchange losses of approximately RMB270.3 million) arising from foreign currency loans and current accounts between the subsidiaries of the Group during the year.

FINANCE COSTS

For the year ended 31 December 2018, the Group recorded interest expense of approximately RMB672.2 million (2017: approximately RMB534.3 million). In particular, part of the finance costs recognised for advance receipts under the new revenue standard which is firstly adopted amounted to approximately RMB154.5 million (2017: Nil). This part of finance cost is initially capitalised to the property development and subsequently carried forward to cost of sales. Excluding such effect, the finance costs of the Group was approximately RMB517.7

million (2017: approximately RMB534.3 million) decreased by approximately 3.1% as compared with the year of 2017. 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 has decreased, while the portion charged to finance costs recognized for the year has increased. The capitalization rate of interest expenses of 37.6% in FY2018 (2017: 53.4%). For the year ended 31 December 2018, the expensed finance costs of the Group were approximately RMB299.3 million (2017: approximately RMB238.9 million). For the year ended 31 December 2018, the interest income of the Group was approximately RMB160.6 million. Net finance costs of the Group were approximately RMB138.7 million (2017: approximately RMB93.8 million). As at 31 December 2018, the on-balance sheet weighted average finance costs was approximately and stayed at 7.4%, remained unchanged as compared to last year. The off-balance sheet weighted average finance cost was approximately 6.3% (mainly borrowings for property development) (31 December 2017: approximately 6.1%).

TAXATION

For the year ended 31 December 2018, the Group recorded taxation charge of approximately RMB821.2 million (2017: approximately RMB406.6 million). The increase was mainly due to the significant increase of 99.9% in assessable profit of the Group during the year.

EARNINGS PER SHARE

For the year ended 31 December 2018, the basic and diluted earnings per share attributable to the shareholders of the Company were RMB0.27 and RMB0.24 respectively (31 December 2017: RMB0.14 and RMB0.13 respectively) representing an increase of approximately 90.2% and 92.1% as compared with the year of 2017. The basic core earnings per share was RMB0.23 (31 December 2017: approximately RMB0.20), representing an increase of approximately 16.2% as compared with the year of 2017.

LAND RESERVES

As at 31 December 2018, the Group had project reserves with total GFA of 15,709,907 sq.m., saleable GFA of 6,719,580 sq.m. and expected saleable value of approximately RMB121.91 billion. In terms of equity interests, the total GFA of the project reserves attributable to the Group were 4,435,863 sq.m., saleable GFA of 1,463,535 sq.m. and expected saleable value of approximately RMB31.96 billion. The Group had also acquired 32 development management projects by entrusted independent third parties, with saleable GFA of approximately 3,023,363 square meters and expected sales value of RMB52.60 billion.

