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LANDSEA朗诗

# LANDSEA GREEN PROPERTIES CO., LTD.
# 朗詩綠色地產有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 106)**

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

**FINANCIAL HIGHLIGHT**

- The return on equity ("**ROE**") for the Shareholders of the Group for the year 2019 amounted to 24.5%;
- The net core profit for the year was RMB1.41 billion, representing an increase of 11.4% as compared to last year;
- Gross profit margin and net profit margin for the year amounted to 28.3% and 17.5% respectively;
- As at 31 December 2019, the net debts to equity ratio was approximately 40.2%;
- Basic earnings per share for the year was RMB25 cents;
- The Board recommended the distribution of a final dividend of HK cents 8.20 per share for the year ended 31 December 2019 (2018: HK cents 4.50).

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Landsea Green Properties 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 2019 ("**FY2019**") 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 2019*

| | | For the year ended | |
|---|---|---|---|
| | | **31 December 2019** | 31 December 2018* |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Continuing operations** | | | |
| Revenue | *4,5* | **8,558,735** | 7,435,076 |
| Cost of sales and services | | **(6,140,072)** | (5,186,776) |
| **Gross profit** | | **2,418,663** | 2,248,300 |
| Other income | *6* | **234,963** | 171,562 |
| Selling expenses | | **(248,922)** | (207,335) |
| Administrative expenses | | **(634,017)** | (509,454) |
| Impairment (loss)/gain under expected credit loss model | | **(84,625)** | 714 |
| Fair value gain on investment properties | *15* | **3,870** | 7,363 |
| Other gains — net | *7* | **137,100** | 373,874 |
| **Operating profit** | | **1,827,032** | 2,085,024 |
| Finance income | *8* | **16,208** | 23,699 |
| Finance costs | *8* | **(392,489)** | (319,419) |
| Finance costs — net | *8* | **(376,281)** | (295,720) |
| Share of net profit of associates | *13* | **651,501** | 408,854 |
| Share of net (loss)/profit of joint ventures | *10,14* | **(20,414)** | 257,991 |
| **Profit before income tax** | | **2,081,838** | 2,456,149 |
| Income tax expenses | *9* | **(597,984)** | (869,429) |
| Profit from continuing operations | | **1,483,854** | 1,586,720 |
| Profit/(loss) from discontinued operation | *10* | **14,280** | (146,150) |
| **Profit for the year** | | **1,498,134** | 1,440,570 |

| | | For the year ended | |
|---|---|---|---|
| | | **31 December** | 31 December |
| | | **2019** | 2018* |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Other comprehensive loss** | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| — Exchange difference on translation of foreign operations | | **(53,068)** | (126,796) |
| *Items that will not be reclassified to profit or loss:* | | | |
| — Revaluation gain on the property transferring from property, plant and equipment to investment properties | | **1,383** | 14,515 |
| **Other comprehensive loss for the year, net of tax** | | **(51,685)** | (112,281) |
| **Total comprehensive income for the year** | | **1,446,449** | 1,328,289 |
| **Profit for the year attributable to:** | | | |
| — The shareholders of the Company | | **1,171,943** | 1,112,774 |
| — Non-controlling interests | | **326,191** | 327,796 |
| | | **1,498,134** | 1,440,570 |
| **Profit/(loss) for the year attributable to the shareholders of the Company arises from:** | | | |
| — Continuing operations | | **1,157,663** | 1,258,924 |
| — Discontinued operation | | **14,280** | (146,150) |
| | | **1,171,943** | 1,112,774 |
| **Total comprehensive income for the year attributable to:** | | | |
| — The shareholders of the Company | | **1,117,345** | 998,260 |
| — Non-controlling interests | | **329,104** | 330,029 |
| | | **1,446,449** | 1,328,289 |

| | Note | For the year ended 31 December 2019 RMB'000 | 31 December 2018* RMB'000 |
|---|---|---|---|
| **Total comprehensive income/(loss) for the year attributable to the shareholders of the Company arises from:** | | | |
| — Continuing operations | | **1,103,065** | 1,144,410 |
| — Discontinued operation | | **14,280** | (146,150) |
| | | **1,117,345** | 998,260 |
| **Earnings per share for profit from continuing operations attributable to the shareholders of the Company for the year (expressed in RMB per share)** | | | |
| Basic earnings per share | *11* | **RMB0.249** | RMB0.309 |
| Diluted earnings per share | *11* | **RMB0.249** | RMB0.276 |
| **Earnings per share attributable to the shareholders of the Company for the year (expressed in RMB per share)** | | | |
| Basic earnings per share | *11* | **RMB0.252** | RMB0.272 |
| Diluted earnings per share | *11* | **RMB0.252** | RMB0.244 |

* The comparative figures were re-presented due to the disposal of discontinued operation. Please refer to note 10 for details.

**CONSOLIDATED BALANCE SHEET**
*AS AT 31 DECEMBER 2019*

| | Note | **31 December 2019** **RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment properties | *15* | **852,500** | 505,630 |
| Property, plant and equipment | | **254,242** | 1,234,573 |
| Right-of-use assets | | **57,469** | – |
| Intangible assets | | **–** | 2,279 |
| Interests in associates | *13* | **1,858,413** | 1,315,706 |
| Interests in joint ventures | *14* | **2,329,032** | 2,596,047 |
| Trade and other receivables, prepayments and deposits | *18* | **2,178,006** | 2,168,445 |
| Deferred income tax assets | | **507,984** | 352,469 |
| Goodwill | | **37,078** | 9,460 |
| | | **8,074,724** | 8,184,609 |
| **Current assets** | | | |
| Properties held for sale | *16* | **1,167,926** | 876,881 |
| Properties under development for sale | *17* | **6,590,927** | 8,688,579 |
| Inventories | | **55,324** | 116,561 |
| Contract assets | *4.2* | **154,106** | 107,941 |
| Trade and other receivables, prepayments and deposits | *18* | **5,039,037** | 2,676,639 |
| Financial assets at fair value through profit or loss | | **–** | 176,809 |
| Restricted cash | | **255,771** | 542,299 |
| Cash and cash equivalents | | **4,504,393** | 5,404,956 |
| | | **17,767,484** | 18,590,665 |
| **Total assets** | | **25,842,208** | 26,775,274 |

| | Note | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | *19* | **1,495,431** | 2,829,643 |
| Advance from lessees | | **28,393** | – |
| Lease liabilities | | **38,860** | – |
| Borrowings | *20* | **4,616,701** | 6,341,015 |
| Deferred income tax liabilities | | **169,120** | 122,556 |
| | | **6,348,505** | 9,293,214 |
| **Current liabilities** | | | |
| Trade and other payables | *19* | **7,191,726** | 6,912,769 |
| Advance from lessees | | **2,692** | 13,869 |
| Contract liabilities | *4.2* | **3,046,969** | 4,510,186 |
| Lease liabilities | | **23,520** | – |
| Borrowings | *20* | **2,344,439** | 683,580 |
| Current income tax liabilities | | **780,126** | 600,761 |
| | | **13,389,472** | 12,721,165 |
| **Total liabilities** | | **19,737,977** | 22,014,379 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the shareholders of the Company** | | | |
| Share capital | | **38,702** | 38,702 |
| Reserves | | **5,259,996** | 4,344,853 |
| | | **5,298,698** | 4,383,555 |
| Non-controlling interests | | **805,533** | 377,340 |
| **Total equity** | | **6,104,231** | 4,760,895 |
| **Total liabilities and equity** | | **25,842,208** | 26,775,274 |

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

Landsea Green Properties Co., Ltd. (formerly known as "Landsea Green Group Co., Ltd.") was incorporated in Bermuda as an exempted company with limited liability. On 8 October 2019, the name of Company was changed from "Landsea Green Group Ltd." to "Landsea Green Properties Co., Ltd." pursuant to a special resolution passed by the shareholders. 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.

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 properties.

The immediate holding company and the ultimate controlling company 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 ultimate controlling shareholder of the Company is Tian Ming, a director of the Company.

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

The financial statements were approved for issue by the board of directors on 27 March 2020.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

### Basis of preparation

(a) *Compliance with Hong Kong Financial Reporting Standard ("**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.

(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 2019:

- *HKFRS 16 — Leases ("HKFRS 16")*
- *Amendments to HKFRS 9 — Prepayment Features with Negative Compensation*
- *Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to HKFRS Standards 2015–2017 Cycle*
- *Amendments to HKAS 19 — Plan Amendment, Curtailment or Settlement, and*
- *HK (IFRIC) 23 Uncertainty over Income Tax Treatments.*

The Group also elected to early adopt the following amendments which is mandatory for annual periods beginning on or after 1 January 2020:

- Amendments to HKFRS 3 — Definition of a Business.

The effects of the adoption of HKFRS 16 and Amendments to HKFRS 3 are disclosed in note 3. 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 adopted*

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for the financial year beginning 1 January 2019 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 17 | Insurance contracts | 1 January 2021 (likely to be extended to 1 January 2022) |
| Amendments to HKAS 1 and HKAS 8 | Definition of material | 1 January 2020 |
| Revised Conceptual Framework for Financial Reporting | Conceptual Framework | 1 January 2020 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The 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.

## 3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 and Amendments to HKFRS 3 on the Group's consolidated financial statements.

### *3.1 HKFRS 16 — Impact of adoption*

As indicated in note 2 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

*(a) Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

*(b) Measurement of lease liabilities*

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 were ranging from 6.0% to 8.5%.

| | RMB'000 |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 8,790,894 |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | 5,345,721 |
| Less: Short-term leases recognized on a straight-line basis as expense | (194) |
| Low-value leases recognized on a straight-line basis as expense | (123) |
| Adjustments as a result of different treatment of termination options | (251,702) |
| Lease liability recognized as at 1 January 2019 | 5,093,702 |
| Of which are: | |
| Current lease liabilities | 200,132 |
| Non-current lease liabilities | 4,893,570 |
| | 5,093,702 |

(c) *Measurement of right-of-use assets*

Right-of-use assets together with leasehold improvements leased out as long-term rental apartment were classified as investment properties and carried at fair value. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

| | **31 December 2019** *RMB'000* | 1 January 2019 *RMB'000* |
|---|---|---|
| Investment properties *(note 15)* | **–** | 5,960,000 |
| Right-of-use assets | | |
| — Office properties | **38,817** | 57,497 |
| — Furniture, fixtures and office equipment | **958** | 709 |
| | **39,775** | 6,018,206 |

Reconciliation with lease liability:

| | |
|---|---|
| Lease liability recognized as at 1 January 2019 | 5,093,702 |
| Adjusted by: | |
| — Prepaid lease | 307,937 |
| — Accrued rental payable | (64,284) |
| Add: Leasehold improvement reclassified from property, plant and equipment to investment properties | 670,430 |
| Fair value gain on investment properties | 10,421 |
| Right-of-use assets recognized as at 1 January 2019 | 6,018,206 |

*(d)* *Adjustments recognized in the balance sheet on 1 January 2019*

The following tables show the adjustments recognized for each individual 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.

| **Consolidated balance sheet (extract)** | **As at 31 December 2018** *RMB'000* | **Effect of adoption of HKFRS 16** *RMB'000* | **As at 1 January 2019** *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 505,630 | 5,960,000 | 6,465,630 |
| Property, plant and equipment | 1,234,573 | (670,430) | 564,143 |
| Right-of-use assets | – | 58,206 | 58,206 |
| Deferred income tax assets | 352,469 | (2,605) | 349,864 |
| **Current assets** | | | |
| Trade and other receivables, prepayments and deposits | 2,676,639 | (307,937) | 2,368,702 |
| **Total assets** | 26,775,274 | 5,037,234 | 31,812,508 |
| **Non-current liabilities** | | | |
| Lease liabilities | – | 4,893,570 | 4,893,570 |
| **Current liabilities** | | | |
| Trade and other payables | 6,912,769 | (64,284) | 6,848,485 |
| Lease liabilities | – | 200,132 | 200,132 |
| **Total liabilities** | 22,014,379 | 5,029,418 | 27,043,797 |
| **Equity** | | | |
| Reserves | 3,078,033 | 7,816 | 3,085,849 |
| **Total equity** | 4,760,895 | 7,816 | 4,768,711 |

*(e)* *Lessor accounting*

Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

*(f)* *Accounting policies applied until 31 December 2018*

The Group leases certain properties. Leases of properties where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

### *3.2 Adoption of amendments to HKFRS 3 — Definition of a Business*

The Group elected to adopt the "Amendments to HKFRS 3 — Definition of a Business" from 1 January 2019.

*(a) Definition of a Business applied from 1 January 2019*

The definition of a business was amended. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. The new model also introduces an optional concentration test that, if met, eliminates the need for further assessment.

Concentration test

Under the concentration test, the Group considers whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset (or a group of similar assets). If so, the assets acquired would not represent a business and no further analysis is required. Gross assets acquired exclude cash, deferred tax assets and any goodwill that results from the effects of deferred tax liabilities. The fair value of the gross assets acquired can usually be determined based on the consideration transferred (plus the fair value of any non-controlling interest and previously held interest, if any) plus the fair value of any liabilities assumed, other than deferred tax liabilities. In order to compare like with like, any items excluded from the "gross assets acquired" would also be excluded from the fair value of gross assets acquired calculation.

The Group carefully considers the specific facts and circumstances, including class of property and location when concluding whether assets purchased in a transaction are similar. A group of properties are not similar if they have significantly different risk characteristics.

Amended definition of business

The amended HKFRS 3 requires a business to include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Outputs are defined as "the results of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income (such as dividends or interest) or generate other income from ordinary activities".

If there is no outputs, an acquired process is considered substantive where:

- the process is critical in converting an acquired input to an output;

- the inputs acquired include an organized workforce that has the necessary skills, knowledge and experience to perform that process; and

- other inputs are acquired that can be developed or converted into outputs by the organized workforce, for example, intellectual property, other economic resources that could be developed to create outputs, or rights to obtain materials or that enable future output to be created.

If outputs exist, an acquired process is considered substantive where, either:

- the process is critical in continuing to produce outputs, and the input includes an organized workforce with the necessary skills, knowledge or experience to perform that process; or

- the process significantly contributes to the ability to continue to produce outputs and is unique or scarce or cannot be replaced without significant cost.

The early adoption of the amendments to HKFRS 3 does not have any impact on the Group's beginning retained earnings, nor is profit for the year ended 31 December 2019 affected. Nevertheless, it resulted in more acquisitions accounted for as asset acquisition.

*(b) Definition of a Business applied until 31 December 2018*

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants.

A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Although businesses usually have outputs, outputs are not required for an integrated set to qualify as a business. The three elements of a business are defined as follows:

- Input: any economic resource that creates, or has the ability to create, outputs when one or more processes are applied to it. Examples include non-current assets (including intangible assets or rights to use non-current assets), intellectual property, the ability to obtain access to necessary materials or rights, and employees.

- Process: any system, standard, protocol, convention, or rule that when applied to an input, or inputs, creates or has the ability to create outputs. Examples include strategic management processes, operational processes, and resource management processes. These processes typically are documented, but an organized workforce having the necessary skills and experience following rules and conventions may provide the necessary processes that are capable of being applied to inputs to create outputs. Accounting, billing, payroll, and other administrative systems typically are not processes used to create outputs.

- Output: the result of inputs and processes applied to those inputs that provide or have the ability to provide a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants.

To be capable of being conducted and managed for the purposes defined, an integrated set of activities and assets requires two essential elements — inputs and processes applied to those inputs, which together are or will be used to create outputs. However, a business need not include all of the inputs or processes that the seller used in operating that business if market participants are capable of acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes.

## 4. REVENUE

### 4.1 Revenue from contracts with customers

| | **For the year ended 31 December 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| Revenue recognized at a point in time | | |
| Property development and sales | | |
| — Mainland China | **3,126,730** | 3,879,123 |
| — The United States of America (the "**US**") | **3,922,561** | 2,323,310 |
| Management services *(a)* | | |
| — Mainland China | **404,104** | 580,273 |
| — US | **13,333** | 25,144 |
| | **7,466,728** | 6,807,850 |
| Revenue recognized over period | | |
| Property development and sales | | |
| — US | **428,533** | 204,118 |
| Management services (a) | | |
| — Mainland China | **631,909** | 394,282 |
| | **1,060,442** | 598,400 |
| Rental income | | |
| — Office investment properties | **31,565** | 28,826 |
| | **8,558,735** | 7,435,076 |

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

| | **For the year ended 31 December 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| Revenue from development management services | **368,963** | 419,426 |
| Revenue from sales management services | **404,103** | 383,513 |
| Revenue from green product integration services | **201,153** | 169,000 |
| Revenue from brand authorisation services | **75,127** | 27,760 |
| | **1,049,346** | 999,699 |

### 4.2 Assets and liabilities related to contract with customers

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

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contract assets related to | | |
| — Property development and sales | **174** | 119,934 |
| — Management services | **156,824** | – |
| Less: provision for bad debt | **(2,892)** | (11,993) |
| | **154,106** | 107,941 |
| Contract liabilities related to | | |
| — Property development and sales | **3,007,561** | 4,456,933 |
| — Management services | **39,408** | 53,253 |
| | **3,046,969** | 4,510,186 |

*(a) Significant changes in contract assets and liabilities*

Contract assets consist of unbilled amount resulting from property development and sales in the US and development management services in Mainland China when revenue recognized over the development/service 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.

