

不得在美國分發

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LANDSEA朗詩

— 引領綠色生活 —

LANDSEA GREEN GROUP CO., LTD.

朗詩綠色集團有限公司

（前稱「Landsea Green Properties Co., Ltd. 朗詩綠色地產有限公司」）

（於百慕達註冊成立之有限公司）

（股份代號：106）

**建議發行以美元為面值的綠色優先票據
及**

截至二零一七年十二月三十一日止年度的經審計綜合財務報表

本公司擬進行以美元為面值的有擔保優先定息票據的國際發售。

建議票據發行能否完成須視乎(其中包括)市況及投資者興趣而定。票據擬由附屬公司擔保人提供擔保。於本公告日期，建議票據發行的本金額、利率、付款日期以及若干其他條款及條件尚未落實。待落實票據的條款後，預期中國國際金融、國泰君安、海通國際、滙豐、附屬公司擔保人及本公司將訂立購買協議。

倘票據予以發行，本公司擬將建議票據發行所得款項撥作償還債項(包括二零一五年私人票據)、營運資金及一般企業用途。本公司可因應市況變化而調整上述計劃，故可能重新分配建議票據發行所得款項的用途。票據將按照綠色債券原則以綠色債券形式發行，為有利於環境的新舊項目及業務提供所需資金。本公司將就票據在新交所正式上市及報價提出申請。票據獲納入新交所正式名單及在新交所報價不應被視為本公司、附屬公司擔保人或本公司任何其他附屬公司或聯營公司、票據或附屬公司擔保的價值指標。新交所對本公告所作任何陳述、所表達意見或所載報告的正確性概不承擔責任。

由於截至本公告日期並無就建議票據發行訂立具約束力協議，建議票據發行可能會亦可能不會付諸實行。投資者及本公司股東於買賣本公司證券時務請謹慎行事。倘簽訂購買協議，本公司將就建議票據發行再作公告。

建議票據發行

緒言

本公司擬進行以美元為面值的有擔保優先定息票據的國際發售。

就建議票據發行而言，本公司將向若干專業投資者提供本集團最近財務資料(摘錄自截至二零一七年十二月三十一日止年度的經審計綜合財務報表(「**經審計財務報表**」))。為確保向本公司股東平等傳達資料，隨本公告附奉經審計財務報表。

建議票據發行能否完成須視乎(其中包括)市況及投資者興趣而定。票據擬由附屬公司擔保人提供擔保。於本公告日期，建議票據發行的本金額、利率、付款日期

以及若干其他條款及條件尚未落實。待落實票據的條款後，預期中國國際金融、國泰君安、海通國際、滙豐、附屬公司擔保人及本公司將訂立購買協議。

票據並無且亦不會根據證券法登記。票據現根據證券法S規例於美國境外以離岸交易形式發售，且不得在美國境內發售或出售，惟獲豁免遵守證券法的登記規定或交易毋須遵守證券法的登記規定除外。概無票據將向香港公眾人士發售。

建議票據發行的原因

本集團在地產開發業務基礎上，大力輸出項目開發管理服務業務，同時，大力推進相關多元化業務的發展，並提出「榕樹林計劃」，業務模塊延伸至長租公寓、養老服務、綠色金融、設計院、物業、裝飾等。倘票據予以發行，本公司擬將建議票據發行所得款項撥作償還債項(包括二零一五年私人票據)、營運資金及一般企業用途。本公司可因應市況變化而調整上述計劃，故可能重新分配建議票據發行所得款項的用途。票據將按照綠色債券原則以綠色債券形式發行，為有利於環境的新舊項目及業務提供所需資金。

上市

本公司將就票據在新交所正式上市及報價提出申請。票據獲納入新交所正式名單及在新交所報價不應被視為本公司、附屬公司擔保人或本公司任何其他附屬公司或聯營公司、票據或附屬公司擔保的價值指標。新交所對本公告所作任何陳述、所表達意見或所載報告的正確性概不承擔責任。

一般事項

由於截至本公告日期並無就建議票據發行訂立具約束力協議，建議票據發行可能會亦可能不會付諸實行。投資者及本公司股東於買賣本公司證券時務請謹慎行事。倘簽訂購買協議，本公司將就建議票據發行再作公告。