	Projects	Equity Holding	GFA *(Square Meters)*	Developed GFA *(Square Meters)*	Developing GFA *(Square Meters)*	GFA for Future Development *(Square Meters)*	Value Sold *(RMB'000)*	GFA Sold *(Square Meters)*	Saleable Value *(RMB'000)*	Saleable GFA *(Square Meters)*
1	Shanghai Future Block	100.0%	233,791	233,791	–	–	2,085,178	110,893	1,069,756	38,662
2	Hangzhou Mer De Fleus	100.0%	180,474	180,474	–	–	1,421,088	120,849	1,220	–
3	Shanghai The Course of The Future	100.0%	106,622	106,622	–	–	1,314,401	79,500	42,983	1,477
4	Nanjing Youth Block	100.0%	314,894	257,285	57,610	–	2,858,216	244,562	63,258	852
5	Nanjing Future Home	50.1%	133,530	133,530	–	–	959,316	109,579	9,756	–
6	Suzhou 8 Renmin Road	51.0%	85,983	85,983	–	–	1,729,628	54,592	317,532	9,961
7	Suzhou Green County of Taihu	55.0%	432,732	325,192	107,540	–	5,405,169	315,536	307,759	11,745
8	Wuxi Tiancui	100.0%	48,772	48,772	–	–	494,072	34,681	11,565	312
9	Wuxi Luka Small Town	100.0%	139,689	133,919	–	5,770	691,504	93,451	103,608	5,770
10	Nanjing Poly Landsea Weilan	29.9%	250,567	104,271	146,296	–	5,554,535	195,384	115,166	2,142
11	Nanjing Landsea Xihua Mansion	19.0%	201,116	178,725	22,391	–	5,502,760	149,295	105,470	3,178
12	Chengdu Southern Gate Green	25.0%	235,149	151,020	84,129	–	2,546,501	151,552	252,941	4,215
13	Shanghai New Mansion	100.0%	15,787	15,787	–	–	1,145,432	11,110	336,388	3,924
14	Hangzhou Xihua Mansion	49.0%	139,152	–	139,152	–	4,203,830	86,901	181,892	1,859
15	Hangzhou Le Mansion	50.0%	80,602	–	80,602	–	2,565,314	53,523	119,166	1,316
16	Chengdu Golden Sand City	9.9%	685,684	–	685,684	–	2,685,284	190,361	4,457,756	167,371
17	Tianjin Zhong Xin Eco-City Project	75.0%	142,156	–	141,048	1,108	1,452,823	102,459	93,465	5,801
18	Tianjin Huoli Gang Project	35.0%	97,760	–	97,760	–	–	–	1,058,122	69,491
19	Tianjin Cuiweilan Pavilion	35.0%	59,332	–	59,332	–	487,539	35,855	119,170	6,282
20	Shanghai Changfenghui Silver Premier	23.0%	18,875	18,875	–	–	889,575	16,877	67,227	1,529
21	Suzhou High-Speed Rail New Town Project	51.0%	91,368	–	91,368	–	–	–	887,187	63,634
22	Wuhan Xudong Project	30.0%	140,270	–	–	140,270	–	–	4,079,579	98,974
23	Chengdu Muhua Road Project	4.9%	1,022,400	–	–	1,022,400	–	–	8,259,760	724,177
24	Wuhan Landsea Yue Mansion	5.0%	235,316	–	235,316	–	2,225,101	129,366	617,204	33,251
25	Changsha Lu Island	1.0%	245,540	25,803	82,673	137,064	393,810	74,602	543,265	87,699
26	Chengdu Xihua Mansion	33.0%	367,753	–	367,753	–	3,911,680	227,036	923,635	28,375
27	Hangzhou Maple Union	50.0%	48,574	–	48,574	–	306,319	18,563	345,802	18,766
28	Hefei Wanxin's Hi-tech Court	25.0%	129,919	–	49,065	80,854	–	–	2,097,981	90,370
29	Hangzhou Light of City	40.0%	94,095	–	94,095	–	1,410,611	72,627	64,750	176
30	Ningbo Crystal Apartment	100.0%	94,282	–	94,282	–	201,069	14,046	944,831	58,764
31	Chengdu Future Home	50.0%	146,733	–	146,733	–	647,647	96,714	224,431	11,108
32	Chengdu Landsea Cuiyue	50.0%	30,316	–	30,316	–	23,388	1,690	175,120	9,543
33	Xian Fengdong Jiapeng Project	100.0%	85,104	–	–	85,104	–	–	749,715	57,345
34	Hefei Feidong Jade Garden	10.0%	57,398	–	57,398	–	–	–	626,546	40,422
35	Yixing Xindu Mansion	26.0%	221,630	–	172,755	48,874	512,687	50,010	1,097,235	112,653
36	Suqian Weilan Court	51.0%	224,663	–	122,061	102,602	–	–	1,585,524	161,276
37	Suqian Weilan Elegant Court	51.0%	193,500	–	100,921	92,580	384,678	38,114	1,548,503	100,693
38	Chongqing Caijia Project	30.0%	405,196	–	216,981	188,215	534,261	39,233	3,790,978	228,512
39	Hangzhou Weilan Block	20.0%	108,993	–	108,993	–	364,960	27,482	731,428	55,078
40	Nanjing Lishui G06 Project	20.0%	209,516	–	209,516	–	–	–	3,174,352	151,153
41	Suzhou Liu Garden	100.0%	12,485	–	12,485	–	–	–	288,000	7,311
42	Hangzhou Linglongyue	30.0%	153,746	–	–	153,746	–	–	2,310,000	127,214
43	Chengdu Golden Mansion	51.0%	384,307	–	–	384,307	–	–	2,458,170	287,548
44	Chengdu Shanglin Xihua Mansion	100.0%	265,743	–	101,884	163,859	283,424	28,433	3,738,307	163,913
45	Suzhou Hengtong Project	15.0%	129,571	–	58,572	70,999	–	–	2,693,000	87,604
46	Kunshan Huaqiao Project	51.0%	44,102	–	–	44,102	–	–	787,440	26,248
47	Kunshan Zhoushi Project	51.0%	42,683	–	–	42,683	–	–	797,616	27,504
48	Shijiazhuang Luquan Project	25.5%	162,479	–	53,960	108,519	412,970	53,960	655,036	69,083
49	Nanjing Wangjiawan Project	60.0%	144,677	–	–	144,677	–	–	1,873,557	72,484
50	Nanjing Haiyue Metropol	0.0%	278,748	278,748	–	–	9,558,941	205,135	76,650	–
51	Nanjing Landsea Golden Elephant Mangrove	0.0%	307,241	–	307,241	–	4,152,467	148,462	2,156,209	69,370
52	Nanjing Jiulonghu Plot C	0.0%	44,271	–	44,271	–	–	–	1,135,350	40,916
53	Nanjing Jiulonghu Plot A/B	0.0%	115,000	115,000	–	–	1,902,929	80,432	238,997	8,337
54	Changhou Landsea Garden	0.0%	224,574	224,574	–	–	1,719,082	160,774	91,170	4,900