*(b) Revenue recognized in relation to contract liabilities*

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

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue recognized that was included in the contract liabilities balance at the beginning of the year | | |
| — Property development and sales | **2,934,598** | 3,084,941 |
| — Management services | **31,625** | 21,536 |
| | **2,966,223** | 3,106,477 |

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

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Expected to be recognized within one year | | |
| — Property development and sales | **2,077,755** | 1,998,099 |
| — Management services | **39,408** | – |
| Expected to be recognized after one year | | |
| — Property development and sales | **929,806** | 2,458,834 |
| — Management services | **–** | – |
| | **3,046,969** | 4,456,933 |

*(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.

## 5. SEGMENT INFORMATION

Management determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. As the property development and sales in the US has increased significantly and constitutes a large portion of the revenue for the Group, management has determined to separate the property development and sales in the US as an individual operating segment for the year ended 31 December 2019. As a result, the corresponding segment information for the year ended 31 December 2018 has been presented in the same way.

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

- Property development and sales in Mainland China;
- Property development and sales in the US;
- Management services; and
- Office property investment.

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

Segment profit represents the profit earned by each segment without allocation of net finance costs and corporate expenses 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 2019 is as follows:

| | For the year ended 31 December 2019 | | | | |
|---|---|---|---|---|---|
| | **Property development and sales** | | | | |
| | **US** | **Mainland China** | **Management services** | **Office property investment** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Segment revenue (from external customers) *(note 4)* | | | | | |
| — Revenue recognized at a point in time under HKFRS 15 | **3,922,561** | **3,126,730** | **417,437** | **–** | **7,466,728** |
| — Revenue recognized over period under HKFRS 15 | **428,533** | **–** | **631,909** | **–** | **1,060,442** |
| — Rental income | **–** | **–** | **–** | **31,565** | **31,565** |
| | **4,351,094** | **3,126,730** | **1,049,346** | **31,565** | **8,558,735** |
| Depreciation of property, plant and equipment | **(7,109)** | **(7,571)** | **(9,633)** | **(1,150)** | **(25,463)** |
| Depreciation of right-of-use assets | **(11,061)** | **(1,473)** | **(8,278)** | **–** | **(20,812)** |
| Fair value gain on investment properties *(note 15)* | **–** | **–** | **–** | **3,870** | **3,870** |
| Share of net profit of associates *(note 13)* | **–** | **651,501** | **–** | **–** | **651,501** |
| Share of net (loss)/profit of joint ventures *(note 14)* | **(71,910)** | **51,496** | **–** | **–** | **(20,414)** |
| Segment profit | **251,440** | **1,905,391** | **484,732** | **25,101** | **2,666,664** |
| **At 31 December 2019** | | | | | |
| Segment assets | **6,198,010** | **17,454,591** | **1,276,283** | **913,324** | **25,842,208** |
| Interests in associates *(note 13)* | **–** | **1,858,413** | **–** | **–** | **1,858,413** |
| Interests in joint ventures *(note 14)* | **282,231** | **2,046,801** | **–** | **–** | **2,329,032** |
| Additions/(deductions) to non-current assets (excluding financial assets) | **91,996** | **(337,103)** | **3,546** | **345,946** | **104,385** |
| Segment liabilities | **3,278,595** | **15,624,265** | **555,464** | **279,653** | **19,737,977** |

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 | | | | |
| | US | Mainland China | Management services | Office property investment | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Segment revenue (from external customers) *(note 4)* | | | | | |
| — Revenue recognized at a point in time under HKFRS 15 | 2,323,310 | 3,879,123 | 605,417 | – | 6,807,850 |
| — Revenue recognized over period under HKFRS 15 | 204,118 | – | 394,282 | – | 598,400 |
| — Rental income | – | – | – | 28,826 | 28,826 |
| | 2,527,428 | 3,879,123 | 999,699 | 28,826 | 7,435,076 |
| Depreciation of property, plant and equipment | (2,796) | (5,163) | (7,677) | (13) | (15,649) |
| Fair value gain on investment properties *(note 15)* | – | – | – | 7,363 | 7,363 |
| Share of net profit of associates *(note 13)* | – | 408,854 | – | – | 408,854 |
| Share of net profit of joint ventures *(note 14)* | 86,287 | 171,704 | – | – | 257,991 |
| Segment profit | 421,402 | 2,043,953 | 456,816 | 26,116 | 2,948,287 |
| At 31 December 2018 | | | | | |
| Segment assets | 6,058,371 | 15,569,861 | 3,424,012 | 515,642 | 25,567,886 |
| Interests in associates *(note 13)* | – | 1,315,706 | – | – | 1,315,706 |
| Interests in joint ventures *(note 14)* | 419,446 | 2,176,601 | – | – | 2,596,047 |
| Additions to non-current assets (excluding financial assets) | 13,635 | 61,543 | 6,831 | 190,352 | 272,361 |
| Segment liabilities | 4,350,626 | 15,146,185 | 2,081,024 | 73,569 | 21,651,404 |

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 2019** | For the year ended 31 December 2018 | **31 December 2019** | 31 December 2018 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Mainland China | **4,194,308** | 4,882,504 | **7,631,616** | 7,721,296 |
| US | **4,364,427** | 2,552,572 | **440,420** | 463,253 |
| Hong Kong (domicile) | **–** | – | **2,688** | 60 |
| | **8,558,735** | 7,435,076 | **8,074,724** | 8,184,609 |

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 from continuing operations is as follows:

| | **For the year ended 31 December 2019** | For the year ended 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Segment profit | **2,666,664** | 2,948,287 |
| Finance costs, net *(note 8)* | **(376,281)** | (295,720) |
| Unallocated corporate expenses | **(208,545)** | (196,418) |
| Profit before income tax | **2,081,838** | 2,456,149 |

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

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Segment assets | **25,842,208** | 25,567,886 |
| Discontinued operation | **–** | 1,207,388 |
| Total assets | **25,842,208** | 26,775,274 |

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Segment liabilities | **19,737,977** | 21,651,404 |
| Unallocated liabilities | **–** | 362,975 |
| Total liabilities | **19,737,977** | 22,014,379 |

## 6. OTHER INCOME

| | **For the year ended 31 December 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| Interest income from: | | |
| — Amounts due from joint ventures and associates | **134,377** | 105,735 |
| — Amounts due from non-controlling interests | **27,010** | 22,338 |
| — Loan to third parties | **7,606** | 8,751 |
| Government grants *(a)* | **65,970** | 34,738 |
| | **234,963** | 171,562 |

(a) Government grants for the year ended 31 December 2019 was mainly tax rebate with amount of RMB51,269,000.

## 7. OTHER GAINS/(LOSSES) — NET

| | **For the year ended 31 December 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| Gain on disposal of subsidiaries | **26,037** | 166,822 |
| Gain on re-measurement of existing interest in a joint venture upon conversion to a subsidiary | **43,000** | 19,653 |
| Loss on disposal of property, plant and equipment | **(41)** | (10) |
| Net exchange gains | **68,489** | 185,188 |
| Gain on financial assets at fair value through profit or loss | **2,115** | 2,675 |
| Others | **(2,500)** | (454) |
| | **137,100** | 373,874 |

## 8. FINANCE COSTS, NET

| | **For the year ended 31 December 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| Financial cost | | |
| — Bank borrowings | **217,808** | 129,646 |
| — Loans from the ultimate controlling company | **72,845** | 95,483 |
| — Senior private notes | **239,981** | 118,620 |
| — EB-5 loans | **30,011** | 20,327 |
| — Loans from other financial institutions | **35,185** | 19,634 |
| — Interest expense on amounts due to related parties | **40,788** | 61,954 |
| — Sell and buy-back arrangement | **38,178** | 45,538 |
| — Discounted bank accepted notes | **3,017** | 15,529 |
| — Loans from non-controlling interests | **11,708** | 7,368 |
| — Financing component of contracts with customers | **181,907** | 154,509 |
| — Lease liabilities | **4,665** | – |
| — Other finance charges | **20,960** | – |
| | **897,053** | 668,608 |
| Less: interest capitalized | **(504,564)** | (349,189) |
| | **392,489** | 319,419 |
| Finance income | | |
| — Bank interest income | **(16,208)** | (23,699) |
| | **376,281** | 295,720 |

The average interest rate of borrowing costs capitalized for the year ended 31 December 2019 was approximately 6.87% per annum (2018: 6.54%).

## 9. INCOME TAX EXPENSE

| | **For the year ended 31 December 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| Current income tax | | |
| — Hong Kong profit tax *(a)* | | |
| Tax expense for the year | **–** | – |
| — Mainland China enterprise income tax *(b)* | | |
| Tax expense for the year | **460,140** | 497,342 |
| — US profit tax *(d)* | | |
| Tax expense for the year | **75,351** | 76,194 |
| | **535,491** | 573,536 |
| Mainland China land appreciation tax *(b)* | **204,363** | 393,938 |
| Deferred income tax | **(141,870)** | (98,045) |
| | **597,984** | 869,429 |

(a) Hong Kong profit tax has been provided at 16.5% (2018: 16.5%) on the assessable profits arising in Hong Kong for the year.

(b) The Group's subsidiaries in the Mainland China are subject to enterprise income tax at the rate of 25% (2018: 25%) for the year ended 31 December 2019.

Land appreciation tax in Mainland China 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 2019, the Group has unused tax losses RMB74,296,000 (2018: RMB30,689,000) available for offset against future profits for certain entities in Mainland China which have not been recognized due to the unpredictability of future profit streams. The tax losses would expire within five years.

(c) Under the Law of the Mainland China 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 Mainland China-resident enterprise to its immediate holding company outside Mainland China 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 Mainland China and Hong Kong. The Group controls the dividend policies of subsidiaries in Mainland China. The directors of the Company confirmed that the remaining retained earnings of the Group's subsidiaries in Mainland China and the US as at 31 December 2019 will not be distributed to its immediate holding company in the foreseeable future. As at 31 December 2019, deferred income tax liability of RMB438,921,000 (2018: RMB354,702,000) on the remaining unremitted distributable profit generated by the Group's subsidiaries in Mainland China attributable to its immediate holding company with the amount of RMB4,389,214,000 (2018: RMB3,547,020,000) was not recognized.

Pursuant to the requirements of the US Department of the Treasury on Withholding of Tax on Nonresident Aliens and Foreign Entities, a withholding tax at 30% is imposed for dividends distributed by a US-resident enterprise to its immediate holding company outside the US. A reduced rate, including exemption, may apply if there is a tax treaty between the country of residence and the US. The Group controls the dividend policies of subsidiaries in the US. The directors of the Company confirmed that the remaining retained earnings of the Group's subsidiaries in the US as at 31 December 2019 will not be distributed to its immediate holding company in the foreseeable future. As at 31 December 2019, deferred income tax liability of RMB60,129,000 (2018: RMB25,475,000) on the remaining unremitted distributable profit generated by the Group's subsidiaries in the US attributable to its immediate holding company with the amount of RMB240,707,000 (2018:RMB101,980,000) was not recognized.

(d) In accordance with US tax law, the statutory tax rate for both federal and state tax purposes was 27.95% (2018: 28.28%). This is then adjusted for items which are not assessable or deductible to arrive at an effective tax rate of 22.26% (2018: 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 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| Profit before income tax | **2,081,838** | 2,456,149 |
| Mainland China land appreciation tax | **(204,363)** | (393,938) |
| | **1,877,475** | 2,062,211 |
| Tax on profit before income tax, calculated at the rate of 25% (2018: 25%) | **469,369** | 515,553 |
| Effect of different tax rates of the Group's subsidiaries operating in other jurisdictions | **4,848** | 11,247 |
| Tax effect of non-taxable income *(i)* | **(153,606)** | (129,124) |
| Tax effect of non-deductible expenses | **20,547** | 22,235 |
| Tax effect of unrecognized tax losses | **73,787** | 53,804 |
| Others *(ii)* | **(21,324)** | 1,776 |
| | **393,621** | 475,491 |
| Mainland China land appreciation tax | **204,363** | 393,938 |
| | **597,984** | 869,429 |

(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. DISCONTINUED OPERATION

### (a) Description

On 10 June 2019, the Group announced its intention to dispose the long-term rental apartment business and sell its subsidiary, Shanghai Landsea Apartment Industry Development Co., Ltd. (上海朗詩寓實業發展有限公司) to Landsea Group. The disposal was completed on 26 June 2019. The long-term rental apartment business was reported in the consolidated statement of comprehensive income for the year ended 31 December 2019 as a discontinued operation.

### (b) Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations for the period from 1 January 2019 to 26 June 2019.

| | **For the period from 1 January 2019 to 26 June 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| Revenue | **154,158** | 125,450 |
| Cost of sales and services | **(36,084)** | (219,698) |
| **Gross profit/(loss)** | **118,074** | (94,248) |
| Selling expenses | **(21,057)** | (36,655) |
| Administrative expenses | **(29,368)** | (60,195) |
| Fair value gain on investment properties | **24,285** | – |
| Other gains/(losses) — net | **2,278** | 236 |
| Finance income | **49** | 51 |
| Finance costs | **(201,209)** | (3,599) |
| Finance cost, net | **(201,160)** | (3,548) |
| Share of net profit of joint ventures | **18** | – |
| **Loss before income tax** | **(106,930)** | (194,410) |
| Income tax expenses | **26,163** | 48,260 |
| Loss after income tax of discontinued operation | **(80,767)** | (146,150) |
| Gain on sale of subsidiary after income tax | **95,047** | – |
| Profit/(loss) from discontinued operation | **14,280** | (146,150) |
| Net cash outflow from operating activities | **(188,357)** | (466,239) |
| Net cash outflow from investing activities | **(147,976)** | (335,470) |
| Net cash inflow from financing activities | **304,599** | 828,654 |
| **Net (decrease)/increase in cash generated by the discontinued operation** | **(31,734)** | 26,945 |
| Basic earnings/(loss) per share from discontinued operation (expressed in RMB per share) | **RMB0.003** | RMB(0.037) |
| Diluted earnings/(loss) per share from discontinued operation (expressed in RMB per share) | **RMB0.003** | RMB(0.032) |

## 11. 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 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| Profit from continuing operations attributable to the shareholders of the Company | **1,157,663** | 1,258,924 |
| Profit/(loss) from discontinued operation attributable to the shareholders of the Company | **14,280** | (146,150) |
| Accrued distribution of the convertible perpetual securities | **–** | (29,599) |
| Profit used to determine basic earnings per share | **1,171,943** | 1,083,175 |
| Weighted average number of ordinary shares in issue (in thousands) | **4,640,314** | 3,981,529 |
| Basic earnings/(loss) per share (expressed in RMB per share) | | |
| From continuing operations attributable to the shareholders of the Company for the year | **RMB0.249** | RMB0.309 |
| From discontinued operation | **RMB0.003** | RMB(0.037) |
| | **RMB0.252** | RMB0.272 |

### (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: restricted share award scheme. The shares granted under the restricted share award scheme are assumed to have been transferred to the grantee.

| | **For the year ended 31 December 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| Profit from continuing operations attributable to the shareholders of the Company | **1,157,663** | 1,258,924 |
| Profit/(loss) from discontinued operation attributable to the shareholders of the Company | **14,280** | (146,150) |
| Weighted average number of ordinary shares in issue (in thousands) | **4,640,314** | 3,981,529 |
| Adjustment for: | | |
| — Assumed conversion of convertible perpetual securities (in thousands) | **–** | 586,646 |
| — Assumed distribution of shares under restricted share award scheme (in thousands) | **5,391** | – |
| Adjusted weighted average number of ordinary shares for diluted earnings per share (in thousands) | **4,645,705** | 4,568,175 |
| Diluted earnings/(loss) per share (expressed in RMB per share) | | |
| From continuing operations attributable to the shareholders of the Company for the year | **RMB0.249** | RMB0.276 |
| From discontinued operation | **RMB0.003** | RMB(0.032) |
| | **RMB0.252** | RMB0.244 |

## 12. DIVIDEND

| | **For the year ended 31 December 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| Final dividend for the year ended 31 December 2018 of RMB3.83 cents (2017: RMB3.54 cents) per fully paid share | **180,864** | 138,682 |
| Dividend of convertible perpetual securities | **–** | 29,599 |

| | **For the year ended 31 December 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| Proposed distribution of final dividend out of contributed surplus account of HK$ cents 8.20 (equivalent to RMB 7.40 cents) (2018: HK$ cents 4.50 (equivalent to RMB 3.83 cents)) per ordinary share | **351,583** | 180,864 |

The final dividend relating to the year ended 31 December 2018 amounted to RMB180,864,000, of which RMB151,870,000 was paid by the end of 31 December 2019.

The Board proposed to make a distribution out of contributed surplus account of HK$ cents 8.20 (equivalent to RMB 7.40 cents) (2018: HK$ cents 4.50 (equivalent to RMB 3.83 cents)) per ordinary share amounting to a total of RMB351,583,000. The proposed distribution is based on 4,722,307,545 (2018: 4,722,307,545) shares issued as at 27 March 2020. The proposed final dividend is not reflected as a dividend payable as of 31 December 2019, 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 19 June 2020.