釋義

在本公告內，除文義另有所指外，下列詞彙具有以下涵義：

「二零一五年私人票據」	指	本公司所發行於二零一八年到期的9.50厘優先票據
「董事局」	指	董事局
「中國國際金融」	指	中國國際金融香港證券有限公司
「本公司」	指	朗詩綠色集團有限公司，於百慕達註冊成立的有限公司，其股份於聯交所主板上市(股份代號：106)
「董事」	指	本公司的董事
「綠色債券原則」	指	國際資本市場協會(International Capital Market Association)發出的綠色債券原則(Green Bond Principles)，為一套有關發行綠色債券的自願遵守指引
「本集團」	指	本公司及其附屬公司
「國泰君安」	指	國泰君安證券(香港)有限公司
「海通國際」	指	海通國際證券有限公司
「滙豐」	指	香港上海滙豐銀行有限公司
「香港」	指	中國香港特別行政區
「票據」	指	本公司將發行以美元為面值的有擔保優先定息票據
「中國」	指	中華人民共和國，在本公告中不包括香港、澳門特別行政區及台灣
「建議票據發行」	指	本公司擬發行票據
「購買協議」	指	中國國際金融、國泰君安、海通國際、滙豐、本公司及附屬公司擔保人擬就建議票據發行訂立的協議
「證券法」	指	一九三三年美國證券法(經修訂)
「新交所」	指	新加坡證券交易所有限公司

「聯交所」	指	香港聯合交易所有限公司
「附屬公司擔保」	指	附屬公司擔保人將就票據提供的擔保
「附屬公司擔保人」	指	就票據提供擔保的本公司若干現有附屬公司
「美元」	指	美國的法定貨幣美元
「美國」	指	美利堅合眾國

承董事局命
朗詩綠色集團有限公司
公司秘書
陳婉縈

香港，二零一八年四月十一日

於本公告日期，董事局由五名執行董事田明先生、向炯先生、申樂瑩女士、謝遠建先生及周勤女士，一名非執行董事鄒益民先生，以及三名獨立非執行董事許小年先生、丁遠先生及李均雄先生組成。

LANDSEA GREEN GROUP CO., LTD.

(Formerly known as “LANDSEA GREEN PROPERTIES CO., LTD.”)
(incorporated in Bermuda with limited liability)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 ⁽¹⁾

Note:

(1) The page references are referred to pages set forth in such financial statements.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Landsea Green Group Co., Ltd.
(Formerly known as “Landsea Green Properties Co., Ltd.”)
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Landsea Green Group Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages 8 to 128, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statements of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Classification of Subsidiary, Joint Venture and Associate;
- Revenue recognition for development management service.

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Classification of Subsidiary, Joint Venture and Associate</i> Refer to note 4(i) (Classification of subsidiary, joint venture and associate), note 16 (Interests in associates), note 17 (Interests in joint ventures) and note 38 (Disposal of subsidiaries) to the consolidated financial statements. The Group invests in certain properties projects with various other parties under various arrangements. According to the terms of these arrangements, the Group classifies the investments into subsidiary, joint venture or associate. As of 31 December 2017, the Group had investments in 32 joint ventures and 18 associates with carrying amount of RMB 1,885.44 million and RMB 983.08 million, respectively. At the same time, the Group had 7 non-wholly owned subsidiaries with total non-controlling interest of RMB 206.12 million. For the year ended 31 December 2017, the Group recognized gain from derecognition of subsidiaries due to loss of control while retained these investments as joint ventures and associates. These gains amounted to RMB 107.19 million and RMB 178.43 million respectively; that is RMB 285.62 million in total which represents 25.33% of profit before tax.	<p>We understood, evaluated and tested the relevant control over the Group's classification of subsidiary, joint venture and associate.</p> <p>For material investments, individually or in aggregate, we challenged management's assessment and performed the following audit procedures:</p> <p>We examined the legal documents associated with the investments, to determine the key terms, including rights of the investors, terms of shareholders' agreements, dispute resolution provisions, termination provisions, governance structures and profit-sharing arrangements, and assessed these key terms against the classification criteria.</p> <p>When there have been subsequent changes to the shareholders' agreements or governance structures, we assessed whether these changes would impact the initial assessments by management.</p>