	Projects	Equity Holding	GFA	Developed GFA	Developing GFA	GFA for Future Development	Value Sold	GFA Sold	Saleable Value	Saleable GFA
			(Square Meters)	*(Square Meters)*	*(Square Meters)*	*(Square Meters)*	*(RMB'000)*	*(Square Meters)*	*(RMB'000)*	*(Square Meters)*
55	Hefei Wanxin's Green County	0.0%	148,441	148,441	–	–	1,332,040	102,268	10,405	655
56	Wuxi Landsea New County	0.0%	205,189	99,227	105,962	–	3,156,250	136,836	313,220	11,115
57	Baoding Xishanyue Project	0.0%	14,040	–	14,040	–	141,675	5,378	263,446	8,662
58	Wuzhong Hongzhuang Project in Suzhou	0.0%	130,001	–	122,242	7,759	348,135	13,941	770,360	28,163
59	Chengdu Landsea Yue Future Block	0.0%	51,934	–	51,934	–	417,090	32,214	125,000	3,346
60	Century Landsea Green County in Yancheng Dongtai	0.0%	209,251	–	72,079	137,172	259,221	32,158	1,319,043	122,927
61	Nanjing Project G68	0.0%	191,800	–	191,800	–	–	–	10,500,000	150,000
62	Wuxi New County Project 2A3	0.0%	268,752	–	–	268,752	–	–	3,911,600	188,000
63	Jiangyin Lingang Project	0.0%	131,098	–	131,098	–	133,884	33,959	612,875	70,912
64	Beijing Kangzeyuan Project	0.0%	45,860	–	–	45,860	–	–	1,013,000	33,998
65	Xuzhou Peixian Fankuai Road Project	0.0%	433,433	–	–	433,433	–	–	2,031,528	333,498
66	Ma'anshan Xihua Mansion	0.0%	330,339	–	147,756	182,583	403,412	45,324	1,859,734	198,263
67	Jurong Wandu Linglongyue	0.0%	192,905	–	192,905	–	580,055	34,026	1,211,876	81,587
68	Beijing Zhangjiakou Project	0.0%	128,446	–	–	128,446	–	–	966,684	75,699
69	Tangshan Yutian Project	0.0%	134,625	–	–	134,625	–	–	774,146	124,046
70	Nanjing Jiangning Project G45	0.0%	132,555	–	132,555	–	–	–	2,300,000	105,000
71	Shangfang Project G22 in Nanjing Jiangning	0.0%	101,138	–	–	101,138	–	–	2,546,455	75,324
72	Nanjing Landsea Linglongjun	0.0%	134,633	–	134,633	–	–	–	2,608,499	101,237
73	Siyang Wisdom City	0.0%	206,398	–	–	206,398	–	–	1,470,000	206,398
74	Wuhan West Coast	0.0%	171,838	43,779	128,059	–	911,538	82,707	360,086	26,964
75	Jinan Zhangqiu Casting Centre	0.0%	354,093	–	–	354,093	–	–	4,300,000	243,600
76	Rugao Landsea Golden City	0.0%	350,602	–	–	350,602	–	–	3,322,250	250,086
77	Wujiang Shangyi Motor City Phase II	0.0%	196,400	–	–	196,400	–	–	1,484,850	97,950
78	Xi'an Yannan 5th Road	0.0%	68,441	–	–	68,441	–	–	759,411	44,301
79	Changhou Central Art Park	0.0%	140,912	–	–	140,912	–	–	2,231,000	103,072
80	Chengdu PAG Riverside Garden	0.0%	188,652	–	188,652	–	–	–	807,550	106,727
81	Chengdu PAG Wulong Mountain Mansion	0.0%	191,853	–	191,853	–	–	–	1,024,010	108,310
82	Avora	51.0%	31,776	16,930	14,846	–	553,721	7,612	1,184,030	12,474
83	The Westerly	100.0%	34,559	6,224	6,060	22,275	170,709	7,223	662,380	27,337
84	Pierce Boston	25.0%	39,202	39,202	–	–	2,586,545	33,264	60,681	780
85	Portola Center South (IronRidge)	100.0%	143,781	26,773	47,106	69,902	1,007,456	65,785	2,292,073	77,996
86	Stoney Ridge & Stoney Hill	100.0%	4,969	1,988	2,981	–	204,137	4,043	48,539	926
87	The Vale	70.0%	77,694	54,887	22,807	–	2,545,918	61,416	883,348	16,278
88	Sanctuary - Village II	100.0%	259,745	–	227,899	31,846	1,086,133	226,026	1,052,122	33,719
89	Siena	100.0%	12,079	–	12,079	–	310,979	7,479	196,982	4,599
90	Lido Villas	100.0%	4,350	–	4,350	–	–	–	401,255	4,350
91	Synagogue	90.0%	4,049	641	3,408	–	–	–	576,500	3,408
92	Abigail Place	100.0%	5,086	–	299	4,787	–	–	216,598	5,086
93	Catalina	100.0%	8,779	–	–	8,779	–	–	495,040	8,779
94	Sonora Crossing	100.0%	14,978	–	–	14,978	–	–	198,373	14,978
95	14th & 6th	95.0%	7,550	–	4,853	2,697	–	–	1,034,951	5,920
96	Tevelde	100.0%	110,248	–	–	110,248	–	–	1,899,154	110,248
97	Catalina II	100.0%	6,304	–	–	6,304	–	–	359,294	6,304
98	Deerlake	100.0%	15,640	–	–	15,640	–	–	446,208	15,640
99	Novato	100.0%	10,629	–	–	10,628	–	–	401,317	10,630
	Total		15,709,907	3,056,463	6,581,013	6,072,431	89,087,087	4,555,298	121,907,401	6,719,580
	Of Which Subtotal of Equity-held Project		9,886,444	2,146,694	4,423,933	3,315,817	64,070,368	3,441,684	69,311,997	3,696,217
	Subtotal of Entrusted Development and Management Project		5,823,463	909,769	2,157,080	2,756,614	25,016,719	1,113,614	52,595,404	3,023,363