## 13 INTERESTS IN ASSOCIATES

| | **For the year ended 31 December 2019** | For the year ended 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At 1 January | **1,315,706** | 983,077 |
| Additions: | | |
| — Additional investments in associates | **10,200** | 400 |
| — Subsidiaries becoming associates | **50** | – |
| Disposals: | | |
| — Liquidation of an associate | **(401)** | – |
| Share of net profit of associates *(note 5)* | **651,501** | 408,854 |
| Elimination of transactions with associates | **(19,428)** | (46,418) |
| (Reversal of)/impairment on receivable from associates | **(4,496)** | 2,993 |
| Dividends from associates | **(94,719)** | (33,200) |
| At 31 December | **1,858,413** | 1,315,706 |

Set out below are the associates of the Group as at 31 December 2019 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

| | **Place of business/ country of incorporation** | **% of ownership interest** | | **Measurement method** | **Carrying amount** | |
|---|---|---|---|---|---|---|
| | | **31 December 2019** | 31 December 2018 | | **31 December 2019** | 31 December 2018 |
| | | | | | ***RMB'000*** | *RMB'000* |
| Zhejiang Tianyuan Properties Development Company Limited. ("**Zhejiang Tianyuan**") | Mainland China | **40.00** | 40.00 | Equity method | **134,457** | 43,627 |
| Nanjing Xueheng Properties Co.,Ltd. ("**Nanjing Xueheng**") | Mainland China | **49.90** | 49.90 | Equity method | **903,510** | 476,221 |
| Chengdu Chengfeng Enterprise Management and Consultant Limited ("**Chengdu Chengfeng**") | Mainland China | **33.00** | 33.00 | Equity method | **208,275** | 198,784 |
| Individually immaterial associates (b) | | | | | **612,171** | 597,074 |
| Total interests in associates | | | | | **1,858,413** | 1,315,706 |

None of the Group's associates has quoted price available.

### (a) Summarized financial information for material associates

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

| | Zhejiang Tianyuan | | Nanjing Xueheng | | Chengdu Chengfeng | |
|---|---|---|---|---|---|---|
| | **31 December 2019** | 31 December 2018 | **31 December 2019** | 31 December 2018 | **31 December 2019** | 31 December 2018 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Total current assets | **581,644** | 1,297,070 | **2,495,071** | 4,354,694 | **3,788,276** | 5,588,523 |
| Non-current assets | **73** | 3,122 | **172** | 242 | **123,892** | 157,615 |
| Net assets | **321,499** | 11,045 | **1,810,642** | 979,662 | **691,826** | 689,161 |
| The Group's share in % | **40.00%** | 40.00% | **49.90%** | 49.90% | **33.00%** | 33.00% |
| The Group's share | **128,600** | 4,418 | **903,510** | 488,851 | **228,302** | 227,423 |
| Adjustments | **5,857** | 39,209 | **–** | (12,630) | **(20,027)** | (28,639) |
| Carrying amount | **134,457** | 43,627 | **903,510** | 476,221 | **208,275** | 198,784 |
| Revenue | **1,070,793** | – | **3,247,336** | 2,106,612 | **1,569,503** | – |
| Gross margin | **493,976** | – | **1,413,007** | 480,183 | **585,448** | – |
| Profit/(loss) for the year | **310,454** | (7,210) | **830,980** | 332,096 | **182,771** | (24,159) |
| Adjustment | **(31,971)** | – | **12,145** | 4,628 | **15,779** | (7,633) |
| The Group's share | **92,211** | (2,884) | **426,804** | 170,344 | **76,093** | (15,605) |

### (b) Individually immaterial associates

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

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Aggregate carrying amounts of individually immaterial associates | **612,171** | 597,074 |

| | **For the year ended** | |
|---|---|---|
| | **31 December 2019** | December 2018 |
| | ***RMB'000*** | *RMB'000* |
| Aggregate amounts of the Group's share of net profit of individually immaterial associates | **56,393** | 256,999 |

## 14 INTERESTS IN JOINT VENTURES

| | **For the year ended 31 December 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| At 1 January | **2,596,047** | 1,885,271 |
| Additions: | | |
| — Additional investments in joint ventures | **533,825** | 669,792 |
| — Subsidiaries becoming joint ventures | **7,220** | 303,877 |
| Disposals: | | |
| — Disposal of joint ventures in subsidiaries | **(418)** | (143,216) |
| — Partial disposal of shares of joint ventures | **(49,494)** | (24,000) |
| — Liquidation of a joint venture | **(333,902)** | – |
| — Joint ventures becoming subsidiaries | **(190,522)** | – |
| Share of net (loss)/profit of joint ventures | **(20,396)** | 257,991 |
| Elimination of transactions with joint ventures | **(203,754)** | (196,367) |
| Impairment on receivable from joint ventures | **42,995** | 64,048 |
| Dividends from joint ventures | **(58,037)** | (239,724) |
| Exchange difference | **5,468** | 18,375 |
| At 31 December | **2,329,032** | 2,596,047 |

## 15. INVESTMENT PROPERTIES

As at 31 December 2019, the Group held certain properties located in Mainland China. Changes to the carrying amount of investment properties in the consolidated balance sheet are summarized as follows:

| | **For the year ended** | |
|---|---|---|
| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
| At 1 January, as previously stated | **505,630** | 319,830 |
| Adjustment on adoption of HKFRS 16, net of tax *(note 3.1)* | **5,960,000** | – |
| At 1 January, after the adoption of HKFRS 16 | **6,465,630** | 319,830 |
| Transfer from property, plant and equipment *(a)* | **343,000** | 60,780 |
| Transfer from properties held for sale *(b)* | **–** | 117,657 |
| Addition | **145,715** | – |
| Fair value gain from continuing operations | **3,870** | 7,363 |
| Fair value gain from discontinued operation | **24,285** | – |
| Disposal of discontinued operation | **(6,130,000)** | – |
| At 31 December | **852,500** | 505,630 |

For the year ended 31 December 2019, rental income and operating expense arising from leasing of investment properties are as follows:

| | **For the year ended** | |
|---|---|---|
| | **31 December 2019** | 31 December 2018 |
| | ***RMB'000*** | *RMB'000* |
| Rental income | **31,565** | 31,662 |
| Direct operating expense from properties that generate rental income | **6,145** | 10,977 |
| Direct operating expense from properties that did not generate income | **–** | 1,471 |

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

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| In Mainland China, held on: | | |
| Lease of 40–70 years | **852,500** | 505,630 |

**(a)** In July 2019, the Group commenced the leasing of an apartment building (Huangxing Building) located in Shanghai, Mainland China, 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 RMB341,156,000 and RMB343,000,000 respectively. The difference between the carrying amount and the fair value at the transfer date was credited to other comprehensive income.

In June 2018, the Group commenced the leasing of an apartment building (Nanjing Huafei Apartment) located in Nanjing, Jiangsu Province, Mainland China, 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 Neighborhood Union) located in Wuxi, Jiangsu Province, Mainland China, which represents a change in use of the commercial building. Accordingly the Group reclassified the commercial building from properties 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 (note 16) 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.

**(c)** Investment properties were valued at 31 December 2019 by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who is a member of Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties.

**(d)** As at 31 December 2019, investment properties with carrying amount of RMB812,240,000 (2018: RMB401,210,000) was pledged as collateral for the Group's borrowings (note 20(a) and (e)).

## 16. PROPERTIES HELD FOR SALE

Analysis of properties held for sale is as follows:

| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| Properties held for sale: | | |
| — Mainland China | **1,195,705** | 882,923 |
| | **1,195,705** | 882,923 |
| Less: provision for decline in the value of properties held for sale | **(27,779)** | (6,042) |
| | **1,167,926** | 876,881 |

Movements of properties held for sale are as follows:

| | **For the year ended** | |
|---|---|---|
| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
| As at 1 January | **882,923** | 851,020 |
| Transfer from properties under development *(note 17)* | **5,490,861** | 4,684,794 |
| Transfer to investment properties *(note 15)* | **–** | (117,657) |
| Addition as results of acquisition of subsidiaries | **323,358** | – |
| Cost of property development and sales | **(5,501,437)** | (4,535,234) |
| As at 31 December | **1,195,705** | 882,923 |

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 RMB54,139,000 (2018: RMB67,083,000).

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

| | **For the year ended** | |
|---|---|---|
| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
| As at 1 January | **6,042** | 3,189 |
| Provision during the year | **21,737** | 2,853 |
| As at 31 December | **27,779** | 6,042 |

For the year ended 31 December 2019, the Group recognized impairment losses of RMB21,737,000 (2018: RMB2,853,000) on properties held for sale.

As at 31 December 2019, no properties held for sale (2018: properties held for sale with carrying amount of RMB52,630,000) were mortgaged as collateral for the Group's borrowings.

## 17. PROPERTIES UNDER DEVELOPMENT

| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| Properties under development located in: | | |
| — Mainland China | **2,582,467** | 4,506,998 |
| — US | **4,008,460** | 4,184,601 |
| | **6,590,927** | 8,691,599 |
| Less: provision for decline in the value of properties under development | **–** | (3,020) |
| | **6,590,927** | 8,688,579 |
| Amount comprises: | | |
| — Land payments | **3,443,112** | 4,824,473 |
| Leasehold land, Mainland China | **1,450,011** | 3,029,651 |
| Freehold land, US | **1,993,101** | 1,794,822 |
| — Development expenditures and improvements | **2,411,609** | 3,071,764 |
| — Interest capitalized | **736,206** | 795,362 |
| | **6,590,927** | 8,691,599 |

Movements of properties under development are as follows:

| | **For the year ended 31 December 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* |
|---|---|---|
| As at 1 January | **8,691,599** | 6,658,882 |
| Additions | **4,009,881** | 4,787,294 |
| Acquisition of subsidiaries | **1,316,193** | 2,692,768 |
| Disposal of subsidiaries | **(1,935,885)** | (762,551) |
| Transfer to properties held for sale *(note 16)* | **(5,490,861)** | (4,684,794) |
| As at 31 December | **6,590,927** | 8,691,599 |

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 RMB2,088,438,000 (2018: RMB1,660,010,000). The remaining balance is expected to be completed within one year.

As at 31 December 2019, properties under development with carrying amount of RMB4,056,083,000 (2018: RMB3,033,882,000) were mortgaged as collateral for the Group's borrowings (note 20(a)).

Certain subsidiary of the Group located in the 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 was restricted under the agreement as the title of freehold land had been transferred to the third party. As at 31 December 2019, no properties was under this restriction (2018: properties under this restriction amounted to US$66,254,000 (equivalent to RMB454,713,000)) (note 20).

## 18. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| Included in non-current assets: | | |
| Prepayments | | |
| — Prepayments for acquisition of subsidiaries | **–** | 3,539 |
| | **–** | 3,539 |
| Amounts due from related parties | **1,469,914** | 1,631,495 |
| Less: provision for bad debt | **(14,699)** | (16,315) |
| | **1,455,215** | 1,615,180 |
| Amounts due from non-controlling interests *(e)* | **634,632** | 515,965 |
| Less: provision for bad debt | **(6,346)** | (5,160) |
| | **628,286** | 510,805 |
| Other receivables | | |
| — Deposits for building construction | **50,000** | – |
| — Lendings to third parties *(f)* | **33,074** | 27,652 |
| — Deposits for property maintenance *(h)* | **12,386** | 12,385 |
| | **95,460** | 40,037 |
| Less: provision for bad debt | **(955)** | (1,116) |
| | **94,505** | 38,921 |
| | **2,178,006** | 2,168,445 |

| (Continued) | **31 December 2019** ***RMB'000*** | 31 December 2018 *RMB'000* |
|---|---|---|
| Included in current assets: | | |
| Trade receivables *(a)* | | |
| — Related parties | **274,028** | 335,294 |
| — Third parties | **670,020** | 185,927 |
| | **944,048** | 521,221 |
| Less: provision for bad debt | | |
| — Related parties | **(2,740)** | (3,353) |
| — Third parties | **(71,418)** | (10,160) |
| | **(74,158)** | (13,513) |
| | **869,890** | 507,708 |
| Prepayments | | |
| — Prepaid taxes *(b)* | **89,124** | 177,738 |
| — Prepaid value added tax ("VAT") and other surcharges *(b)* | **112,496** | 208,947 |
| — Prepayments for rental fee *(c)* | **–** | 309,131 |
| — Prepayments for land bidding *(d)* | **236,000** | 89,439 |
| — Other prepayments | **73,823** | 139,716 |
| | **511,443** | 924,971 |
| Amounts due from related parties | **2,733,961** | 745,811 |
| Less: provision for bad debt | **(40,457)** | (7,458) |
| | **2,693,504** | 738,353 |
| Amounts due from non-controlling interests *(e)* | **184,936** | 3,425 |
| Less: provision for bad debt | **(1,849)** | (34) |
| | **183,087** | 3,391 |
| Deposits for purchase of land *(g)* | **171,831** | 242,689 |
| Less: provision for bad debt | **(1,718)** | (2,427) |
| | **170,113** | 240,262 |
| Other receivables | | |
| — Deposits for apartments rental | **2,102** | 85,002 |
| — Deposits for land bidding | **20,000** | – |
| — Deposits for building construction | **4,955** | 2,284 |
| — Deposits in housing fund | **19,572** | 16,874 |
| — Lendings to third parties *(f)* | **471,319** | 104,894 |
| — Others | **99,224** | 59,505 |
| | **617,172** | 268,559 |
| Less: provision for bad debt | **(6,172)** | (6,605) |
| | **611,000** | 261,954 |
| | **5,039,037** | 2,676,639 |

### (a) Trade receivables

| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| Trade receivables from property development and sales | **338,281** | 88,913 |
| Trade receivables from management services | **605,767** | 432,308 |
| | **944,048** | 521,221 |
| Less: provision for bad debt | **(74,158)** | (13,513) |
| | **869,890** | 507,708 |

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

| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| Related parties | | |
| — Less than one year | **130,950** | 290,912 |
| — One to two years | **125,203** | 35,738 |
| — Two to three years | **17,875** | 8,644 |
| | **274,028** | 335,294 |
| Third parties | | |
| — Less than one year | **566,168** | 123,315 |
| — One to two years | **46,879** | 61,664 |
| — Two to three years | **56,973** | 598 |
| — Three to four years | **–** | 350 |
| | **670,020** | 185,927 |
| | **944,048** | 521,221 |

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 around one year.

**(b)** The Group's subsidiaries in Mainland China 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)** At 31 December 2019, certain subsidiary of the Group won the bid for the land parcel in Zhangjiagang, Jiangsu Province with a price of approximately RMB794,310,000. As at December 31 2019, the transaction has not been completed, and the payment of RMB236,000,000 is recorded as prepayments for land bidding.

**(e)** In January 2019, 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 2019, the outstanding amounts due from the non-controlling shareholders of Zhongfuyiyang amounted to RMB61,511,000.

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 2019 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 2019, the outstanding amounts due from the non-controlling shareholders of Suzhou Langkun amounted to RMB634,632,000.

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

**(f)** The balances of lendings to third parties include RMB265,808,000 (2018: RMB132,546,000) which generate interest ranging from 2.10% to 14.00% per annum. Of the total lendings to third parties, RMB135,061,000 (2018: RMB66,443,000) was secured by the equity securities of two companies which hold properties in Mainland China.

**(g)** As at 31 December 2019, 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 2019.

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

As at 31 December 2019, the carrying amounts of trade and other receivables, prepayments and deposits (netting off provision for bad debt) were denominated in below currencies:

| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| RMB | **6,589,205** | 4,339,020 |
| US$ | **613,906** | 492,507 |
| HK$ | **13,932** | 13,557 |
| | **7,217,043** | 4,845,084 |

As at 31 December 2019 and 2018, the fair value of trade and other receivables approximate their carrying amounts.

## 19. TRADE AND OTHER PAYABLES

| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| Included in non-current liabilities: | | |
| — Amounts due to related parties | **1,424,133** | 2,804,826 |
| — Warranty accrual | **60,646** | 24,817 |
| — Other payables | **10,652** | – |
| | **1,495,431** | 2,829,643 |
| Included in current liabilities: | | |
| — Amounts due to related parties | **3,740,877** | 2,908,526 |
| — Payables for construction materials and services | **1,441,141** | 1,964,956 |
| — Fundings from third parties *(b)* | **532,600** | – |
| — VAT and other tax payables | **423,616** | 180,823 |
| — Deposits received from rental and construction services | **251,642** | 348,045 |
| — Accruals for staff costs | **234,786** | 252,813 |
| — Interest payable | **219,137** | 348,592 |
| — Amounts due to non-controlling interests *(a)* | **215,611** | 410,045 |
| — Consideration payables *(c)* | **57,144** | 141,667 |
| — Notes payables | **29,121** | – |
| — Dividend payable *(note 12)* | **28,994** | – |
| — Amounts due to a joint venture partner *(d)* | **–** | 320,000 |
| — Other payables | **17,057** | 37,302 |
| | **7,191,726** | 6,912,769 |

(a) As of 31 December 2019, amounts due to non-controlling interests include RMB214,611,000 bearing interest at 4.65% per annum and the remaining amounts are interest-free.

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

All amounts due to non-controlling interests are unsecured.

(b) As of 31 December 2019, all fundings from third parties are interest free and unsecured. The amount of RMB400,000,000 was subsequently repaid in January 2020.