Key Audit Matters(Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Classification of Subsidiary, Joint Venture and Associate (Continued)</i>	
<p>The classification and change of classification of the Group's investment involves significant judgement in determining the levels of control and influence based on a number of criteria. The classification has significant impact on the Group's consolidated statements of comprehensive income and consolidated balance sheet due to their effect on consolidation scope. Moreover, the reclassification from subsidiaries to associates and joint ventures has significant impact on the Group's consolidated net profit.</p> <p>We, therefore, consider classification of subsidiary, joint venture and associate a Key Audit Matter.</p>	<p>We sought for written confirmations or communicated verbally with co-operating parties, to confirm the contract clauses and completeness of contracts and agreements we obtained and whether there are any subsequent supplementary contracts and agreements or amendments.</p> <p>We assessed whether the considerations paid for acquisitions or received from disposals of investments represent the fair market value in an arm's length transactions when there was acquisition or disposal.</p> <p>We evaluated the adequacy of the Group's disclosures in respect of the classification and carrying values of subsidiaries, associates, and joint ventures against the accounting standards adopted by the Group.</p> <p>Based on our audit procedures performed, we consider the judgement made by management regarding the classification of subsidiary, joint venture and associate supportable by evidences we gathered.</p>

Key Audit Matters(Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition for development management services</p> <p><i>Refer to note 2.28 (Accounting policy for revenue recognition), note 4 (vii) (Critical accounting estimates and judgement for revenue recognition for property development management services fees) and note 5 (Revenue) of consolidation financial statements.</i></p> <p><i>For the year ended 31 December 2017, the Group recorded revenue from development management services amounted to 297.47million, representing approximately 4.8% of the Group's total revenue.</i></p> <p><i>The Group provides development management services contracts for both floating and fixed fees and revenue is recognised by using the percentage of completion method. Significant accounting estimate is involved in the determination of percentage of completion, in both the cost budget and the projected sales and there is significant audit effort on revenue.</i></p> <p><i>We, therefore, consider the revenue recognition for development management services a Key Audit Matter.</i></p>	<p>We understood, evaluated and tested the controls over revenue recognition for development management services.</p> <p>We assessed if the percentage of completion used is reasonable and consistently applied. In respect of cost incurred and cost to completion, we tested actual costs incurred to supporting evidence, performed site visit to project, and agreed cost to completion to approved budgets. We compared, with hindsight, the actual costs incurred with the budget of previous years to assess the reliability of the budget.</p> <p>We assessed the reasonableness and sensitivity of management estimation for cost to completion with comparison to similar projects of the Group and actual costs variance to budget by stage.</p> <p>For estimation in respect of projected sales, we compared projected sales volume and price to similar projects and available market data including registered selling prices for transaction, and also offer prices of property nearby with similar characteristics.</p> <p>We considered the accounting estimations used in revenue recognition for development management services were supported by the evidences we gathered.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the chairman's statement and management and analysis (but not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate information, financial summary/financial review, financial highlights, breakdown of major properties, directors and senior management, report of the directors and corporate governance report which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)**

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Esmond S. C. Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2018

LANDSEA GREEN GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

LANDSEA GREEN GROUP CO., LTD.**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

The notes form an integral part of these consolidated financial statements.

LANDSEA GREEN GROUP CO., LTD.**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017**

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

LANDSEA GREEN GROUP CO., LTD.

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

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

The notes form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 8 to 128 were approved by the Board of Directors on 28 March 2018 and were signed on its behalf.

Xiang Jiong
Director

Shen Leying
Director

LANDSEA GREEN GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

LANDSEA GREEN GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

The notes form an integral part of these consolidated financial statements.

LANDSEA GREEN GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

LANDSEA GREEN GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

The notes form an integral part of these consolidated financial statements.

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 General information

Landsea Green Group Co., Ltd. (formerly known as: Landsea Green Properties Co., Ltd., the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The Company changed its name from Landsea Green Properties Co., Ltd to Landsea Green Group Co., Ltd as approved by the Special General Meeting on 28 February 2018. The addresses of its registered office and principal place of business are disclosed in the corporate information to the annual report. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“SEHK”).

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

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group

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

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

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

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

(iv) New standards and interpretations not yet adopted

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

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

(a) HKFRS 15 Revenue from Contracts with Customers

Nature of change

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

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

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

Impact

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

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

(a) HKFRS 15 Revenue from Contracts with Customers (Continued)

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

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

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

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

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

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

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

The Group expect the new impairment model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted (Continued)

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

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

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

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.7).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheet, consolidated statement of comprehensive income and consolidated statement of changes in equity respectively.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see note 2.5 below), after initially being recognised at cost.

2.4 Joint arrangements

Joint arrangements are classified as either joint ventures or joint operations depending on the contracted rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method (see note 2.5 below), after initially being recognised at cost in the consolidated balance sheet.