Projects	Equity holding	Status	Usage	GFA *(Squares Meters)*
Shanghai Huangxing Building	100.0%	Under renovation	To be leased	11,427
Shanghai Senlan Apartment*	50.0%	Completed	Leasing	46,296
Nanjing Huafei Apartment	100.0%	Completed	Leasing	5,729
Shenzhen Landsea Tower	100.0%	Completed	Leasing	23,736
Guangzhou Jiefang Tower*	33.3%	Completed	Leasing	11,507
Wuxi Neighbourhood Union	100.0%	Completed	Leasing	10,667
			Total	109,362

* The property is held by a joint venture of the Company

LIQUIDITY AND FINANCIAL RESOURCES

Cash positions

As at 31 December 2018, the Group's cash and cash equivalents and restricted cash amounted to approximately RMB5.95 billion (As at 31 December 2017: approximately RMB3.62 billion), representing an increase of 64.1%. As at 31 December 2018, the Group's current ratio (current assets divided by current liabilities) was approximately 1.5 times (As at 31 December 2017: 1.4 times).

INDEBTEDNESS

As at 31 December 2018, the total indebtedness of the Group amounted to approximately RMB7.02 billion (As at 31 December 2017: approximately RMB5.43 billion), representing an increase of 29.4%, mainly comprised shareholder's loans, secured bank loans, senior notes and EB-5 financing. As at 31 December 2018, total net debts[#] were approximately RMB1.62 billion (As at 31 December 2017: approximately RMB2.09 billion). As at 31 December 2018, the proportion of short-term debts was 9.7% (As at 31 December 2017: 40.0%) and long-term debts was 90.3% (As at 31 December 2017: 60.0%), with continuous optimisation of long and short-term debt structure.