(c) As of 31 December 2019, consideration payables are mainly related to payables for acquisition of investments, of which 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.). The remaining amount, RMB5,000,000 was due to the former shareholders of 西安嘉鵬房地產開發有限公司 (Xi'an Jiapeng Real Estate Development Co. Ltd.) ("**Xi'an Jiapeng**").

(d) As of 31 December 2018, the amounts due to joint venture partner include RMB120,000,000 with interest ranging from 6.00% to 8.00%.The remaining amounts are interest-free and were subsequently repaid on 2 January 2019.

As at 31 December 2019, the carrying amounts of trade and other payables approximate their fair values.

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

| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| Less than one year | **1,072,550** | 1,808,395 |
| One to two years | **315,666** | 145,160 |
| Two to three years | **49,179** | 11,401 |
| Over three years | **3,746** | – |
| | **1,441,141** | 1,964,956 |

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

| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| RMB | **8,099,846** | 8,974,693 |
| US$ | **571,665** | 734,738 |
| HK$ | **15,646** | 32,981 |
| | **8,687,157** | 9,742,412 |

## 20. BORROWINGS

| | 31 December 2019 Current RMB'000 | 31 December 2019 Non-current RMB'000 | 31 December 2018 Current RMB'000 | 31 December 2018 Non-current RMB'000 |
|---|---|---|---|---|
| Secured | | | | |
| — Bank borrowings *(a)* | **656,796** | **1,133,948** | 266,597 | 1,224,335 |
| — Sell and buy-back arrangements *(note 17)* | **–** | **–** | – | 285,967 |
| — Discounted bank accepted notes | **–** | **–** | 316,983 | – |
| — Loans from other financial institutions *(e)* | **231,806** | **289,000** | – | 310,306 |
| Total secured borrowings | **888,602** | **1,422,948** | 583,580 | 1,820,608 |
| Unsecured | | | | |
| — Bank borrowings *(a)* | **–** | **–** | 100,000 | 859,772 |
| — Guaranteed senior notes 2018 *(c)* | **1,415,837** | **–** | – | 1,380,523 |
| — Guaranteed senior notes 2019 *(c)* | **–** | **1,368,212** | – | – |
| — Loans from the ultimate controlling company *(b)* | **–** | **917,577** | – | 1,665,000 |
| — EB-5 loans and contributions from EB-5 investors*(d)* | **–** | **907,964** | – | 575,112 |
| — Loans from other financial institutions *(e)* | **40,000** | **–** | – | 40,000 |
| Total unsecured borrowings | **1,455,837** | **3,193,753** | 100,000 | 4,520,407 |
| Total borrowings | **2,344,439** | **4,616,701** | 683,580 | 6,341,015 |

Borrowings carry interest ranging from 0.10% to 11.70% (2018: 3.19% to 13.50%) per annum.

At end of reporting period, the carrying amounts of borrowings were denominated in the following currencies:

| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| RMB | **2,239,283** | 3,508,890 |
| US$ | **4,488,949** | 3,169,781 |
| HK$ | **232,908** | 345,924 |
| | **6,961,140** | 7,024,595 |

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

| | **31 December 2019** *RMB'000* | 31 December 2018 *RMB'000* |
|---|---|---|
| Within one year | **2,344,439** | 683,580 |
| Between one and two years | **1,913,374** | 4,441,395 |
| Between two and five years | **1,812,805** | 1,899,620 |
| Over five years | **890,522** | – |
| | **6,961,140** | 7,024,595 |

**(a) Bank borrowings are jointly secured by:**

(i) restricted cash with carrying amount of RMB61,240,000 (2018: RMB183,866,000);

(ii) properties under development with carrying amount of RMB3,689,987,000 (2018: RMB3,033,882,000) (note 17);

(iii) investment properties of the Group with carrying amount of RMB734,600,000 (2018: RMB323,570,000) (note 15);

(iv) guarantee provided by the ultimate controlling company;

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

(vi) property, plant and equipment with carrying amount of RMB186,234,000 (2018: RMB502,576,000).

Bank borrowings carry interest ranging from 3.61% to 8.60% (2018: 3.19% to 8.60%) per annum.

**(b) The loans from the ultimate controlling company**

The loan from the ultimate controlling company is unsecured and carry interest is 5.65% (2018: 5.30% to 5.65%) per annum.

**(c) Guaranteed senior notes**

Guaranteed senior notes 2018 issued by the Company 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. Guaranteed senior notes 2019 issued by the Company were listed on the Singapore Exchange Securities Trading Limited on 20 June 2019 and will mature on 20 June 2022, with 10.50% 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 2019, 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 110.5% 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.

**(d) EB-5 loans and contributions from EB-5 investors**

EB-5 Loans of RMB17,442,000 represent loans from third parties and carry interest of 4.00% (2018: 4.00%) per annum and are guaranteed by Landsea Holdings Corporation, an indirect subsidiary of the Company. The balance is repayable on 29 June 2023 (2018: 24 July 2020 to 29 June 2023).

Contributions from EB-5 investors with the amount of RMB890,522,000 was accounted for as financial liability. The Group may in its sole and absolute discretion, to avoid repayments to EB-5 investors until 25th anniversary from the fund establishment day. The financial liability bears effective interest ranging from 0.1% to 1.0% per annum.

**(e) Loans from other financial institutions**

Loans from other financial institutions carry interest from 8.00% to 11.70% (2018: 8.00% to 11.50%) per annum. The balances are repayable from 28 September 2020 to 19 December 2021.

Loans from other financial institutions are jointly secured by:

(i) properties under development with carrying amount of RMB366,096,000 (2018: Nil) (note 17);

(ii) investment properties of the Group with carrying amount of RMB77,640,000 (2018: RMB77,640,000) (note 15);

(iii) equity interest of certain subsidiary of the Group;

(iv) guarantee provided by the ultimate controlling company;

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

**(f)** Fair values of the borrowings are not materiality different to the carrying amounts since either the interests on those borrowings are 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:

| | **31 December 2019** | | 31 December 2018 | |
|---|---|---|---|---|
| | **Carrying amounts** | **Fair values** | Carrying amounts | Fair values |
| | ***RMB'000*** | ***RMB'000*** | *RMB'000* | *RMB'000* |
| Bank borrowings *(i)* | **1,133,948** | **1,133,948** | 2,084,107 | 2,084,107 |
| Guaranteed senior notes *(i)* | **1,368,212** | **1,342,638** | 1,380,523 | 1,352,229 |
| Sell and buy-back arrangements *(note 17)* | **–** | **–** | 285,967 | 285,967 |
| Loans from the ultimate controlling shareholder *(i)* | **917,577** | **917,577** | 1,665,000 | 1,665,000 |
| EB-5 loans *(i)* | **17,442** | **17,442** | 575,112 | 575,112 |
| Loans from other financial institutions *(i)* | **289,000** | **289,000** | 350,306 | 350,306 |

(i) Fair values of bank borrowings, loans from the ultimate controlling company, EB-5 loans and loans from other financial institutions are based on discounted cash flows and current borrowing rate and are categorized within Level 2 of the fair value hierarchy.

## CHAIRMAN STATEMENT

I am pleased to present the business review for the year ended 31 December 2019 and the prospects for 2020 of Landsea Green Properties Co., Ltd. ("**Landsea**" or the "**Company**") and its subsidiaries (collectively, the "**Group**").

## 2019 IN REVIEW

### Operating Results

During the period under review, the Group's profit for the year amounted to RMB1.5 billion, representing an increase of 4.0% as compared to last year; the net core profit amounted to RMB1.41 billion, representing an increase of 11.4% 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 RMB1.05 billion, and the profit after tax for development services was approximately RMB360 million, which is basically the same as last year. In addition, for the year ended 31 December 2019, Landsea Group recorded contracted sales of approximately RMB40.5 billion, with contracted gross floor areas of approximately 2.34 million square meters. In 2019, the Group acquired a total of 33 projects, including 24 projects in the PRC and 9 projects in US.

## FOCUSING ON GREEN TECHNOLOGY AND PROPERTY BUSINESS

In first half of the year, the Group adjusted its strategies and tactics, segregating the loss-making business of long-term rental apartments as well as non-property development-related businesses, with a view to focusing on development and management of green technology and property to become a green property expert with a clear business line.

## CONTINUOUS TRANSFORMATION AND UPGRADE WITH PRUDENT BUSINESS STRATEGY

2019 is the fifth year of Landsea's strategic transformation as well as its 18th birthday. In the 18 years since its establishment, Landsea has always maintained its strategic determination and careful analysis of the internal and external environment despite the ups and downs of the market. We remain calm when the market is frantic, and maintain reasonable debts and ample cash, without the burden of "land king (地王)". We continued to firmly implement our strategy of "product-differentiation, asset-light transformation and revenue-diversification" for transformation and upgrade. The Company experienced the year of operational efficiency in 2019 with continuous improvement in its operational efficiency. Our research and development capabilities of green building products have continued to upgrade, and the research and development mechanism has become increasingly perfect, which further strengthened the leading advantages of green building products. The operation of new development models such as projects focusing on minority interests, cooperative development and entrusted construction is becoming more and more proficient. Different ways of profit generation such as return on investment, development services, product integration, brand output, and performance rewards have been reflected in the Company's financial statements.

## REAL ESTATE DEVELOPMENT SERVICES BUSINESS IN CHINA

Objectively speaking, subject to internal and external factors, the Company's real estate performance in China has lingered. In the first half of 2019, the land market was heating up, and the inventory market was also rising accordingly. With various administrative control measures such as ceiling prices, sales restrictions, purchase restrictions, and contract restrictions, it is difficult for us to obtain good projects and therefore resulting in insufficient expansion. At the same time, diversified cooperative projects with long development cycles, difficult development and relatively slow turnover also posed challenges to operational capabilities. However, we believe that slowing down is a smart choice when the market and policies are unfavorable.

Nonetheless, the Company is making steady progress. In 2019, the Company obtained 21 projects in Beijing, Hangzhou, Chengdu, Chongqing, Wuhan, Xi'an, Kaifeng, Zhongshan, Suzhou, Wuxi, Changshu and other cities, with a total output value of 47.3 billion and a saleable area of 2.54 million square meters.

During the period, Landsea went deep into the national layout and settled in Zhongshan in April to formally enter the Greater Bay Area, setting a solid pace for the strategic layout of South China. Kaifeng was unlocked in September and officially landed in the Central Plains region to further realize the strategic layout of the Midwest.

In March 2019, Landsea out performed its peers of substantial strengths across the nation as one of the top 10 performers, and ranked among the top 100 in terms of operating results for nine consecutive years. In May, Landsea once again ranked top five of fastest-growing enterprises among Real Estate Listed Companies (房地產上市公司發展速度五強) by leveraging on its business model and development strategies.

The long-standing insistence on green living and the market demand-oriented iterative upgrade contribute to Landsea's unique advantage in "Product differentiation". Further to the achievement of global winner of Health & Comfort Prize in the Green Solutions Awards last year, Landsea New Mansion Project was granted the pioneer "Healthy Building Demonstration (健康建築示範基地)" in the PRC in March 2019 and has become a model project for healthy architecture in PRC and abroad. In April, Hangzhou Le Mansion of Landsea was honored the "Residential Property of the Year (年度住宅優秀獎)" by Royal Institution of Chartered Surveyors (RICS), a well-known international professional organisation.

The Group's real estate fund platform focuses on the investment in inventory assets and asset management in the core cities and has integrated the entire workflow of "financing, investment, management, exiting" of real estate funds, allowing it 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 2019, our real estate fund platform managed assets of approximately RMB11.6 billion, firmly supporting the development of the Group's core business.

## PROPERTY DEVELOPMENT BUSINESS IN THE UNITED STATES

Since entering into the US market in 2013, Landsea has always implemented the localization strategy clearly from the four dimensions of local market, local resources, local customers and local teams. The Company has successively tapped into the Greater New York area, Boston area, Los Angeles area, San Francisco area, and Arizona area to explore the mid-to-high-end residential market. At the same time, the Company has also reviewed the situation and set its sights on markets with better growth and rigid demand.

During the period, the Group acquired Pinnacle West Home in Phoenix, and developed 15 communities in four major urban areas in Arizona, with a total of more than 1,150 plots. Through this acquisition, Landsea completed the strategic layout of the five major US metropolitan areas, not only optimizing the product portfolio in the US market, but also expanding the territory of the US business with a strong attitude, which is beneficial to its performance in the US market.

During the period, the Company secured 9 projects in cities including Phoenix, with an additional saleable area of 302,000 square meters and expected saleable value of approximately RMB4.01 billion. As at 31 December 2019, the Group realised income from sales of properties and land in the United States of approximately RMB4.35 billion, representing an increase of 72.2% as compared with last year. The recognised sales gross area was 194,000 square meters.

## SOUND DEBT STRUCTURE AND DIVERSIFIED FINANCING

In 2019, Landsea, as it always does, has adhered to its strategies and maintained steady business operation, while actively diversifying its access to financing. In the first half of 2019, the Company successfully issued a total of USD200 million in green bonds, which was granted “E1”, the highest in the rank, again in S & P’s Green Evaluation. Major breakthroughs have also been made in asset securitization financing. Debt structure has also kept enhanced. Due to sound and prudent operating strategies taken, the Company can enjoy sufficient cash flow and a low debt ratio, which has put the Company in a sound position to capture development opportunities in the future.

## CORPORATE SOCIAL RESPONSIBILITIES AND SUSTAINABLE DEVELOPMENT

Landsea has attached importance to the balance of environment, social and governance in order to substantiate the concept of sustainable development. The Company has continued to encourage other domestic property development enterprises to participate in “China’s Real Estate Industry Green Supply Chain Action” and practice “green procurement only” measures, with an aim to pursue a green value chain as well as a better environment and more efficient use in resources. 2019 marked as the third anniversary of “Green Supply Chain Action”. In these three years, Landsea has been socially responsible and put its idea of “green procurement only” into full effect, either in various processes in internal procurement of the Group and the plotting of green procurement standards, which gives strong support to the idea of socially sustainable development in addition to contributing a greener real estate industry.

With the outstanding performance in "Green Supply Chain Action", the Group was awarded Award of Excellence under the category of "Green Supply Chain Enterprise" with 5 individuals of the Group awarded Award of Excellence (individual) (優秀(個人)獎) under same category at the 16th Elite Habit Award Awarding Ceremony. On the other hand, Landsea, alongside Apple, Dell and other internationally renowned companies, was listed as one of the TOP30 in the "Green Supply Chain CITI Index" released by The Institute of Public and Environmental Affairs in 2019, with ranked TOP1 for three consecutive years under the real estate industry category.

During the period, Landsea publicized 2018 ESG Report by way of promotion and realization of the idea of corporate social responsibility. Prior to the publication of updated ESG guidelines in December, Landsea has been effectively incorporating social responsibilities into its performance evaluation. Landsea has communication channels and management in place for the indicator formulation, data collocation and performance enhancement of ESG and has contributed to a more optimized ESG management by taking the concerns of stakeholders into account during daily operation of the Company.

During the Period, the Company was awarded "Sustainability and Social Responsibility Reporting Awards" in the 20th "Best Corporate Governance Awards" by Hong Kong Institute of Certified Public Accountants, which shows that the capitalist market has recognized Landsea's disclosure in respect of sustainability and social responsibility.

## OUTLOOK FOR 2020

### Development Analysis

In the second half of 2019, especially in the fourth quarter, there was an adjustment in the market as expected. We see this as a tip of long term trend that the real estate industry in China has shifted into phrase of quality-oriented development after years of quantity-driven development. Capital and venturing rule in the era of quantity-driven development while product quality and innovation are the key to success when it comes to the era of quality-oriented development. Landsea has not worried the imminent quality-oriented era as Landsea has always been glad to embrace a bearish and intensively competitive market, in which Landsea will find its way to grow. As the market becomes more rational, Landsea would enjoy more and better opportunities by making the most of its differentiated products and development philosophy.

Landsea has been continuously improving the research and development and innovation capabilities of green differentiated products. A new residential product series with healthy, comfort and green as its core values will be launched in 2020. Such leading series featuring humanization, intelligence and independent intellectual property rights will be promoted and applied in more than ten projects across the country this year to further strengthen the product's competitive advantage. In the wake of the outbreak of COVID-19 taken place at the beginning of this year, consumers have become more concerned about the relationship between health and architecture and more meticulous in respect of the said aspect. Adhering to its "excellency-oriented" product philosophy, Landsea strives for "exceling" in differentiated products in addition to its already "excellent" main-stream products and accordingly provides a living experience that is "healthy, enjoyable, environmentally friendly, smart and human-oriented".

**Acknowledgement**

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

Having tiding over challenges for 18 years, Landsea today has become well-established company with healthy corporate culture and go-getting strategies, which would make Landsea soon become a widely-recognized enterprise. We believe Landsea will become an environmentally friendly and vertically-integrated group whose business spans across the shores of the Pacific and laid a solid foundation of becoming a time-honored and respected green enterprise after the assiduous work made in third decade in 21th Century.

Landsea is a long-termist who pursues continuous innovation and stable operation. Our vision is to become a company that makes positive and lasting contributions to the industry as well as the society.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall performance

In 2019, the Group segregated its non-property business, with a view to focusing on development and management of green technology and property to become a green property expert with a clear business line. The Group upheld the development strategy of "Product-differentiation, Asset-light transformation and Revenue-diversification" and leveraged its resource endowments to further achieve capability of green property products differentiation. Meanwhile, with the advantages of products diversification, the Group actively expanded various projects focusing on minority interests, and vigorously developed project development and management service business to achieve revenue diversification.