2.5 Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.14.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.6 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity shareholders of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling interests and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to shareholders of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

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

2.7 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- liabilities incurred to the former shareholders of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2 Summary of significant accounting policies (Continued)

2.7 Business combinations (Continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.8 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.9 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major business and service lines.

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.10 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”), which is Hong Kong dollars (HK\$), Renminbi (RMB) and US dollars (USD) respectively. The consolidated financial statements are presented in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within “Other gains/(losses) – net”.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet are translated at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in exchange revenue.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On the disposal of a foreign operation (that is, a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to the profit or loss.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.11 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to the profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost of property, plant and equipment to their residual values using the straight-line method over their estimated useful lives:

Leasehold improvements	Over the lease terms
Furniture, fixtures and office equipment	3-10 years
Motor vehicles	5-10 years
Buildings	20 years

The assets' residual value and useful life are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.14).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised as "Other gains/(losses) – net" in the consolidated statement of comprehensive income.

2.12 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of comprehensive income in fair value gains or losses on investment properties.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 Summary of significant accounting policies (Continued)

2.13 Goodwill

Goodwill is measured as described in note 2.14. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

2.14 Impairment of non-financial assets

Goodwill is not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.15 Properties held or under development for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of leasehold land payments, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.16 Inventories

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.17 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the balance sheet date. These are classified as non-current assets. The Group's loans and receivables also include trade and other receivables, amounts due from related parties and non-controlling interests and cash and cash equivalents in the consolidated balance sheet.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.17 Investments and other financial assets(Continued)

(iii) Impairment of financial assets(Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.18 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously

2.19 Trade and other receivables

Trade receivables are amounts due from customers arising from sales of properties or providing management and development service. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.17 for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.20 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Restricted cash is excluded from cash and cash equivalents.

2.21 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

2.22 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within twelve months after the reporting period (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.23 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

2.24 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current income tax also includes PRC land appreciation tax which is levied on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.24 Current and deferred income tax (Continued)

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 Summary of significant accounting policies (Continued)

2.25 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group participates in defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments or trustee administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Group's contributions to the defined contribution plans are expensed as incurred and, in most cases, are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(iii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iv) Restricted share award scheme

The Group operates a restricted share award scheme to recognise the contributions by employees. The fair value of the employee services received in exchange for the grant of restricted share is recognised as employee benefit expense.

The total amount to be expensed over the vesting period is determined by reference to the value of the restricted shares granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of restricted share awards that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to other reserve.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.25 Employee benefits (Continued)

(iv) Restricted share award scheme (Continued)

Employee share trust is established, for the purposes of awarding shares to eligible employees under the restricted share award scheme.

The employee share trust is administered by an independent trustee and is funded by the Group's cash contributions and recorded as contributions to employee share trusts, an equity component. The administrator of the employee share trust buys the Company's shares in the open market for award to employees.

Upon vesting, the corresponding awards in the share-based compensation reserve will be transferred to the employee share trust for shares awarded to employees.

2.26 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.27 Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for the property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the consolidated balance sheets when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 Summary of significant accounting policies (Continued)

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

Revenue from sale of properties and lands held for sale in the ordinary course of business is recognised when all the following conditions are satisfied:

- (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the properties, which is when the construction of relevant properties has been completed, upon delivery, and collectability of related receivables is reasonably assured;
- (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated balance sheet under current liabilities.

Revenue from sales of land improvements is recognised by using the 'percentage-of-completion' method to determine the appropriate amount to recognise in a given period. The percentage of completion is established by reference to the costs incurred to date compared to the total costs to be incurred under the transaction. Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as trade receivables. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount advanced proceeds received from customers.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.28 Revenue recognition (Continued)

The Group provides property management services to its customers which including brand authorisation service, sales management service, green product integration service and development management services. The Group recognizes revenue on different types of service by reference to the service's stage of completion at the balance sheet date when the outcome of the rendering of services can be estimated reliably:

- Revenue from brand authorisation, sales management service and green-technical system integration service fees is recognised in accounting period in which the services are rendered.
- Revenue from development management services associated with both floating and fixed fees is recognised by using the 'percentage-of-completion' method to determine the appropriate amount to recognise in a given period. The percentage of completion is established by reference to the costs incurred to date compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as trade receivables. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount advanced proceeds received from customers .

Rental income under operating leases is recognised on a straight-line method over the term of the relevant lease.

Decoration service income is recognised when the related services are provided.