[#]net debts = total debt less cash and cash equivalents (excluding restricted cash)

Analysis of Indebtedness:

	31 December 2018		31 December 2017	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Analysis of indebtedness by currency:				
Denominated in RMB	**3,508,890**	**49.95%**	3,202,900	58.99%
Denominated in USD	**3,169,781**	**45.12%**	1,995,807	36.76%
Denominated in HK$	**345,924**	**4.93%**	230,708	4.25%
	7,024,595	**100.00%**	5,429,415	100.00%
Analysis of indebtedness by maturity:				
Within one year	**683,580**	**9.73%**	2,174,458	40.05%
Between one and two years	**4,441,395**	**63.23%**	188,019	3.46%
Over two years	**1,899,620**	**27.04%**	3,066,938	56.49%
	7,024,595	**100.00%**	5,429,415	100.00%

OFF-BALANCE SHEET EQUITY DATA

With the implementation of the asset-light strategy, the reserves of new projects 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 consolidated financial statements of the Group. As at 31 December 2018, cash and bank balance attributable to the Group in proportion to the equity in joint ventures and associates was approximately RMB1.91 billion (As at 31 December 2017: approximately RMB2.35 billion), while the balance of interest-bearing liabilities attributable to the Group in proportion to the equity in joint ventures and associates was approximately RMB2.19 billion (As at 31 December 2017: approximately RMB1.89 billion), and the net debt balance attributable to the Group in proportion to the equity in joint ventures and associates was RMB273.2 million (As at 31 December 2017: net cash balance attributed approximately RMB456.4 million).

GEARING RATIOS

The Group has been working hard on optimizing its capital and debt structure. As at 31 December 2018, the on-balance sheet net debts to equity ratio# of the Group was approximately 34.0% (As at 31 December 2017: 56.5%), representing a decrease of 22.5 percentage point as compared with 31 December 2017. The off-balance sheet net debts as at 31 December 2018 was RMB273.2 million. The aggregate on-balance sheet and off-balance sheet net debts was RMB1.89 billion. The aggregate on-balance sheet and off balance sheet net debts to equity ratio was approximately 39.8% as at 31 December 2018 (As at 31 December 2017: 44.1%), representing a decrease of 4.3 percentage point as compared with 31 December 2017. The Group's debt to total assets ratio (total borrowings divided by total assets) was approximately 26.2% as at 31 December 2018 (As at 31 December 2017: 26.7%). In addition, the debt to assets ratio of the Group was 82.2% as at 31 December 2018 (As at 31 December 2017: 81.8%), which basically remained unchanged as compared with 31 December 2017. 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 (excluding restricted cash) divided by total equity

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2018, the bank loans of the Group were secured by one or a combination of the following items: investment properties, leasehold land payments, properties under development, properties held for sale, restricted cash and guarantees provided by controlling shareholders. Senior notes were guaranteed by certain subsidiaries of the Company. EB-5 loans are guaranteed by a subsidiary.

FOREIGN EXCHANGE AND CURRENCY RISK

As at 31 December 2018, 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 US dollar while that of the Hong Kong subsidiaries is Hong Kong dollar, and that of the domestic subsidiaries is Renminbi. As at 31 December 2018, the borrowing of RMB1.67 billion 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 RMB2.17 billion of the Group's Hong Kong subsidiary due to its PRC subsidiary were the internal funds transfer of the Group. The exchange rate changes in the said amounts resulted in exchange gains recorded by the Group of RMB185.2 million in FY2018 (2017: exchange losses of RMB270.3 million). The exchange gain or loss is unrealized profit or loss and hence no financial instrument is required for hedging purposes.