During the period under review, the Group's overall profitability continued to improve. In 2019, the Group realized a net core profit (i.e. net profit excluding exchange gain/loss and change of fair value on investment property) for the year amounted to approximately RMB1.41 billion (2018: approximately RMB1.27 billion), representing an increase of approximately 11.4% as compared with last year; net core profit margin was approximately 16.5% (2018: approximately 17.1%); net core profit margin after equity[#] remained stable at 12.1% (2018: approximately 11.6%); net profit attributable to the shareholders of the Company was RMB1.17 billion (2018: approximately RMB1.11 billion), representing an increase of 5.3% as compared with last year.

The Group maintains a prudent financial strategy and upheld "Cash Flow Oriented (現金流為綱)" as guidance principle for its operation, as well as paid keen attention to liability risk and cash safety. At the end of 2019, the Group's net debt ratio was 40.2% (31 December 2018: 34.0%), which remained low in the real estate industry. The Group had sufficient cash and its cash-to-short-term borrowing ratio amounted to 2.0 times. The Company successfully issued US$200 million public offering bonds in overseas market in January 2020 to replace the US$200 million debt due in April. After such replacement, short-term borrowing ratio dropped to 13.6% and the cash-to-short-term borrowing ratio improved to 5.0 times, reflecting healthy liquidity.

In 2019, the revenue recognised from the subsidiaries of the Group for the year amounted to approximately RMB8.56 billion (2018: approximately RMB7.44 billion), while revenue recognised from joint ventures and associates amounted to RMB3.09 billion (2018: approximately RMB3.54 billion), with an aggregate sales revenue recognised amounted to RMB11.65 billion (2018: approximately RMB10.97 billion), representing an increase of approximately 6.2% as compared to the corresponding period of last year. Among which, the revenue recognised from the provision of development and management services amounted to approximately RMB1.05 billion (2018: approximately RMB1.00 billion), representing an increase of approximately 5.0% as compared with last year.

In 2019, "Landsea Products" recorded contracted sales of approximately RMB40.49 billion (including approximately RMB38.10 billion from the Group and a small amount of remaining projects entrusted by Landsea Group) (2018: approximately RMB38.15 billion), with contracted gross floor area (GFA) of 2,340,931 square meters (sq.m.) (including 2,231,846 sq.m. from the Group and a small amount of remaining projects entrusted by Landsea Group) (2018: 1,964,658 sq.m.), representing an increase of 19.2% as compared with 2018.

**Business development**

In 2019, the Group secured a total of 33 projects, of which 24 were in the PRC and 9 were in the United States, which are located in Beijing, Hangzhou, Chengdu, Xi'an, Chongqing, Suzhou, Wuxi and Zhongshan in the PRC as well as second tier cities in the United States such as Phoenix and Ontario. Among which, 30 projects were under development for sale (including 17 projects in which the Group held equity interests and 13 development management projects by entrusted independent third parties) and 3 projects were held for generating income.

[#] net core profit margin after equity = net core profit margin/(consolidated revenue from subsidiaries + share of revenue from associates)

In 2019, the Group recorded an increase in the new project saleable area of 2,837,999 sq.m. and expected new project saleable value of approximately RMB51.34 billion, in which new project GFA of 1,357,492 sq.m. (new project saleable area of 1,077,455 sq.m.) and expected new project saleable value of approximately RMB21.32 billion 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 GFA of 918,757 sq.m. (new project saleable area of 756,259 sq.m.) as well as expected new project saleable value of approximately RMB13.95 billion. During the year, the Group obtained new entrusted development management projects with GFA of 2,321,645 sq.m. (saleable area of 1,760,544 sq.m.) and expected saleable value of approximately RMB30.02 billion. By adhering to a consistently stable and prudent investment strategy, the Group's costs for acquiring land and asset have significant advantage in resisting the market risk in the future.

As at 31 December 2019, the Group had project reserves with saleable area of 6,859,605 sq.m. and expected saleable value of approximately RMB131.43 billion, in which total GFA of 11,031,433 sq.m. (saleable area of 3,201,088 sq.m.) and expected saleable value of approximately RMB62.50 billion secured for the equity-held projects, with saleable area of 1,478,252 sq.m. and expected saleable value of approximately RMB31.64 billion attributable to the Group. The Group had also acquired a total of 41 development management projects by entrusted independent third parties, with saleable area of 3,658,517 sq.m. and expected saleable value of approximately RMB68.93 billion. The Group held the leased properties with total GFA of 174,250 sq.m. and the equity-held projects with GFA of 105,747 sq.m..

For expansion of real estate development in the PRC, Landsea continued to take a prudent and pragmatic approach. During the period, the Group secured a total of 21 projects in cities such as Beijing, Hangzhou, Chengdu, Xi'an, Chongqing, Suzhou, Wuxi and Zhongshan, with an additional saleable area of 2.54 million sq.m. and saleable value of approximately RMB47.3 billion. Meanwhile, the Group had entered into projects in relation to property development and management services with independent third parties, with contract sum of approximately RMB18.0 billion (2018: RMB11.9 billion), representing an increase of 52.2% compared with last year. In April, Landsea commenced Zhongshan Nanlang Project to tap into the Greater Bay Area and officially set its foothold in Southern China, marking the completion of Landsea's fundamental nationwide coverage. As Southern China is characterized by high temperature and humidity all year round, Landsea's green architecture products with "health, comfort, environmental protection, energy saving" features can adapt to local climate and satisfy customers' need.

The Group's property development business covers both the PRC and the United States. Currently, Landsea Homes ranks top 40 among real estate developers in the United States. Since entering into the US market in 2013, Landsea has been implementing the localization strategy clearly from the four dimensions of local market, local resources, local customers and local team, and successively expanding to Greater New York, Boston, Los Angeles, San Francisco and Arizona. At the same time, the Company also reviewed the situation and set its sights on a more robust and stable market with rigid demand. As at 31 December 2019, assets of United States business accounted for 24.0% of the Group's assets. During the period, the total contracted sales of the United States projects amounted to approximately RMB4.00 billion. During the period, Landsea Homes acquired Pinnacle West Home, a company in Phoenix, for developing over 1,150 lots in 15 communities within four major urban areas of Arizona. Through this acquisition, Landsea not only optimised the product portfolio in the US market, but also further improved the business structure for developing the US business with an uncompromising attitude and ascending into the top 15 real estate developers in Arizona, which enhances the Group's performance in the US. In the future, Landsea Homes will continue to adhere to the localization strategy by deepening our current market, expanding the layout of high-growth markets, launching targeted green differentiated products for different markets, so as to continuously enhance the competitiveness of Landsea in the international real estate market.

**Operation income and gross profit**

For the year ended 31 December 2019, the Group's revenue was mainly derived from development and management services income of approximately RMB1.05 billion (2018: approximately RMB1.00 billion), income from sale of properties of approximately RMB7.48 billion (2018: approximately RMB6.41 billion) and rental and property management fee income of approximately RMB32 million (2018: approximately RMB29 million), which in aggregate was approximately RMB8.56 billion (2018: approximately RMB7.44 billion), representing an increase of approximately 15.1% as compared with 2018. During the year ended 31 December 2019, the recognised sales of joint ventures and associates attributable to the Group were approximately RMB3.09 billion (2018: approximately RMB3.54 billion). The sum of on-balance sheet operating income and off-balance sheet recognised sales of joint ventures and associates attributable to the Group was RMB11.65 billion (2018: approximately RMB10.97 billion), representing an increase of approximately 6.2% as compared with 2018.

For the year ended 31 December 2019, the gross profit of the Group was approximately RMB2.42 billion (2018: approximately RMB2.25 billion), representing an increase of approximately 7.6% as compared with 2018. The overall gross profit margin of the Group was approximately 28.3% (2018: approximately 30.2%), which remained basically stable. The gross profit margin of joint ventures and associates was approximately 29.9% (2018: approximately 24.5%), representing an increase of 5.4 percentage points as compared with last year.

**Profit attributable to the shareholders of the company**

For the year ended 31 December 2019, the profit attributable to the shareholders of the Company was approximately RMB1.17 billion (2018: approximately RMB1.11 billion), representing an increase of 5.3% as compared with 2018. 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 this year, as well as the gain on fair value changes, amounted to approximately RMB1.09 billion (2018: approximately RMB941 million), representing an increase of approximately 15.5% as compared with 2018.

**Contracted sales and properties sold but not recognised**

In 2019, "Landsea Products" recorded contracted sales of approximately RMB40.49 billion (including the contracted sales of approximately RMB38.10 billion from the Group and a small amount of remaining projects entrusted by Landsea Group) (2018: RMB38.15 billion). The contracted GFA of 2,340,931 sq.m. (including 2,231,846 sq.m. from the Group and a small amount of remaining projects entrusted by Landsea Group) (2018: 1,964,658 sq.m.), among which the total contracted sales of the property projects in which the Group held equity interests amounted to approximately RMB25.47 billion with contracted sales area of 1,400,039 sq.m., i.e. an average selling price of RMB18,196 per sq.m.. The contracted sales were mainly from the on-sale projects in Hangzhou, Nanjing, Chengdu, Suzhou, Wuxi, Changzhou, Chongqing, etc. in the PRC and first tier and second tier gateway cities in the United States. As at 31 December 2019, the Group's accumulated areas of properties sold but not recognized were 2,402,004 sq.m. (31 December 2018: 1,655,467 sq.m.), amounting to approximately RMB39.78 billion (31 December 2018: approximately RMB29.66 billion), in which areas of properties sold but not recognised attributable to the Group were 902,868 sq.m. (31 December 2018: 656,458 sq.m.), amounting to approximately RMB15.28 billion (31 December 2018: approximately RMB12.26 billion).

**2019 External Contracts**

| Number | Projects | Equity Holding | Contracted Sales Amounts *(RMB'000)* | Contracted Sales GFA# *(sq.m.)* | Average Contracted Sales Selling Price *(RMB)* |
|---|---|---|---|---|---|
| 1 | Nanjing Youth Block | 100.0% | 66,604 | 852 | 78,200 |
| 2 | Nanjing Future Home | 50.1% | 928 | 164 | 5,669 |
| 3 | Nanjing Poly Landsea Weilan | 29.9% | 39,376 | – | |
| 4 | Nanjing Xihua Mansion | 19.0% | 42,978 | 261 | 164,949 |
| 5 | Nanjing Zixi Mansion | 20.0% | 134,149 | 8,782 | 15,276 |
| 6 | Suqian Weilan Elegant Yard | 51.0% | 405,922 | 37,503 | 10,824 |
| 7 | Suqian Weilan Court | 51.0% | 1,195,847 | 123,995 | 9,644 |
| 8 | Hefei Wanxin's Hi-tech Court | 49.0% | 611,929 | 26,219 | 23,339 |
| 9 | Hefei Feidong Jade Garden | 10.0% | 147,217 | 8,584 | 17,150 |
| 10 | Shangshi Landsea Future Block | 100.0% | 29,108 | 250 | 116,594 |
| 11 | Shanghai The Course of The Future | 100.0% | 4,516 | 231 | 19,549 |
| 12 | Shanghai New Mansion | 100.0% | 339,198 | 3,924 | 86,449 |
| 13 | Kunshan Future Block | 51.0% | 650,963 | 26,336 | 24,717 |
| 14 | Kunshan Zhoushi Project | 51.0% | 610,692 | 26,495 | 23,050 |
| 15 | Wuxi Tiancui | 100.0% | 2,313 | 112 | 20,687 |
| 16 | Suzhou Green County of Taihu | 55.0% | 244,050 | 11,182 | 21,826 |
| 17 | Wuxi Luka Small Town | 100.0% | 250 | – | |
| 18 | Suzhou 8 Renmin Road | 100.0% | 270,062 | 10,404 | 25,957 |
| 19 | Yixin Xindu Mansion | 26.0% | 1,057,755 | 113,663 | 9,306 |
| 20 | Suzhou Blue Square | 51.0% | 717,920 | 41,924 | 17,124 |
| 21 | Suzhou Cheng Garden | 0.1% | 251,005 | 6,821 | 36,801 |
| 22 | Suzhou Hengtong Project | 15.0% | 1,019,600 | 30,152 | 33,815 |
| 23 | Wuxi Xihua Mansion | 45.0% | 1,907,929 | 68,828 | 27,720 |
| 24 | Hangzhou Mer De Fleus | 100.0% | 1,291 | – | |
| 25 | Hangzhou Xihua Mansion | 49.0% | 110,650 | 2,222 | 49,793 |

# *Contracted Sales GFA does not include parking space*

| Number | Projects | Equity Holding | Contracted Sales Amounts *(RMB'000)* | Contracted Sales GFA# *(sq.m.)* | Average Contracted Sales Selling Price *(RMB)* |
|---|---|---|---|---|---|
| 26 | Hangzhou Le Mansion | 50.0% | 23,221 | 344 | 67,572 |
| 27 | Hangzhou Light of City | 40.0% | 18,969 | 164 | 115,477 |
| 28 | Ningbo Crystal Apartment | 40.0% | 932,260 | 58,807 | 15,853 |
| 29 | Hangzhou Maple Union | 50.0% | 327,382 | 19,448 | 16,833 |
| 30 | Hangzhou Weilan Block | 20.0% | 221,164 | 13,934 | 15,872 |
| 31 | Chengdu Southern Gate Green | 25.0% | 258,410 | 5,933 | 43,552 |
| 32 | Chengdu Landsea Qingyang District Project | 9.9% | 3,519,866 | 117,393 | 29,983 |
| 33 | Chengdu Future Home | 100.0% | 212,236 | 11,107 | 19,107 |
| 34 | Chengdu Xihua Mansion | 33.0% | 291,237 | 3,344 | 87,101 |
| 35 | Chongqing Yue Mansion | 30.0% | 1,731,350 | 117,069 | 14,789 |
| 36 | Chengdu Landsea Cuiyue | 50.0% | 91,378 | 7,186 | 12,717 |
| 37 | Chengdu Shanglin Xihua Mansion | 33.3% | 1,308,298 | 79,328 | 16,492 |
| 38 | Chengdu Golden Mansion Future Block | 51.0% | 944,682 | 143,150 | 6,599 |
| 39 | Tianjin Emerald Lan Wan | 75.0% | 90,319 | 5,456 | 16,555 |
| 40 | Tianjin Cuiweilan Pavilion | 35.0% | 586,061 | 42,137 | 13,908 |
| 41 | Shijiazhuang Future Block | 25.5% | 476,954 | 49,654 | 9,606 |
| 42 | Xi'an Future Block | 30.0% | 581,083 | 45,697 | 12,716 |
| 43 | Iron Ridge | 100.0% | 778,991 | 27,249 | 28,587 |
| 44 | Lido Villas | 100.0% | 386,559 | 4,057 | 95,278 |
| 45 | Westerly | 100.0% | 242,459 | 10,091 | 24,027 |
| 46 | Abigail Place | 100.0% | 11,493 | 286 | 40,164 |
| 47 | Sanctuary | 100.0% | 449,921 | 13,376 | 33,636 |
| 48 | Catalina | 100.0% | 82,389 | 1,775 | 46,426 |
| 49 | Siena | 100.0% | 189,018 | 4,594 | 41,142 |
| 50 | Stoney Ridge | 100.0% | 43,418 | 934 | 46,507 |
| 51 | The Vale | 70.0% | 814,310 | 16,373 | 49,735 |
| 52 | Eastmark | 100.0% | 115,773 | 9,728 | 11,901 |
| 53 | Encanta | 100.0% | 117,155 | 11,797 | 9,931 |
| 54 | Estrella | 100.0% | 79,870 | 8,670 | 9,211 |
| 55 | Verrado | 100.0% | 143,466 | 14,078 | 10,190 |
| 56 | Avora | 51.0% | 381,481 | 6,532 | 58,395 |
| 57 | Pierce Boston | 25.0% | 161,498 | 1,444 | 111,760 |
| | Equity-held projects entered into by HK106 | | 25,474,923 | 1,400,039 | 18,196 |

# *Contracted Sales GFA does not include parking space*

**Recognised sales of properties of subsidiaries**

For the year ended 31 December 2019, the Group recognised revenue of approximately RMB8.56 billion (2018: approximately RMB7.44 billion), representing an increase of approximately 15.1%. In particular, the consolidated subsidiaries of the Group recognised revenue from sales of properties and total sales area of approximately RMB7.48 billion (2018: approximately RMB6.41 billion) and 284,450 sq.m. respectively, mainly attributable to Nanjing Youth Block, Chengdu Landsea Future Home, Suzhou Renmin Road and Suzhou Green County in the PRC, and the Vale Project, IronRidge Project and Siena Project, etc in the United States. The average selling price in the PRC was RMB10,663 per sq.m., while the average selling price in the United States was RMB33,470 per sq.m..

**Recognised sale of properties of joint ventures and associates**

For the year ended 31 December 2019, the recognised sales of joint ventures and associates attributable to the Group was approximately RMB3.09 billion (2018: approximately RMB3.54 billion), with 136,144 sq.m. in gross floor areas attributable to the Group. Sales attributable to the Group is mainly generated from Nanjing Poly Landsea Weilan and Chengdu Xihua Mansion in the PRC, and Pierce Boston Project and Avora Project in the United States. The average selling price in the PRC was approximately RMB21,605 per sq.m. and the average selling price in the United States was approximately RMB64,161 per sq.m..