2.29 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.30 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.31 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate. Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to an entity within the Group with no future related costs are recognised as income of the period in which they become receivable.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.32 Leases

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 capitalised 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 the 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 (note 39). Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.32 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.33 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Respective distributions if and when declared are treated as equity dividends.

Convertible perpetual securities issued by the Group that have the above characteristics are classified as equity instruments.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2 Summary of significant accounting policies (Continued)

2.34 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign currency risk

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

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

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

(b) Credit risk

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

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

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

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

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

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3 Financial risk management (Continued)

3.2 Fair value estimation

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

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

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

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

3.3 Capital risk management

The Group's capital management objectives are:

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

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

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

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

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

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3 Financial risk management (Continued)

3.3 Capital risk management (Continued)

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

4 Critical accounting estimates and judgement

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

(i) Classification of subsidiary, joint venture and associate

In the normal course of business, the Group develops properties together with other developers or institutions, through entering into co-operation agreements with these parties. The rights and obligations of the Group and the other parties are stipulated by respective co-operation agreements, article of associations of the project companies, etc. Because of the complexity of the arrangements, significant judgement is needed in determining whether the project company is subsidiary, joint venture or associate of the Group. The Group makes judgement based on the substance of the arrangements and the definition of subsidiary, joint venture and associate as disclosed in Notes 2.2, 2.3 and 2.4.

(ii) Estimated fair value of investment property

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

(iii) Net realisable value of inventory, properties held for sale and under development

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

4 Critical accounting estimates and judgement (Continued)

(iv) Income taxes and deferred tax

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

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

(v) PRC land appreciation taxes

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

(vi) Impairment of interests in associates and joint ventures

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

(vii) Revenue recognition for development management services fees

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****4 Critical accounting estimates and judgement (Continued)****(viii) Revenue recognition for sales of land improvements**

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

5 Revenue

Revenue recognized during the year is as follows:

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

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

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

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6 Segment information

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

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

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

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

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

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

6 Segment information (Continued)

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

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

6 Segment information (Continued)

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Segment assets	20,320,501	18,007,126
Unallocated assets	-	-
Total assets	<u>20,320,501</u>	<u>18,007,126</u>
	31 December 2017 RMB'000	31 December 2016 RMB'000
Segment liabilities	16,622,438	14,742,918
Unallocated liabilities	-	211,492
Total liabilities	<u>16,622,438</u>	<u>14,954,410</u>

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

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

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

	Revenue from external customers		Non-current assets	
	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000	31 December 2017 RMB'000	31 December 2016 RMB'000
Mainland China	4,863,089	4,530,170	5,064,967	1,823,786
The USA	1,350,842	314,838	578,475	133,930
Hong Kong (domicile)	-	-	702	135,604
	<u>6,213,931</u>	<u>4,845,008</u>	<u>5,644,144</u>	<u>2,093,320</u>

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.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7 Other income

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

8 Other gains, net

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9 Expenses by nature

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10 Finance costs

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11 Income tax expense

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

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

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 Income tax expense(Continued)

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

As at 31 December 2017, the Group did not recognize deferred income tax liability for PRC withholding income tax with amount of RMB 259,722,000(2016:RMB 149,828,000) on the remaining unremitted distributable profits generated by its PRC subsidiaries attributable to the investors outside the PRC with amount of RMB 2,597,218,000(2016:RMB 1,498,283,000), as the directors of the Company had confirmed that the retained earnings as at 31 December 2017 will not be distributed in the foreseeable future.

- (iii) Under the law of the US on Federal tax and state tax, the blended tax rate of the US's subsidiaries is 39.87%. US profit tax is provided for at 39.87% of the profits for the US statutory financial reporting purpose, adjusted for those items which are not assessable or deductible.(The Tax Cuts and Jobs Act was passed on December 22, 2017, which reduced the corporate tax rate from 35% to 21%, and the new 21% tax rate is effective for tax years beginning after December 31, 2017.)
- (iv) The Company incurred a loss of RMB 232,789,000 in year 2017. No deferred tax assets was recognized on the loss.

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****11 Income tax expense (Continued)**

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

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

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

(i) Non-taxables income are mainly share of gains of associates and joint ventures.

(ii) Unrecognized tax losses mainly represent loss of the Company (note11(iv)).