INTEREST RATE RISK

As at 31 December 2018, the debts payable borne with fixed interest rate accounted for approximately 69.3% (As at 31 December 2017: 84.2%) 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.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

On 8 February 2018, 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, completed the acquisition of the entire equity interest of 廣州建昭企業管理諮詢有限公司 (Guangzhou Jianzhao Corporate Management Consulting Limited*), formerly known as 廣州市建昭置業有限公司 (Guangzhou Jianzhao Properties Company Limited*) ("Guangzhou Jianzhao"), a company holding properties in Yuexiu District, Guangzhou at the consideration of RMB230,000,000 (subject to adjustment), and accepted the assignment of the loan at the consideration of RMB30,000,000. Guangzhou Jianzhao has become a wholly-owned subsidiary of the Company since then. For details of the transaction, please refer to the announcement of the Company dated 18 December 2017. In FY2018, new independent investors injected an aggregate of RMB88.4 million as capital into Jiaxing Langrong Investment Partnership (Limited Partnership) ("Jiaxing Langrong"), the immediate holding company of Guangzhou Langxiu. After such capital injection, Jiaxing Langrong was held as to 66.6% by the investors and 33.4% by the Group Jiaxing Langrong, Guangzhou Langxiu and Guangzhou Jianzhao ceased to be subsidiaries of the Group. The capital injection did not constitute any notifiable transaction of the Company.

On 7 February 2018, 上海朗青投資管理有限公司 (Shanghai Langqing Investment Management Limited*) ("Shanghai Langqing") and Nanjing Langming, wholly-owned subsidiaries of the Company, entered into the partnership property share transfer agreement with CITIC Capital Holdings Limited and 上海平安闔鼎投資管理有限責任公司 (Shanghai Pingan Heding Investment & Management Co., Ltd.*) regarding the acquisition of the entire equity interest of 上海睿開投資合伙企業（有限合伙）(Shanghai Rui Kai Investment Partnership (limited partnership)*) ("Partnership") at an aggregate consideration of RMB221.0 million. The Partnership holds 100% equity interest in Best Benefit Limited ("Best Benefit"), and Best Benefit and the Company hold 61.54% and 38.46% equity interest of Silver Knight Global Limited ("Silver Knight") respectively. Silver Knight is a special purpose vehicle incorporated for the purpose of holding and developing the properties in 中國上海市長寧區青溪路770弄25號 (No. 25, Alley 770, Qingxi Road, Changning District, Shanghai, the PRC*). Upon completion of the acquisition on 13 February 2018, the Group holds the entire interest in Silver Knight. The transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. For further details, please refer to the announcement of the Company dated 7 February 2018.

On 28 June 2018, 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 the cooperation agreement with 杭州朗杉有限公司 (Hangzhou Langshan Company Limited*) ("Hangzhou Langshan"), 杭州國俊資產管理有限公司 (Hangzhou Guojun Asset Management Company Limited*) ("Hangzhou Guojun") and 無錫萬都投資發展有限公司 (Wuxi Wandu Investment Development Company Limited*) ("Wuxi Wandu"), pursuant to which Hangzhou Langhui agreed to sell and Hangzhou Guojun and Wuxi Wandu agreed to acquire 40% equity interest in Hangzhou Langshan at a consideration of RMB2.0 million and 40% of the loan owed by Hangzhou Langshan to Hangzhou Langhui at a consideration of RMB110.0 million. Upon completion of the disposal on 28 June 2018, Hangzhou Langshan was held as to 20%, 40% and 40% by Hangzhou Langhui, Hangzhou Guojun and Wuxi Wandu. Hangzhou Langshan holds 80% equity interest in 海寧朗宏房地產開發有限公司 (Haining Langhong Real Estate Development Company Limited*), a company which holds a project in 編號為海國用(2014)第06540號《國有土地使用證》項下土地坐落於海寧市長安鎮仰山路東側、01省道北側 (the land parcel no. Haiguoyong (2014) 06540 under the Certificate for the Use of State-owned Land, located to the North of 01 provincial highway and East of Yangshan Road, Chang'an Township, Haining City*), which is of commercial and residential use with land use right of 30,095 square meters. The transactions contemplated thereunder constitute a discloseable transaction under Chapter 14 of the Listing Rules. For further details, please refer to the announcement of the Company dated 28 June 2018.

On 29 June 2018, (1) 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 supplemental agreement to the equity transfer agreement dated 27 December 2017 to amend, among others, the equity interest in Project Company I to be sold to be 49% at a consideration of RMB105.8 million and the shareholder's loan to be provided to not exceeding RMB17.2 million, and (2) 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 supplemental agreement to equity transfer agreement dated 27 December 2017 to amend, among others, the equity interest in Project Company II to be sold to be 49% at a consideration of RMB91.0 million and the shareholder's loan to be provided to not exceeding RMB17.2 million. The transactions contemplated under the equity transfer agreement (as supplemented by the supplemental agreements) were completed on 29 June 2018. The Group recognized a gain on disposal of approximately RMB110.9 million. The transactions contemplated under the equity transfer agreement (as supplemented by the supplemental agreements) constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For details, please refer to the announcements of the Company dated 27 December 2017 and 29 June 2018.