**Income from 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 RMB1.05 billion (2018: approximately RMB1.00 billion) for the year ended 31 December 2019. Gross profit margin of property development and management services income was maintained at 59%. Meanwhile, the Group had entered into projects in relation to property development and management services with independent third parties, with contract sum of approximately RMB18.0 billion (2018: RMB11.9 billion), representing an increase of 52.2% compared with last year.

**Income from Rental and management fee**

As at 31 December 2019, the Group recognised rental and management fee income of approximately RMB32.0 million (2018: approximately RMB29.0 million), representing an increase of approximately 9.5% as compared with 2018.

**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 period. For the year ended 31 December 2019, the Group's fair value gain on the investment properties was approximately RMB3.9 million (2018: RMB7.4 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.

**Selling expenses**

For the year ended 31 December 2019, the Group recorded selling expenses of approximately RMB249 million (2018: approximately RMB244 million), which is basically the same as 2018.

**Administrative expenses**

For the year ended 31 December 2019, the Group recorded administrative expenses of approximately RMB634 million (2018: approximately RMB569 million), representing an increase of approximately 11.4% as compared with 2018. The increase in administrative expenses was mainly attributable to the Company's increased R&D investment in green differentiated products during the period, and the increase in expenses was within budgetary control.

**Impairment (loss)/gain under expected credit loss model**

For the year ended 31 December 2019, the Group's impairment loss under expected credit loss model was approximately RMB84.6 million (2018: impairment gain under expected credit loss model was approximately RMB0.7 million). The Company's impairment (loss)/gain under expected credit loss model was provided using the expected credit loss rate for financial assets such as trade and other receivables in accordance with the new financial instruments standards under HKFRS 9. The increase in the current period was mainly due to the increase in the balance of financial assets as a result of the Company's expansion of investment in associates and joint ventures during the period.

**Other gains**

For the year ended 31 December 2019, the Group recorded other gains of approximately RMB137 million (2018: approximately RMB374 million). The decrease was mainly attributable to unrealized foreign exchange gains of approximately RMB68 million (2018: foreign exchange gains of approximately RMB185 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 2019, the Group recorded interest expense (excluding the finance cost of RMB182 million recognized for advanced receipts) of approximately RMB715 million (2018: approximately RMB514 million). The capitalization rate of interest expenses was 45.1% in 2019 (2018: 37.9%). For the year ended 31 December 2019, the expensed finance costs of the Group were approximately RMB392 million (2018: approximately RMB319 million). For the year ended 31 December 2019, the interest income of the Group was approximately RMB185 million. Net finance costs were approximately RMB207 million (2018: approximately RMB159 million). As at 31 December 2019, the on-balance sheet weighted average finance cost was approximately 7.6% (31 December 2018: 7.4%). The off-balance sheet weighted average finance cost was approximately 7.1% (mainly borrowings for property development) (31 December 2018: approximately 6.3%).

## Taxation

As of 31 December 2019, the Group recorded taxation charge of approximately RMB598 million (2018: approximately RMB869 million). The decrease was mainly due to the decrease of profit before tax (after excluding the investment gains exempted from enterprise income tax) during the period as compared with corresponding period of last year.

## Earnings per share

For the year ended 31 December 2019, the basic and diluted earnings per share attributable to the shareholders of the Company were RMB0.252 and RMB0.252 respectively (31 December 2018: RMB0.272 and RMB0.244). The basic core earnings per share was RMB0.234 (31 December 2018: approximately RMB0.229).

## Project reserves

As at 31 December 2019, the Group had project reserves with total GFA of 18,444,953 sq.m., saleable area of 6,859,605 sq.m. and expected saleable value of approximately RMB131.43 billion. In terms of equity interests, the total GFA of the project reserves attributable to the Group were 5,008,172 sq.m., saleable area of 1,478,252 sq.m. and expected saleable value of approximately RMB31.64 billion. The Group had also acquired a total of 41 development management projects by entrusted independent third parties, with saleable area of approximately 3,658,517 sq.m. and expected saleable value of RMB68.93 billion.

## Accumulated Land Reserve at the End of 2019

| Number | Projects | Equity Holding | Total GFA *(sq.m.)* | Developed GFA *(sq.m.)* | Developing GFA *(sq.m.)* | GFA for Future Development *(sq.m.)* | Value Sold *(RMB'000)* | GFA Sold *(sq.m.)* | Saleable Value *(RMB'000)* | Saleable GFA *(sq.m.)* |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Shanghai Future Block | 100.0% | 233,791 | 233,791 | – | – | 2,114,403 | 111,142 | 1,021,565 | 38,445 |
| 2 | Shanghai The Course of The Future | 100.0% | 106,622 | 106,622 | – | – | 1,318,552 | 79,731 | 38,496 | 1,242 |
| 3 | Nanjing Youth Block | 100.0% | 314,894 | 314,894 | – | – | 2,924,820 | 245,414 | 32,728 | – |
| 4 | Nanjing Future Home | 50.1% | 133,530 | 133,530 | – | – | 960,246 | 109,579 | 8,804 | – |
| 5 | Suzhou 8 Renmin Road | 100.0% | 85,983 | 85,983 | – | – | 1,986,446 | 64,556 | 2,143 | – |
| 6 | Suzhou Green County of Taihu | 55.0% | 432,732 | 325,192 | 107,540 | – | 5,636,091 | 326,397 | 11,290 | 885 |
| 7 | Wuxi Tiancui | 100.0% | 48,772 | 48,772 | – | – | 496,385 | 34,793 | 9,253 | 200 |
| 8 | Wuxi Luka Small Town | 100.0% | 139,689 | 133,919 | – | 5,770 | 691,759 | 93,451 | 23,150 | 5,863 |
| 9 | Nanjing Poly Landsea Weilan | 29.9% | 250,567 | 250,567 | – | – | 5,593,547 | 195,384 | 75,909 | 2,142 |
| 10 | Nanjing Xihua Mansion | 19.0% | 201,116 | 201,116 | – | – | 5,545,738 | 149,556 | 62,492 | 2,917 |
| 11 | Chengdu Southern Gate Green | 25.0% | 235,149 | 151,020 | 84,129 | – | 2,765,085 | 155,761 | 33,911 | – |
| 12 | Hangzhou Xihua Mansion | 49.0% | 139,152 | – | 139,152 | – | 4,269,889 | 88,311 | 115,832 | 449 |
| 13 | Hangzhou Le Mansion | 50.0% | 80,602 | 80,602 | – | – | 2,579,533 | 53,682 | 104,947 | 1,156 |
| 14 | Chengdu Landsea Qingyang District Project | 9.9% | 685,684 | – | 685,684 | – | 5,305,150 | 309,773 | 1,837,890 | 47,958 |
| 15 | Tianjin Emerald Lan Wan | 75.0% | 142,156 | – | 142,156 | – | 1,525,054 | 106,846 | 20,668 | 1,414 |
| 16 | Tianjin Cuiweilan Pavilion (B) | 35.0% | 59,332 | – | 59,332 | – | 539,373 | 38,559 | 86,581 | 4,073 |
| 17 | Tianjin Cuiweilan Pavilion (CD) | 35.0% | 82,708 | – | 82,708 | – | 532,458 | 39,301 | 524,807 | 30,031 |
| 18 | Shanghai Changfenghui Silver Premier | 100.0% | 18,875 | 18,875 | – | – | 889,575 | 16,877 | 67,227 | 1,529 |
| 19 | Suzhou Blue Square | 51.0% | 91,349 | – | 91,349 | – | 717,920 | 41,924 | 169,267 | 21,707 |
| 20 | Wuhan Xihua Mansion | 30.0% | 140,270 | – | 140,270 | – | – | – | 4,345,883 | 99,972 |
| 21 | Chengdu Muhua Road Project | 4.9% | 1,022,400 | – | – | 1,022,400 | 2,660,570 | 128,091 | 5,599,190 | 596,086 |

| Number | Projects | Equity Holding | Total GFA (sq.m.) | Developed GFA (sq.m.) | Developing GFA (sq.m.) | GFA for Future Development (sq.m.) | Value Sold (RMB'000) | GFA Sold (sq.m.) | Saleable Value (RMB'000) | Saleable GFA (sq.m.) |
|---|---|---|---|---|---|---|---|---|---|---|
| 22 | Wuhan Landsea Yue Mansion | 5.0% | 235,316 | – | 235,316 | – | 2,842,304 | 162,618 | – | – |
| 23 | Changsha Lu Island Project | 1.0% | 245,540 | 25,803 | 127,003 | 92,734 | 599,922 | 103,998 | 342,985 | 58,646 |
| 24 | Chengdu Xihua Mansion | 33.0% | 367,753 | 234,902 | 132,851 | – | 4,200,224 | 230,225 | 611,842 | 25,186 |
| 25 | Hangzhou Maple Union | 50.0% | 48,574 | – | 48,574 | – | 623,702 | 37,330 | 17,854 | – |
| 26 | Hefei Wanxin's Hi-tech Court | 49.0% | 129,919 | – | 129,919 | – | 611,929 | 26,219 | 1,458,561 | 64,805 |
| 27 | Hangzhou Light of City | 40.0% | 94,095 | 94,095 | – | – | 1,429,581 | 72,791 | 40,153 | – |
| 28 | Ningbo Crystal Apartment | 40.0% | 94,282 | – | 94,282 | – | 1,132,692 | 72,810 | – | – |
| 29 | Chengdu Future Home | 100.0% | 146,733 | 146,733 | – | – | 859,883 | 107,822 | 11,991 | – |
| 30 | Chengdu Landsea Cuiyue | 50.0% | 30,316 | – | 30,316 | – | 114,766 | 8,875 | 81,686 | 2,358 |
| 31 | Hefei Feidong Jade Garden | 10.0% | 57,398 | – | 57,398 | – | 147,217 | 8,584 | 365,937 | 31,838 |
| 32 | Yixing Xindu Mansion | 26.0% | 220,045 | – | 220,045 | – | 1,563,425 | 163,019 | 69,413 | 500 |
| 33 | Suqian Weilan Court | 51.0% | 224,621 | – | 224,621 | – | 1,195,847 | 123,995 | 465,986 | 36,788 |
| 34 | Suqian Weilan Elegant Court | 51.0% | 200,548 | – | 200,548 | – | 783,837 | 74,959 | 689,303 | 63,847 |
| 35 | Chongqing Le Mansion | 30.0% | 400,856 | – | 216,981 | 183,875 | 2,264,249 | 131,207 | 2,609,415 | 138,731 |
| 36 | Hangzhou Weilan Block | 20.0% | 108,993 | – | 108,993 | – | 573,522 | 42,006 | – | – |
| 37 | Nanjing Lishui G06 Project | 20.0% | 209,516 | – | 209,516 | – | 134,149 | 8,782 | 3,040,203 | 142,371 |
| 38 | Suzhou Cheng Garden | 0.1% | 12,485 | – | 12,485 | – | 246,924 | 6,821 | 49,298 | 354 |
| 39 | Hangzhou Linglongyue | 30.0% | 153,746 | – | – | 153,746 | – | – | 1,990,000 | 127,214 |
| 40 | Chengdu Golden Mansion Future Block | 51.0% | 384,307 | – | 306,236 | 78,071 | 944,682 | 143,150 | 1,513,487 | 144,399 |
| 41 | Chengdu Shanglin Xihua Mansion | 33.3% | 265,576 | – | 205,995 | 59,581 | 1,591,722 | 107,761 | 2,430,009 | 84,585 |
| 42 | Suzhou Hengtong Project | 15.0% | 129,571 | – | 129,571 | – | 1,019,600 | 30,152 | 1,673,400 | 57,451 |
| 43 | Kunshan Future Block | 51.0% | 43,362 | – | 43,362 | – | 650,963 | 26,336 | 136,477 | – |
| 44 | Kunshan Zhoushi Project | 51.0% | 43,278 | – | 43,278 | – | 610,692 | 26,495 | 186,928 | 1,150 |
| 45 | Shijiazhuang Future Block | 25.5% | 162,479 | – | 68,273 | 94,206 | 889,924 | 103,614 | 335,916 | 21,261 |
| 46 | Nanjing Wangjiawan Project | 60.0% | 144,677 | – | – | 144,677 | – | – | 1,873,557 | 72,483 |
| 47 | Xi'an Future Block | 30.0% | 85,111 | – | 85,111 | – | 581,083 | 45,697 | 239,226 | 11,392 |
| 48 | Chengdu Kaidi Century Project | 50.0% | 213,587 | – | – | 213,587 | – | – | 2,038,460 | 190,510 |
| 49 | Wuxi Xihua Mansion | 45.0% | 208,429 | – | 170,770 | 37,659 | 1,907,929 | 68,828 | 2,040,871 | 72,572 |
| 50 | Xi'an Mingjing Project | 100.0% | 71,744 | – | 71,744 | – | – | – | 983,384 | 57,735 |
| 51 | Zhongshan Nanlang Project | 80.0% | 79,204 | – | 8,503 | 70,701 | – | – | 1,258,000 | 57,508 |
| 52 | Chengdu Erxianqiao Project | 51.0% | 124,114 | – | 124,114 | – | – | – | 2,425,030 | 84,329 |
| 53 | Chengdu Tianfu New District Project | 50.0% | 183,328 | – | 183,328 | – | – | – | 3,860,000 | 123,940 |
| 54 | Changshu Yuanhe Project | 51.0% | 48,048 | – | – | 48,048 | – | – | 874,130 | 32,282 |
| 55 | Zhangjiagang Baiqiao Road Project | 80.0% | 127,422 | – | – | 127,422 | – | – | 1,927,000 | 87,943 |
| 56 | Wuhan Dongxi Lake Jinnan First Road Project | 0.0% | 595,139 | – | – | 595,139 | – | – | 9,850,000 | 406,260 |
| 57 | Chongqing Sheshan Project | 0.0% | 188,899 | – | – | 188,899 | – | – | 1,250,000 | 125,699 |
| 58 | Xi'an Langshiyan Nanqi | 0.0% | 68,441 | – | 68,441 | – | 482,158 | 28,974 | 219,473 | 12,453 |
| 59 | Nanjing Haiyue Metropol | 0.0% | 278,748 | 278,748 | – | – | 9,610,126 | 205,952 | 25,465 | – |
| 60 | Nanjing Landsea Golden Elephant Mangrove | 0.0% | 307,241 | 258,095 | 49,146 | – | 4,955,296 | 176,281 | 1,152,068 | 41,532 |
| 61 | Nanjing Jiulonghu Plot C | 0.0% | 75,425 | – | 38,361 | 37,064 | – | – | 1,135,350 | 40,959 |
| 62 | Nanjing Jiulonghu Plot A/B | 0.0% | 115,000 | 115,000 | – | – | 2,120,833 | 88,771 | 21,987 | – |
| 63 | Hefei Wanxin's Green County | 0.0% | 148,441 | 148,441 | – | – | 1,332,040 | 102,268 | 10,405 | 655 |
| 64 | Wuxi Landsea New County (1A1B2B) | 0.0% | 348,962 | 243,000 | 105,962 | – | 3,461,248 | 144,823 | 7,650 | – |
| 65 | Wuxi Landsea New County (2A3) | 0.0% | 297,134 | – | – | 297,134 | – | – | 4,051,873 | 191,128 |
| 66 | Suzhou Wuzhong Hongzhuang Project | 0.0% | 130,001 | – | 130,001 | – | 1,088,028 | 42,105 | – | – |
| 67 | Chengdu Landsea Yue Future Block | 0.0% | 51,934 | – | 51,934 | – | 542,090 | 35,560 | – | – |
| 68 | Century Landsea Green County in Yancheng Dongtai | 0.0% | 200,269 | – | 177,785 | 22,484 | 564,607 | 57,047 | 1,013,657 | 98,039 |
| 69 | Nanjing Project G68 | 0.0% | 191,800 | – | 191,800 | – | – | – | 10,500,000 | 150,000 |
| 70 | Jiangyin Lingang Project | 0.0% | 131,098 | – | 131,098 | – | 795,020 | 106,049 | – | – |