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12 Earnings per share

(i) Basic earnings per share

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

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

(ii) Diluted earnings per share

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13 Dividend

	For the year ended 31 December 2017 RMB' 000	For the year ended 31 December 2016 RMB' 000
(i) Final dividend for the year ended 31 December 2016 of RMB3.54 cents (2015: RMB3.4 cents) per fully paid share	138,682	133,934
(ii) Dividend of convertible perpetual securities	19,679	18,661
	For the year ended 31 December 2017 RMB' 000	For the year ended 31 December 2016 RMB' 000
Proposed distribution of final dividend out of contributed surplus account of RMB 3.54 cents (equivalent to HK cents 4.42) (2016: RMB3.54 cents (equivalent to HK cents 4)) per ordinary share	138,682	138,682

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

The Board proposed to make a distribution out of contributed surplus account of RMB3.54 cents (equivalent to HK cents 4.42) (2016: RMB3.54 cents (equivalent to HK cents 4)) per ordinary share amounting to a total of RMB 138,682,000. The proposed distribution is based on 3,917,570,961(2016: 3,917,570,961) shares issued as at 28 March 2018. The proposed final dividend is not reflected as a dividend payable as of 31 December 2017, but will be recorded as a distribution for the year ending 31 December 2018.

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14 Benefits and interests of directors

(i) Directors' emoluments

The remuneration of each director is set out below:

For the year ended 31 December 2017:

	Fees RMB'000	Salaries, allowances and bonus RMB'000	Contribution to retirement and other benefits RMB'000	Restricted share award RMB'000	Total RMB'000
For the year ended 31 December 2017					
Executive directors					
Tian Ming	-	4,504	69	-	4,573
Xiang Jiong	-	2,994	75	-	3,069
Shen Leying	-	3,041	98	-	3,139
Xie Yuanjian	-	2,646	75	-	2,721
Zhou Qin	-	2,139	38	-	2,177
Independent non-executive directors					
Xu Xiaonian	300	-	-	-	300
Ding Yuan	300	-	-	-	300
Lee Kwan Hung	300	-	-	-	300
Non-executive directors					
Zhou Yimin	-	-	-	-	-
	900	15,324	355	-	16,579

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14 Benefits and interests of directors (Continued)

(i) Directors' emoluments (Continued)

	Fees RMB'000	Salaries, allowances and bonus RMB'000	Contribution to retirement and other benefits RMB'000	Restricted share award RMB'000	Total RMB'000
For the year ended 31 December 2016					
Executive directors					
Tian Ming	-	4,028	15	988	5,031
Xiang Jiong	-	2,948	70	988	4,006
Shen Leying	-	2,886	100	677	3,663
Xie Yuanjian	-	2,543	58	572	3,173
Zhou Qin	257	766	86	520	1,629
Independent non-executive directors					
Xu Xiaonian	257	-	-	-	257
Ding Yuan	257	-	-	-	257
Lee Kwan Hung	257	-	-	-	257
Non-executive director					
Zhou Yimin	-	-	-	-	-
	1,028	13,171	329	3,745	18,273

(ii) Directors' retirement benefits and termination benefits

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

(iii) Consideration provided to third parties for making available directors' services

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

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****14 Benefits and interests of directors (Continued)**

(v) Directors' material interests in transactions, arrangements or contracts

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

15 Five highest paid individuals and senior management's emolument

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

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

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Basic salaries, allowances and bonus	9,788	2,874
Contribution to retirement benefits schemes	148	67
Restricted share award	-	530
	<u>9,936</u>	<u>3,471</u>

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

	Numbers of individuals 2017	Numbers of individuals 2016
RMB3,000,000 to RMB4,000,000	-	1
RMB4,000,000 to RMB5,000,000	1	-
RMB5,000,000 to RMB6,000,000	1	-
	<u>2</u>	<u>1</u>

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

	Numbers of individuals 2017 RMB'000	Numbers of individuals 2016 RMB'000
RMB0 to RMB1,000,000	1	1
RMB1,000,000 to RMB2,000,000	9	3
RMB2,000,000 to RMB3,000,000	1	3
RMB3,000,000 to RMB4,000,000	-	1
	<u>11</u>	<u>5</u>

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16 Interests in associates

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

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

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

(i) Proportional commitments and contingent liabilities in respect of associates

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

(ii) Summarised financial information for associates

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16 Interests in associates (Continued)

(ii) Summarised financial information for associates (Continued)

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****16 Interests in associates (Continued)****(iii) Individually immaterial associates**

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Aggregate carrying amount of individually immaterial associates	<u>237,688</u>	<u>188,836</u>
	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Aggregate amounts of the Group's share of Profit	<u>207,359</u>	<u>62,524</u>

17 Interests in joint ventures

	31 December 2017 RMB'000	31 December 2016 RMB'000
Share of net assets	<u>1,885,436</u>	<u>261,610</u>

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17 Interests in joint ventures (Continued)

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

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

* These companies were incorporated in the year of 2017.