On 19 July 2018, Hangzhou Langhui and 寧波金沃商業投資有限公司 (Ningbo Jinwo Commercial Investment Company Limited*) (the "Subject Company"), indirect wholly-owned subsidiaries of the Company, entered into the investment agreement (the "Investment Agreement") with 南京中駿達投資有限公司 (Nanjing Zhongjunda Investment Co., Limited*) ("Zhongjunda Investment"), pursuant to which Hangzhou Langhui and Zhongjunda Investment agreed to cooperate in the development of the property development project on 寧波市江北區莊橋街道謝家村濱江1#-1地塊 (land parcel No. 1#-1 located in Xiejia Village, Zhuang Qiao Street, Binjiang, Jiangbei District , Ningbo City*) held by the Subject Company, whereby Hangzhou Langhui conditionally agreed to sell and Zhongjunda Investment conditionally agreed to purchase 60% equity interest in the Subject Company at the consideration of RMB43,834,000, and Zhongjunda agreed to provide shareholder's loan to the Subject Company of not exceeding RMB138,000,000. Upon completion of the transaction on 2 August 2018, the Subject Company accounted as a joint venture of the Company and its financial results no longer be consolidated to the financial statements of the Group. The transactions under the Investment Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For details of the transaction, please refer to the announcement of the Company dated 19 July 2018.

GUARANTEE

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 2018, the outstanding guarantees amounted to approximately RMB2.11 billion (As at 31 December 2017: approximately RMB2.14 billion). 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 provided guarantees to LS-NJ Port Imperial LLC, 51% of which held by the Group, for its bank borrowing and LS-NJ Port Imperial EB5 Borrower

LLC, a 51% joint venture of the Group, for its EB-5 loans as at 31 December 2018 amounted to RMB61.8 million and RMB122.5 million respectively. Such guarantee provided to LS-NJ Port Imperial LLC and LS-NJ Port Imperial EB5 Borrower LLC shall be discharged pursuant to the counter-indemnity provided by Landsea Group. Guarantee provided to Fenway Ventures Point Properties LLC by the Group were repaid during the year ended 31 December 2018.

As at 31 December 2018, 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 2018.

SEGREGATING NON- PROPERTIES DEVELOPMENT-RELATED BUSINESS

With unanimous approval of all directors, the Company intends to segregate its non-properties development-related business, such as long-term rental apartments, property management and design, to its holding group in 2019. Upon such segregation, Landsea Green Group Co., Ltd., through streamlining its business, will focus on the core industry of green technology property and unleash the potential for profit margin of product differentiation, with a view to maximise returns for shareholders. While no legally binding agreement has been entered into at this stage, the Company will disclose further information as and when appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 2,662 employees (As at 31 December 2017: 2,110) who were responsible for the managerial, administrative, technical and general functions in Hong Kong, the United States 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 24 January 2019, 蘇州朗敘管理咨詢有限公司 (Suzhou Langxu Management Consulting Co., Ltd.)*, a wholly-owned subsidiary of the Company, and 無錫新力力創房地產開發集團有限公司 (Wuxi Xinli Lichuang Real Estate Development Group Co., Ltd.)* jointly won the bid for the land piece XDG-2018-39, Wuxi Binhu District Xushe with a reserve price of approximately RMB1.66 billion. The plot ratio of the project is 1.01, the total construction area is 210,000 square meters, and the ground plot ratio-based floor area is 148,000 square meters, which is residential land.