| Number | Projects | Equity Holding | Total GFA *(sq.m.)* | Developed GFA *(sq.m.)* | Developing GFA *(sq.m.)* | GFA for Future Development *(sq.m.)* | Value Sold *(RMB'000)* | GFA Sold *(sq.m.)* | Saleable Value *(RMB'000)* | Saleable GFA *(sq.m.)* |
|---|---|---|---|---|---|---|---|---|---|---|
| 71 | Beijing Kangzeyuan Project | 0.0% | 45,860 | – | – | 45,860 | – | – | 1,013,000 | 33,998 |
| 72 | Ma'anshan Xihua Mansion | 0.0% | 330,339 | 34,814 | 197,670 | 97,855 | 1,389,912 | 166,241 | 737,706 | 76,812 |
| 73 | Jurong Wandu Linglongyue | 0.0% | 192,905 | 99,095 | 93,810 | – | 1,303,716 | 84,396 | 488,216 | 31,217 |
| 74 | Beijing Zhangjiakou Project | 0.0% | 128,446 | – | 128,446 | – | 20,260 | 1,610 | 946,424 | 83,983 |
| 75 | Tangshan Yutian Project | 0.0% | 134,625 | – | – | 134,625 | – | – | 774,146 | 124,046 |
| 76 | Nanjing Jiangning Project G45 | 0.0% | 142,633 | – | 142,633 | – | – | – | 2,300,000 | 105,000 |
| 77 | Wuhan West Coast | 0.0% | 171,838 | 43,779 | 128,059 | – | 1,088,299 | 98,521 | 189,519 | 11,432 |
| 78 | Jinan Zhangqiu Casting Centre | 0.0% | 354,093 | – | – | 354,093 | – | – | 4,300,000 | 243,600 |
| 79 | Rugao Landsea Golden City | 0.0% | 287,134 | – | 186,437 | 100,697 | 342,341 | 26,467 | 2,979,909 | 223,619 |
| 80 | Wujiang Shangyi Motor City Phase II | 0.0% | 199,904 | – | – | 199,904 | – | – | 1,484,850 | 97,950 |
| 81 | Changzhou Xihua Mansion | 0.0% | 142,161 | – | 142,161 | – | 1,920,968 | 82,658 | 508,312 | 18,643 |
| 82 | Chengdu Xindu Xintian Road Project | 0.0% | 188,641 | – | 188,641 | – | – | – | 807,550 | 106,727 |
| 83 | Chengdu Xindu Sanmu Road Project | 0.0% | 191,853 | – | 191,853 | – | – | – | 1,024,010 | 108,310 |
| 84 | Wuxi Xiangbin Street | 0.0% | 58,294 | – | – | 58,294 | – | – | 845,290 | 42,400 |
| 85 | Xi'an Zhongyu | 0.0% | 30,118 | – | – | 30,118 | – | – | 385,830 | 20,018 |
| 86 | Beijing Jianguo Apartment Project | 0.0% | 22,483 | – | 22,483 | – | – | – | 1,110,000 | 12,885 |
| 87 | Beijing Zengguang Road Project | 0.0% | 14,729 | – | – | 14,729 | – | – | 1,000,000 | 9,109 |
| 88 | Henan Kaifeng Fifth Avenue Project | 0.0% | 272,236 | – | – | 272,236 | – | – | 2,792,300 | 213,122 |
| 89 | Xi'an Daming Palace Dongcheng International Project | 0.0% | 127,361 | – | – | 127,361 | – | – | 1,040,000 | 99,526 |
| 90 | Xi'an Mira Apartment | 0.0% | 88,980 | – | – | 88,980 | – | – | 1,470,000 | 88,980 |
| 91 | Chengdu Shigao Project | 0.0% | 263,093 | – | – | 263,093 | – | – | 1,710,640 | 206,312 |
| 92 | Hangzhou Wensan Road Qiuzhi Apartment Project | 0.0% | 12,613 | – | – | 12,613 | – | – | 540,000 | 8,775 |
| 93 | Suzhou Louyu Project | 0.0% | 182,695 | – | – | 182,695 | – | – | 4,465,050 | 130,878 |
| 94 | Xianyang Oriental Pearl City Project | 0.0% | 465,005 | – | – | 465,005 | – | – | 3,559,822 | 396,580 |
| 95 | Shangfang Project G22 in Nanjing Jiangning | 0.0% | 102,316 | – | 102,316 | – | – | – | 2,546,455 | 75,324 |
| 96 | Nanjing Landsea Linglongjun | 0.0% | 134,633 | – | 134,633 | – | 1,967,000 | 78,508 | 672,630 | 22,546 |
| 97 | Avora | 51.0% | 31,776 | 31,776 | – | – | 927,941 | 13,963 | 692,170 | 6,123 |
| 98 | Westerly | 100.0% | 34,559 | 18,017 | 8,681 | 7,861 | 418,159 | 17,313 | 427,775 | 17,247 |
| 99 | Pierce Boston | 25.0% | 39,202 | 39,202 | – | – | 2,789,587 | 34,043 | – | – |
| 100 | Iron Ridge | 100.0% | 143,457 | 56,794 | 51,368 | 35,295 | 1,798,204 | 92,848 | 1,504,054 | 50,610 |
| 101 | Stoney Ridge | 100.0% | 5,035 | 5,035 | – | – | 249,643 | 5,035 | – | – |
| 102 | The Vale | 70.0% | 77,694 | 77,694 | – | – | 3,394,026 | 77,685 | – | – |
| 103 | Sanctuary | 100.0% | 259,655 | 235,036 | 7,473 | 17,146 | 1,554,033 | 239,401 | 541,997 | 20,255 |
| 104 | Siena | 100.0% | 12,076 | 12,076 | – | – | 500,122 | 12,076 | – | – |
| 105 | Lido Villas | 100.0% | 4,404 | 4,404 | – | – | 387,099 | 4,057 | 30,821 | 347 |
| 106 | Synagogue | 90.0% | 4,049 | 641 | 3,408 | – | – | – | 593,764 | 3,408 |
| 107 | Abigail Place | 100.0% | 5,086 | 290 | 3,769 | 1,027 | 11,509 | 286 | 209,094 | 5,086 |
| 108 | Catalina | 100.0% | 15,203 | – | 4,414 | 10,789 | 82,504 | 1,775 | 792,625 | 13,428 |
| 109 | Sonora Crossing | 100.0% | 14,623 | – | 750 | 13,873 | – | – | 214,692 | 14,623 |
| 110 | 14th & 6th | 95.0% | 7,550 | – | 7,550 | – | – | – | 1,085,924 | 4,952 |
| 111 | Tevelde | 100.0% | 108,825 | – | – | 108,825 | – | – | 1,929,554 | 108,825 |
| 112 | Crestley | 100.0% | 15,650 | – | – | 15,650 | – | – | 453,336 | 15,650 |
| 113 | Novato | 100.0% | 10,628 | – | – | 10,628 | – | – | 407,721 | 10,628 |
| 114 | Harvest Queen Creek | 100.0% | 19,699 | – | – | 19,699 | – | – | 238,738 | 19,699 |
| 115 | North Central Phoenix | 100.0% | 10,124 | – | – | 10,124 | – | – | 243,934 | 10,124 |
| 116 | Alamar | 100.0% | 13,803 | – | – | 13,803 | – | – | 170,744 | 13,803 |

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

| Number | Projects | Equity Holding | Total GFA (sq.m.) | Developed GFA (sq.m.) | Developing GFA (sq.m.) | GFA for Future Development (sq.m.) | Value Sold (RMB'000) | GFA Sold (sq.m.) | Saleable Value (RMB'000) | Saleable GFA (sq.m.) |
|---|---|---|---|---|---|---|---|---|---|---|
| 117 | Centerra | 100.0% | 44,977 | – | 3,541 | 41,436 | – | – | 494,004 | 45,047 |
| 118 | Eastmark | 100.0% | 34,283 | 7,884 | 617 | 25,782 | 45,837 | 3,864 | 313,492 | 29,569 |
| 119 | Encanta | 100.0% | 14,142 | 7,370 | 2,988 | 3,784 | 57,402 | 6,423 | 76,662 | 7,726 |
| 120 | Estrella | 100.0% | 35,754 | 4,705 | – | 31,049 | 19,898 | 1,948 | 355,003 | 36,124 |
| 121 | Verrado | 100.0% | 81,760 | 9,453 | 9,684 | 62,623 | 94,771 | 7,913 | 904,443 | 72,493 |
| 122 | Ontario Vander Eyk | 100.0% | 47,073 | – | – | 47,073 | – | – | 991,285 | 47,074 |
| | **Total** | | 18,444,953 | 4,317,765 | 7,729,366 | 6,397,822 | 121,888,069 | 6,368,083 | 131,433,954 | 6,859,605 |
| | **Of Which: Subtotal of Equity-held Project** | | 11,031,433 | 3,096,793 | 5,125,696 | 2,808,944 | 88,904,097 | 4,841,852 | 62,504,367 | 3,201,088 |
| | **Subtotal of Entrusted Development and Management Project** | | 7,413,520 | 1,220,972 | 2,603,670 | 3,588,878 | 32,983,972 | 1,526,231 | 68,929,587 | 3,658,517 |

| Projects | Equity Holding | Status | Usage | GFA (sq.m.) |
|---|---|---|---|---|
| Shanghai Huangxing Building | 100.0% | Under renovation | Partially leasing | 11,427 |
| Shanghai Senlan Apartment* | 50.0% | Completed | Leasing | 43,543 |
| Nanjing Huafei Apartment | 100.0% | Completed | Leasing | 5,729 |
| Shenzhen Landsea Tower | 100.0% | Completed | Leasing | 23,736 |
| Guangzhou Jiefang Tower* | 33.6% | Completed | Leasing | 11,507 |
| Wuxi Neighbourhood Union | 100.0% | Completed | Leasing | 10,667 |
| Zhangjiang Landsea Center* | 30.0% | Under renovation | To be leased | 10,489 |
| Daning Landsea Tower* | 50.0% | Under renovation | Leasing | 19,390 |
| Beijing Landsea Tower* | 50.0% | Under renovation | To be leased | 21,906 |
| Nanjing Tianlong Temple Project* | 30.0% | Completed | Leasing | 15,856 |
| | | | | 174,250 |

## Liquidity and financial resources

*Cash positions*

As at 31 December 2019, the Group's cash and cash equivalents and restricted cash amounted to approximately RMB4.76 billion (As at 31 December 2018: approximately RMB5.95 billion). As at 31 December 2019, the Group's current ratio (current assets divided by current liabilities) was approximately 1.3 times (As at 31 December 2018: 1.5 times).

* *The Property is held by joint ventures of the Company*

\# *net debts = total debts less cash and cash equivalents (excluding restricted cash)*

**Indebtedness**

As at 31 December 2019, the total indebtedness of the Group amounted to approximately RMB6.96 billion (As at 31 December 2018: approximately RMB7.02 billion). The Group's indebtedness mainly included shareholder's loans, secured bank loans, senior notes and EB-5 financing. As at 31 December 2019, total net debts# were approximately RMB2.46 billion (As at 31 December 2018: approximately RMB1.62 billion). As at 31 December 2019, the proportion of short-term debts was 33.7% (As at 31 December 2018: 9.7%) and long-term debts was 66.3% (As at 31 December 2018: 90.3%). Meanwhile, the Company successfully issued US$200 million public offering bonds in overseas market in January 2020 to replace the US$200 million debt due in April. After such replacement, the proportion of short-term debts further reduced to 13.6%. Long-term debts and short-term debts were still properly structured.

Analysis of Indebtedness:

| | **31 December 2019** | | 31 December 2018 | |
|---|---|---|---|---|
| | ***RMB'000*** | ***Percentage*** | *RMB'000* | *Percentage* |
| Analysis of total indebtedness by currency: | | | | |
| Denominated in RMB | **2,239,283** | **32.17%** | 3,508,890 | 49.95% |
| Denominated in USD | **4,488,949** | **64.49%** | 3,169,781 | 45.12% |
| Denominated in HK$ | **232,908** | **3.34%** | 345,924 | 4.93% |
| | **6,961,140** | **100.00%** | 7,024,595 | 100.00% |
| Analysis of total indebtedness by maturity: | | | | |
| Within one year | **2,344,439** | **33.68%** | 683,580 | 9.73% |
| Between one and two years | **1,913,374** | **27.49%** | 4,441,395 | 63.23% |
| Between two and five years | **1,812,805** | **26.04%** | 1,899,620 | 27.04% |
| Over five years | **890,522** | **12.79%** | – | – |
| | **6,961,140** | **100.00%** | 7,024,595 | 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 2019, cash and bank balance attributable to the Group in proportion to the equity in joint ventures and associates was approximately RMB1.48 billion (As at 31 December 2018: approximately RMB1.91 billion), while the balance of interest-bearing liabilities attributable to the Group in proportion to the equity in joint ventures and associates was approximately RMB2.87 billion (As at 31 December 2018: approximately RMB2.19 billion), and the net debt balance attributable to the Group in proportion to the equity in joint ventures and associates was RMB1.39 billion (As at 31 December 2018: net debt balance attributed approximately RMB273 million).

**Gearing ratios**

The Group has been working hard on optimizing its capital and debt structure. As at 31 December 2019, the on-balance sheet net debts to equity ratio# of the Group was approximately 40.2% (As at 31 December 2018: 34.0%), representing an increase of 6.2 percentage points as compared with 31 December 2018, which remains low in the industry. The off-balance sheet net debts as at 31 December 2019 were RMB1.39 billion. The aggregate on-balance sheet and off-balance sheet net debts were RMB3.84 billion. The aggregate on-balance sheet and off-balance sheet net debts to equity ratio was approximately 62.9% as at 31 December 2019 (As at 31 December 2018: 39.8%), representing an increase of 23.1 percentage points as compared with 31 December 2018. The Group's debt to total assets ratio (total borrowings divided by total assets) was approximately 26.9% as at 31 December 2019 (As at 31 December 2018: 26.2%). In addition, the debt to assets ratio of the Group as at 31 December 2019 was 76.4% (As at 31 December 2018: 82.2%), which slightly decreased as compared with 31 December 2018. The management will continue to monitor the Group's capital and debt structure from time to time with aim of controlling short-term debt ratio and mitigating its exposure to the risk of gearing.

**Pledge of assets of the Group**

As at 31 December 2019, 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, equity interest of certain subsidiaries of the Group and guarantees provided by the ultimate controlling company. Senior notes were guaranteed by certain subsidiaries of the Company. EB-5 loans were guaranteed by a subsidiary.

**Foreign exchange and currency risk**

As at 31 December 2019, the Group's cash and cash equivalents and restricted cash were mainly denominated in Renminbi, Hong Kong dollar and United States dollar. The functional currency of the Group's subsidiaries in the United States is United States dollar while that of the Hong Kong subsidiaries is Hong Kong dollar, and that of the domestic subsidiaries is Renminbi. As at 31 December 2019, the borrowing of RMB917.6 million 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 RMB68 million (2018: exchange gains of RMB185 million). As at 31 December 2019, the Group's assets denominated in USD were USD889 million (equivalent to RMB6.20 billion), representing 24% of the total assets, and the liabilities denominated in USD were USD710 million (equivalent to RMB4.95 billion), representing 25% of the total liabilities. As foreign currency assets are in line with the foreign currency liabilities, no financial instrument is required for hedging purposes.

**Interest rate risk**

As at 31 December 2019, the debts payable borne with fixed interest rate accounted for approximately 65.1% (As at 31 December 2018: 69.3%) 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 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 agreed to 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 established a company to develop the project of the Target Land and transferred 100% equity interest of that 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**") Upon fulfilling the agreed conditions, Xi'an Langshiming agreed to buy back the 49% equity interest acquired by Bridge Trust in Xi'an Langshiyi which was held by Xi'an Langshiming and the loans (the "**Trust Loan**") obtained by Bridge Trust using the trust fund in the form of loans and transfer of loans to Xi'an Langshiyi and special purpose vehicle company pursuant to the agreed terms for a maximum amount of RMB600,000,000. The bought back under the cooperation agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange. On 14 October 2019, Xi'an Langshiming received a notice from Bridge Trust requesting Xi'an Langshiming to buy back the 49% equity Xi'an Langshiyi and the Trust Loan pursuant to the agreed conditions of the cooperation agreement at a consideration of RMB42,657,171.51, and completion of the buy-back took place on 14 November 2019. For details of the transaction, please refer to the announcements of the Company dated 15 February 2019 and 14 November 2019.

On 21 February 2019, Nanjing Langming, Xi'an Langshiming and 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. In addition, Dening Fund agreed to enter into the shareholder's loan agreement on the same day with Xi'an Jiapeng, whereby Dening Fund conditionally agreed to provide shareholder's loan of not exceeding RMB126,000,000 ("**Dening Fund Shareholder's Loan**") to Xi'an Jiapeng. Upon fulfilling the agreed conditions, Xi'an Langshiming agreed to buy back the said 70% equity interest and Dening Fund Shareholder's Loan for a maximum amount of RMB280,000,000. Upon completion of the disposal on 28 February 2019, Xi'an Jiapeng ceased to be a subsidiary of the Company which was held as to 30% by the Group and 70% by Dening Fund, and was accounted as a joint venture of the Company. The disposal of the equity interest under the cooperation framework agreement did not constitute any notifiable transaction of the Company. However, the buy back under the cooperation framework agreement constituted a discloseable transaction under Chapter 14 of the Listing Rules. For further details, please refer to the announcement of the Company dated 21 February 2019.

On 4 April 2019, Nanjing Langming and 南京朗詩投資管理有限公司 Nanjing Langshi Investment Management Co., Ltd.*) ("**Nanjing Langshi**"), wholly-owned subsidiaries of the Company, entered into the share transfer agreement with (i) 上海修宸投資管理中心 (Shanghai Xiu Chen Investment Management Center*) ("**Xiu Chen Investment**"); (ii) 上海蒼宸投資管理中心 (Shanghai Cang Chen Investment Management Center*) ("**Cang Chen Investment**"); and (iii) 蘇州朗宏置業有限公司 (Suzhou Langwang Properties Co., Ltd.*) ("**Suzhou Langwang Properties**"), pursuant to which Xiu Chen Investment and Cang Chen Investment conditionally agreed to sell the respective 48% and 1% equity interest in Suzhou Langwang Properties, and Nanjing Langming conditionally agreed to assign Nanjing Langshi to buy back the 49% equity interest in Suzhou Langwang Properties at a total consideration of RMB173,090,000. Upon completion of the buy back on 9 May 2019, Suzhou Langwang Properties became a wholly-owned subsidiary of the Company. The buy back of the 49% equity interest in Suzhou Langwang Properties thereunder constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further details, please refer to the announcement of the Company dated 21 February 2019.