(i) Proportional commitments and contingent liabilities in respect of joint ventures

	31 December 2017 RMB'000	31 December 2016 RMB'000
Commitments – joint ventures		
- capital commitment	249,011	-
- lease commitment	1,184	1,153
	<u>250,195</u>	<u>1,153</u>

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17 Interests in joint ventures (Continued)

(ii) Summarised financial information for joint ventures (Continued)

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****17 Interests in joint ventures (Continued)****(iii) Individually immaterial joint ventures**

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

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

18 Investment property

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

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

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

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

Investment property was valued at 31 December 2017 by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who is a member of Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties.

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

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18 Investment property (Continued)

Fair value hierarchy

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

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

Valuation processes of the Group

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

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

At each financial year end the finance department:

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

Valuation techniques

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

18 Investment property (Continued)

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19 Property, plant and equipment

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

(i) For the year ended 31 December 2017, the Group acquired two buildings for self-use and management, which both located in Shanghai at the cost of RMB 322,960,000 and RMB 126,114,000 respectively. As 31 December 2017, the Group has obtained the title certificates for the two buildings. The buildings were under decoration and not yet ready for use as at 31 December 2017.

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****20 Properties held for sale**

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

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

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

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

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

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
As at 1 January	(2,157)	-
provision during the year	(1,032)	(2,157)
	<u>(3,189)</u>	<u>(2,157)</u>
As at 31 December	<u>(3,189)</u>	<u>(2,157)</u>

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****21 Inventories**

	31 December 2017 RMB'000	31 December 2016 RMB'000
Decoration materials (note 9)	52,069	23,501

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

22 Properties under development

Movement of properties under development is as follows:

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

Analysis of properties under development is as follows:

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

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

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

As at 31 December 2017, properties under development with net book value of RMB 2,138,953,000 (2016: RMB4,321,649,000) were pledged as collateral for the Group's bank borrowings (note 29).

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****22 Properties under development(Continued)**

On 11 October 2017, the Group signed an agreement with a third party at a proceed of RMB869,586,000 to sell a parcel of leasehold land located in Tianjin with net book value of RMB 194,379,000. As at 31 December 2017, RMB 600,000,000 has been received and the related leasehold land was pledged for the third party's borrowing. The disposal had not been completed as at 31 December 2017.

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

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

23 Trade receivables

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

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

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

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

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****23 Trade receivables (Continued)**

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

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
At 1 January	2,559	421
provision during the year	2,783	2,138
	<hr/>	<hr/>
At 31 December	5,342	2,559
	<hr/>	<hr/>

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
RMB	409,537	232,212
USD	225,267	3,617
	<hr/>	<hr/>
	634,804	238,829
	<hr/>	<hr/>

As at 31 December 2017, RMB 27,820,000(2016: RMB13,985,000) trade receivables were past due but not impaired.

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

24 Deposits for purchase of land

As at 31 December 2017, deposits for purchase of land represent the deposits made for acquisition of land parcels in the USA.

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
USD	212,125	-
RMB	-	42,000
	<hr/>	<hr/>
	212,125	42,000
	<hr/>	<hr/>

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

25 Other receivables, prepayments and deposits

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

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

- (i) Of the total lendings to third parties, RMB66,443,000 (2016:RMB30,000,000) was secured by the equity securities of two companies which holds properties in the PRC.
- (ii) Prepaid rental fee is rental prepaid for the leasing of properties to be used for long-term rental apartments.
- (iii) Effective from 1 May 2016, the Group's PRC subsidiaries are subject to value added tax for its sales of properties. The applicable tax rate is 11% under normal VAT arrangement and is 5% for qualified old projects with a simplified method. Input VAT under normal VAT arrangement is deductible and is recorded as "other receivables, prepayments and deposits" when there is a debit balance.