On 15 February 2019, 西安朗詩銘房地產開發有限公司 (Xi'an Langshiming Real Estate Development Co., Ltd.*) ("Xi'an Langshiming"), a wholly-owned subsidiary of the Company, entered into the cooperation agreement with Bridge Trust Co., Ltd. ("Bridge Trust"), pursuant to which Xi'an Langshiming and Bridge Trust shall cooperate in the development of the land located at 中國西安市未央區北二環以南，文景路以東，國有土地使用權證編號為「西未國用(2013出)第161號」及「西未國用(2013出)第163號」(the land parcel no. Xiweiguoyong (2013) 161 and Xiweiguoyong (2013) 163 under the Certificate for the Use of State-owned Land, located to the south of North Second Ring and east of Wenjing Road*) (the "Target Land") held by 西安名京房地產開發有限公司 (Xi'an Mingjing Real Estate Development Co., Ltd.*) ("Xi'an Mingjing"). Xi'an Mingjing shall establish the Target Company to develop the project of the Target Land. After the setting up of the Target Company, Xi'an Mingjing shall transfer 100% equity interest of the Target Company to 西安朗詩意企業管理諮詢有限公司 (Xi'an Langshiyi Enterprise Management Consulting Co., Ltd.*), ("Xi'an Langshiyi"). Bridge Trust shall establish a trust scheme to acquire the 49% equity interest in Xi'an Langshiyi held by Xi'an Langshiming with trust funds, and to carry out the Loan Financing. Upon fulfilling the agreed conditions, Xi'an Langshiming agreed to buy back 49% equity interest to be acquired by Bridge Trust in Xi'an Langshiyi held by Xi'an Langshiming, and the loans obtained by Bridge Trust using the trust fund in the form of loans and transfer of loans to Xi'an Langshiyi and the target company to be established to develop the above land piece, pursuant to the agreed terms for a maximum amount of RMB600,000,000. For details of the transaction, please refer to the announcement of the Company dated 15 February 2019.

On 21 February 2019, Nanjing Langming, Xi'an Langshiming and 西安嘉鵬房地產開發有限公司 (Xi'an Jiapeng Real Estate Development Co., Ltd.*) as project company ("Xi'an Jiapeng"), wholly-owned subsidiaries of the Company, entered into the cooperation framework agreement with 南京洛德德寧房地產投資合伙企業 (Nanjing Luode Dening Real Estate Investment Partnership (Limited Partnership)*) ("Dening Fund"), pursuant to which Dening Fund agreed to invest in the property development project on 陝西省西安市未央區西戶鐵路以東、昆明路以北，宗地編號FD2-14-32 (land parcel No. FD2-14-32 located in the east of the Xihu Railway and the north of Kunming Road in Weiyang District, Xi'an City, Shaanxi Province*) held by Xi'an Jiapeng through the acquisition of 70% equity interest in Xi'an Jiapeng at the consideration of RMB14,000,000 and provision of shareholder's loan to Xi'an Jiapeng in the amount of not exceeding RMB126,000,000. Upon completion of the transaction, Xi'an Jiapeng will be accounted as a joint venture of the Company and its financial results will no longer be consolidated to the financial statements of the Group. Upon fulfilling the agreed conditions, Xi'an Langshiming agreed to buy back the said 60% equity interest and shareholder's loan provided by Dening Fund for a maximum amount of RMB280,000,000. For details of the transaction, please refer to the announcement of the Company dated 21 February 2019.

DISTRIBUTION

The Directors recommended to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Monday, 27 May 2019 ("AGM"), the distribution of a final dividend out of contributed surplus account of HK cents 4.5 per share for the year ended 31 December 2018 to be paid on Monday, 17 June 2019 to the shareholders whose names appear on the register of members of the Company on Monday, 3 June 2019.

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 Tuesday, 21 May 2019 to Monday, 27 May 2019, 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 Monday, 20 May 2019.

For determining the entitlement of the shareholders to the proposed distribution, the register of members of the Company will be closed from Monday, 3 June 2019 to Wednesday, 5 June 2019, 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 Friday, 31 May 2019.

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 2018, 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 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 2018.

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.

Under CG code provision A.2.1 the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Following the resignation of Mr. Xiang Jiong, the former executive Director and Chief Executive Officer on 23 November 2018, Mr. Tian Ming, the Chairman of the Board and an executive Director has been appointed as Chief Executive Officer, and together with the two Co-Chief Executive Officers, namely Ms. Shen Leying and Mr. Wang Lei, who was appointed as an executive Director and Co-Chief Executive Officer on 23 November 2018, they jointly share the roles of the chief executive officer. The Board believes that the present arrangement will not impair the balance of power and authority.

Save for the deviation as mentioned above, in the opinion of the Directors, the Company was in compliance with all the relevant code provisions under the CG Code during the year.

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 audited consolidated financial statements of the Group for the year ended 31 December 2018 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, 22 March 2019

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Tian Ming, Ms. Shen Leying, Mr. Wang Lei, Ms. Zhou Qin and Mr. Xie Yuanjian, 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.