On 10 May 2019, the Company entered into agreements to segregate its non-property development-related business, including the business of long-term rental apartments, property management and design, to Landsea Group, the controlling shareholder of the Company.

a. Shanghai Langyu Commercial Management Limited* (上海朗毓商業管理有限公司) ("**Shanghai Langyu**"), Nanjing Langming and Shanghai Landsea Investment Management Limited* (上海朗詩投資管理有限公司) ("**Shanghai Landsea Investment**"), each being an indirect wholly-owned subsidiary of the Company, Landsea Group and Shanghai Landsea Apartment Industry Development Co., Ltd.* (上海朗詩寓實業發展有限公司) (the "**First Target**") entered into the agreement in relation to the disposal of the entire equity interests of the First Target (the "**First Sale Shares**") and the outstanding loans due from the First Target to Shanghai Langyu, Nanjing Langming and Shanghai Landsea Investment as at completion (the "**First Sale Debts**") (the "**First Agreement**"), pursuant to which (i) Shanghai Langyu conditionally agreed to sell, and Landsea Group conditionally agreed to purchase, the First Sale Shares for a consideration of RMB271,000,000 and (ii) Shanghai Langyu, Nanjing Langming and Shanghai Landsea Investment conditionally agreed to sell, and Landsea Group conditionally agreed to purchase, the First Sale Debts at their face value as at completion, subject to a cap of RMB628,406,889. The First Sale Debts amounted to RMB628,406,889 as at the date of the First Agreement. The total consideration payable under the First Agreement amounts to not more than RMB899,406,889. Upon completion on 26 June 2019, the Group ceased to have any equity interest in the First Target or any of its subsidiaries.

b. Shanghai Landsea Investment and Nanjing Langming, each being an indirect wholly-owned subsidiary of the Company, Shanghai Landsea Construction Technological Co., Ltd.* (上海朗詩建築科技有限公司) (the "**Second Purchaser**"), a wholly-owned subsidiary of Landsea Group, and Shanghai Landsea Planning and Architectural Design Co., Ltd.* (上海朗詩規劃建築設計有限公司) (the "**Second Target**") entered into the agreement in relation to the disposal of the entire equity interests of the Second Target (the "**Second Sale Shares**") (the "**Second Agreement**"), pursuant to which Shanghai Landsea Investment and Nanjing Langming conditionally agreed to sell, and the Second Purchaser conditionally agreed to purchase, the Second Sale Shares for a consideration of RMB26,770,000. Upon the completion on 26 June 2019, the Group ceased to have any equity interest in the Second Target or any of its subsidiaries.

c. Shanghai Landsea Investment, Nanjing Landsea Property Management Limited* (南京朗詩物業管理有限公司) (the "**Third Purchaser**"), a wholly-owned subsidiary of Landsea Group, and Nanjing Landsea Shenlu Property Management Limited* (南京朗詩深綠物業管理有限公司) (the "**Third Target**") entered into the agreement in relation to the disposal the entire equity interests of the Third Target (the "**Third Sale Shares**"), pursuant to which Shanghai Landsea Investment conditionally agreed to sell, and the Third Purchaser conditionally agreed to purchase, the Third Sale Shares for a consideration of RMB42,540,000. Upon completion on 26 June 2019, the Group ceased to have any equity interest in the Third Target or any of its subsidiaries.

d. Shanghai Langkun Business Management Co., Ltd.* (上海朗昆企業管理有限公司) ("**Shanghai Langkun**") and Nanjing Langming, each being an indirect wholly-owned subsidiary of the Company, Nanjing Landsea Shenlu E-Commerce Limited* (南京朗詩深綠電子商務有限公司) (the "**Fourth Purchaser**"), a wholly-owned subsidiary of Landsea Group, and Shanghai Buzhi Commercial Management Limited* (上海不紙商業管理有限公司) (the "**Fourth Target**") entered into the agreement in relation to the disposal of the entire equity interests of the Fourth Target (the "**Fourth Agreement**"), pursuant to which (i) Shanghai Langkun conditionally agreed to sell, and the Fourth Purchaser conditionally agreed to purchase, the Fourth Sale Shares for a consideration of RMB1, and (ii) Nanjing Langming conditionally agreed to sell, and the Fourth Purchaser conditionally agreed to purchase, the outstanding loans due from the Fourth Target to Nanjing Langming as at the date of the Fourth Agreement at its face value as at the date of the Fourth Agreement, amounting to RMB5,730,000. The total consideration payable under the Fourth Agreement amounts to RMB5,730,001. Upon completion on 26 June 2019, the Group ceased to have any equity interest in the Fourth Target or any of its subsidiaries.

e. Shanghai Langmao Investment Management Limited* (上海朗茂投資管理有限公司) ("**Shanghai Langmao**") and Nanjing Langming, each being an indirect wholly-owned subsidiary of the Company, the Nanjing Landsea Ecological Agriculture Limited* (南京朗詩生態農業有限公司) (the "**Fifth Purchaser**"), a wholly-owned subsidiary of Landsea Group, and Nanjing Landsea Landscape Limited* (南京朗詩園林景觀有限公司) (the "**Fifth Target**") entered into the agreement in relation to the disposal of the entire equity interests of the Fifth Target (the "**Fifth Sale Shares**") and the outstanding loans due from the Fifth Target to Nanjing Langming (the "**Fifth Sale Debts**") (the "**Fifth Agreement**"), pursuant to which (i) Shanghai Langmao conditionally agreed to sell, and the Fifth Purchaser conditionally agreed to purchase, the Fifth Sale Shares for a consideration of RMB1, and (ii) Nanjing Langming conditionally agreed to sell, and the Fifth Purchaser conditionally agreed to purchase, the Fifth Sale Debts at its face value as at the date of the Fifth Agreement, amounting to RMB6,690,000. The total consideration payable under the Fifth Agreement amounts to RMB6,690,001. Upon completion on 26 June 2019, the Group ceased to have any equity interest in the Fifth Target or any of its subsidiaries.

The transactions contemplated under the First Agreement to the Fifth Agreement, on an aggregate basis, constituted a major and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules. The transactions have been approved by the independent shareholders at the special general meeting of the Company held on 26 June 2019. For further details, please refer to the announcement of the Company dated 13 May 2019 and the circular of the Company dated 11 June 2019.

On 14 May 2019, Shanghai Langkun and (i) 北京融匯嘉智投資管理中心(有限合夥) (Beijing Ronghui Jiazhi Investment Management Center (Limited Partnership)*) ("**Beijing Ronghui**"); (ii) 陽光融匯資本投資管理有限公司 (Sunshine Ronghui Capital Investment Management Co., Ltd.*) ("**Sunshine Ronghui**"); and (iii) 上海融懋商業管理有限公司 (Shanghai Rongmao Commercial Management Co., Ltd.*) ("**Shanghai Rongmao**") entered into the cooperation agreement. Shanghai Langkun and Beijing Ronghui agreed to cooperate in operating 北京船舶大廈項目 (Beijing Shipbuilding Industry Building Project) owned by 船舶重工大廈有限公司 (Shipbuilding Industry Building Co., Ltd.*) ("**Shipbuilding Industry**") to develop the hotel property which is located at 中國北京市朝陽區十里河東三環南路100號 (No. 100, South Third Ring Road, Shilihe East, Chaoyang District, Beijing, China*) and is for commercial use. Beijing Ronghui and Sunshine Ronghui, each conditionally agreed to sell the 49% equity interest in Shanghai Rongmao and the 1% equity interest in Shanghai Rongmao respectively, and Shanghai Langkun has conditionally agreed to acquire the aggregate 50% equity interest in Shanghai Rongmao for a total consideration of RMB2 and Shanghai Langkun conditionally agreed to provide a shareholder loan of RMB200,000,000 to Shanghai Rongmao and/or Shipbuilding Industry to assist Shanghai Rongmao in the transfer price and all other related expenses required to acquire the entire equity interest in Shipbuilding Industry. Upon completion of the acquisition on 31 May 2019, Shanghai Rongmao is owned as to 50% by the Group and its results would not be consolidated into the financial statements of the Group. The transactions contemplated under the agreement constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further details, please refer to the announcement of the Company dated 14 May 2019.

On 11 July 2019, Nanjing Langming and 南京旭博輝企業管理有限公司 (Nanjing Xubohui Corporate Consulting Management Company Limited*) ("**Nanjing Xubohui**"), each being an indirect wholly-owned subsidiary of the Company, entered into an agreement with 上海中城乾念投資中心(有限合夥) (Shanghai Zhongcheng Qiannian Investment Centre (Limited Partnership)*) ("**Zhongcheng Fund**"), pursuant to which Zhongcheng Fund shall withdraw from the investment in 合肥皖新朗詩文化投資有限公司 (Hefei Wanxin Landsea Cultural Investment Company Limited*) ("**Hefei Wanxin**") and conditionally agreed to sell the 48% equity interest in the Hefei Wanxin held by Zhongcheng Fund (the "**Subject Equity**") and the loan from the Hefei Wanxin held by Zhongcheng Fund with a principal amount of RMB629,320,000 and the interest of RMB86,070,286.03 (the "**Subject Loan**"), and Nanjing Xubohui conditionally agreed to acquire the Subject Equity and the Subject Loan. The consideration for the acquisition of the Subject Equity was RMB28,248,000 and the consideration for the acquisition of the Subject Loan was RMB715,390,286.03. The total consideration was RMB743,638,286.03. Upon completion of the acquisition of the Subject Equity, Hefei Wanxin is owned as to 49% and 51% by Nanjing Xubohui and 皖新文化產業投資(集團)有限公司 (Wanxin Cultural Industry Investment Group Limited*) respectively. Hefei Wanxin did not become a subsidiary of the Company and the results of which will not be consolidated into the financial statements of the Group. The transaction contemplated thereunder constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further details, please refer to the announcement of the Company dated 11 July 2019.

On 26 August 2019, Nanjing Langming entered into the Jiaxing Langjian Equity Investment Fund Partnership (Limited Partnership) Partnership Agreement (the "**Partnership Agreement**") with 天津朗信投資管理有限公司 (Tianjin Langxin Investment Management Co., Ltd.*) ("**Tianjin Langxin**") and 信達投資有限公司 (Xinda Investment Co., Ltd.) ("**Xinda Investment**"), pursuant to which, through the subscription for the 66.58% limited partnership interest in 嘉興朗建股權投資基金合夥企業(有限合夥) (Jiaxing Langjian Equity Investment Fund Partnership (Limited Partnership)*) ("**Jiaxing Langjian**") ("**Subject LP Equity**") by Xinda Investment (the "**Capital Increase**"), Nanjing Langming conditionally agreed to sell the Subject LP Equity indirectly, and Xinda Investment conditionally agreed to acquire of and make capital contribution to the Subject LP Equity to jointly invest in 成都海興冷業貿易股份有限公司 (Chengdu Haixing Cold Industry Trading Co., Ltd.) held by Jiaxing Langjian for joint development of the land parcel of property certificate number "Chuan (2018) Chengdu Immovable Property No. 0302087", "Chuan (2018) Chengdu Immovable Property No. 0302094" and "Chuan (2018) Chengdu Immovable Property No. 0302082" which is located at No. 12, Section 3, Fuqing Road, Chenghua District, Chengdu, the PRC. The consideration for the Capital Increase was RMB500,000,000. Since the loan provided by Nanjing Langming to Jiaxing Langjian was RMB1,030,000,000 ("**Nanjing Langming Loan**") as at 14 August 2019, Jiaxing Langjian repaid the Nanjing Langming Loan of approximately RMB700,000,000 and the outstanding Nanjing Langming Loan of approximately RMB330,000,000 was subject to an interest rate of 12% per annum. Upon completion of the Capital Increase on 28 August 2019, Jiaxing Langjian will be owned as to 33.29% and 66.58% limited partnership interest by Nanjing Langming and Xinda Investment respectively, and will be owned as to 0.13% general partnership interest by Tianjin Langxin. Jiaxing Langjian is no longer a subsidiary of the Company. The Capital Increase and the provision of Nanjing Langming Loan, individually, under the Partnership Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further details, please refer to the announcement of the Company dated 26 August 2019.

* *For identification purposes only*

## 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 2019, the outstanding guarantees amounted to approximately RMB1.34 billion (As at 31 December 2018: approximately RMB2.11 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, a 51% joint venture of the Group, for its EB-5 loans as at 31 December 2019 amounted to RMB75 million. Such guarantee provided to LS-NJ Port Imperial LLC shall be discharged pursuant to the counter-indemnity provided by Landsea Group. The Group provided guarantee for the rent of 上海朗詩現所企業管理有限公司 (Shanghai Landsea Xiansuo Enterprise Management Co., Ltd.*) (the Group holds 51% equity interest), the amount as of 31 December 2019 was RMB344.0 million.

As at 31 December 2019, 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 2019.

**Segregating non-properties development-related business**

With unanimous approval of all Directors, the Company segregated its non-properties development-related business, such as long-term rental apartments, property management and design, to its holding group in June 2019. Upon such segregation, the Company, through streamlining its business, has been focusing on the core industry of green technology property and unleash the potential for profit margin of product differentiation, with a view to maximizing returns for shareholders.

**Employees and remuneration policy**

As at 31 December 2019, the Group had 1,390 employees (as at 31 December 2018: 2,662) who were responsible for the managerial, administrative, technical and general functions in Hong Kong, the United States and the PRC. The decrease in headcounts is mainly due to the fact that the corresponding personnel relationship was transferred from the listed company to the holding group after segregating its non-properties development-related business, such as long-term rental apartments, property management and design, to its holding group. 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 8 January 2020, Landsea Homes of Arizona, LLC (the "**Purchaser**") and Landsea Homes Incorporated ("**Landsea Homes**"), wholly-owned subsidiaries of the Company, Longhorn Wyoming, LLC, ZKL, LLC and GGW Funding, LLC (collectively the "**Sellers**"), Jacob S. Walker, Jeffrey M. Garrett and F. Michael Geddes and GWH Holdings, LLC ("**GWH**") entered into the membership interest purchase agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Sellers conditionally agreed to sell all of the issued and outstanding membership interests of GWH. Upon completion of the acquisition on 15 January 2020, GWH and its subsidiaries became wholly-owned subsidiaries of the Company. The acquisition constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further details, please refer to the announcement of the Company dated 8 January 2020.

On 15 January 2020, the Company issued the US$200 million 10.75% green senior notes due 2022 in accordance to the purchase agreement dated 15 January 2020 and the Company used the net proceeds for refinancing the Company's existing medium to long-term offshore indebtedness which would become due within one year and in accordance with the Company's green bond framework.

## DISTRIBUTION

The Directors recommended to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 19 June 2020 ("**AGM**"), the distribution of a final dividend out of contributed surplus account of HK cents 8.20 per share (equivalent to RMB7.40 cents) for the year ended 31 December 2019 to be paid on Friday, 17 July 2020 to the shareholders whose names appear on the register of members of the Company on Monday, 29 June 2020.

The above proposed distribution is also conditional upon the passing by the shareholders of the Company at the AGM a spacial relation for reduction of an amount standing to the credit of the share premium account to the contributed surplus account of the Company.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 15 June 2020 to Friday, 19 June 2020, both dates inclusive, during which period no transfer of shares will be effected. All transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 June 2020.

For determining the entitlement of the shareholders to the proposed distribution, the register of members of the Company will be closed from Monday, 29 June 2020 to Tuesday, 30 June 2020, 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, 26 June 2020.

## 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 2019, 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 2019.

## 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. During the year ended 31 December 2019, Mr. Tian Ming ("**Mr. Tian**"), the Chairman of the Board and an executive Director, is also the Chief Executive Officer (the "**CEO**"), and together with the Co-Chief Executive Officer, namely Ms. Shen Leying, they jointly shared the roles of the CEO. The Board believes that the aforesaid arrangement will not impair the balance of power and authority. Nevertheless, the aforesaid deviation from CG Code provision A.2.1 is rectified on 27 March 2020 upon the appointment of Mr. Huang Zheng ("**Mr. Huang**") as an executive Director and CEO with effect from 27 March 2020, since then Mr. Tian ceased to be the CEO and remained as the chairman of the Board. After the appointment of Mr. Huang as the CEO, the role of chairman and CEO is separated and performed by different individuals.

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. Rui Meng (as chairman), Mr. Lee Kwan Hung, Eddie and Mr. Chen Tai-yuan. The principal duties of the Audit Committee include the review of the Company's financial reporting procedure, control systems and interim and annual results of the Group and to review the risk management and internal control systems of the Group. The consolidated financial statements of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee.

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

Hong Kong, 27 March 2020

*As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Tian Ming, Mr. Huang Zheng, Ms. Shen Leying, Mr. Jiang Chao, Ms. Zhou Qin and Mr. Xie Yuanjian, one non-executive Director, namely Mr. Zhou Yimin, and four independent non-executive Directors, namely Mr. Xu Xiaonian, Mr. Lee Kwan Hung, Eddie, Mr. Chen Tai-yuan and Mr. Rui Meng.*