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****25 Other receivables, prepayments and deposits (Continued)**

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

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

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
<u>Non-current assets</u>		
Prepayment for acquisition of subsidiaries	55,539	-
Lendings to third parties	113,460	30,000
Deposits for property maintenance	8,597	3,751
Value added tax to be offset	1,000	-
Deposit paid for acquisition of an associate	-	390,103
	<u>178,596</u>	<u>423,854</u>

Current assets

Value added tax to be offset and other prepaid value added tax and other surcharges	152,596	189,940
Prepaid rental fee	59,916	-
Deposits for purchase of land	33,483	1,000
Deposits in housing fund	18,712	17,729
Prepaid professional fee	-	8,806
Prepaid interests	-	11,200
Other receivables and prepayments	116,634	100,259
	<u>381,341</u>	<u>328,934</u>

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26 Amounts due from non-controlling interests

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

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

27 Restricted cash and cash and cash equivalents

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27 Restricted cash and Cash and cash equivalents(Continued)

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
RMB	3,127,073	2,607,451
USD	492,066	363,342
HKD	4,648	8,059
	<u>3,623,787</u>	<u>2,976,852</u>

28 Creditors and accruals

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

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

The aging analysis of payables for construction materials and services:

	31 December 2017 RMB'000
Less than one year	1,035,053
One to two years	30,933
Two to three years	5,865
Over three years	90,230
	<u>1,162,081</u>

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

28 Creditors and accruals (Continued)

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

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

29 Borrowings

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****29 Borrowings (Continued)**

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

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

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

- (i) restricted cash of RMB7,291,000 (2016: RMB1,325,000) (note 27);
- (ii) properties held for sale owned by two fellow subsidiaries of the ultimate holding company of RMB526,511,000 (2016: RMB157,941,000);
- (iii) properties under development with carrying value of RMB2,138,953,000 (2016: RMB4,321,649,000);
- (iv) investment property of RMB319,830,000 (2016: RMB290,920,000) (note 18);
- (v) guarantee provided by the ultimate holding company;
- (vi) pledged by equity interest of subsidiaries of the Group.

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

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

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

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

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****29 Borrowings (Continued)**

Borrowings are repayable as follows:

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

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

30 Deferred income tax

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

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

As at 31 December 2017, deferred income tax assets and deferred income tax liabilities of RMB 57,911,000(31 December 2016: 105,747,000) were offset.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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30 Deferred income tax (Continued)

The movements in the net deferred tax are as follows:

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

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

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****30 Deferred income tax (Continued)**

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

31 Amounts due to non-controlling interests

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

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

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

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

32 Share capital

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

33 Share options and restricted share award scheme

(a) Share options

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

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

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

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

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

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the official closing price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33 Share options and restricted share award scheme (Continued)

(a) Share options (Continued)

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

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

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

The Scheme

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

(b) Restricted share award scheme

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

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

During the year ended 31 December 2017, 12,352,000(2016: 144,000) existing shares at a cost of RMB 8,578,000(2016:RMB 90,000) were purchased by the trustee. Meanwhile, dividends of RMB2,035,000(2016:RMB 1,936,000) were received by the trustee.

LANDSEA GREEN GROUP CO., LTD.

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33 Share options and restricted share award scheme (Continued)

(b) Restricted share award scheme (Continued)

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

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

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

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****34 Convertible perpetual securities**

The movements in the convertible perpetual securities are as follows:

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

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

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

The Company paid a final dividend of RMB3.3 cents (equivalent to HK4 cents) per share for the year ended 31 December 2015 on 6 July 2016 to Shareholders whose names appeared on the register of members of the Company on 20 June 2016 (the “Record Date 1”), which constitutes an adjustment event of the initial conversion price pursuant to the terms and conditions of the securities. The Company issued a written notice to the security holder on 13 January 2017 in respect of the adjustment made to the initial conversion price from HK\$0.7508 per Share to HK\$0.7050 per share with retrospective effect from 21 June 2016, being the date immediately following the Record Date 1. Similarly, following the payment of 2016 dividend of RMB 3.54 cents (equivalent to HKD 4 cents) per share in 3 July 2017 (“Record Date 2”). The Company issued a written notice to the security holder on 4 July 2017 in respect of the adjustment made to the conversion price from HK\$0.7050 per Share to HK\$0.6600 per share with retrospective effect from 8 June 2017, being the date immediately following the Record Date 2.

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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34 Convertible perpetual securities (Continued)

- (a) Distribution shall be payable on the convertible perpetual securities to the investor semi-annually in arrear at the following rate of distribution:
- (i) 7.5% per annum in respect of the period from the completion date to the third anniversary of the completion date; and
 - (ii) 13.5% per annum after the third anniversary of the completion date.
- (b) In January 2016, the Company issued convertible perpetual securities to Landsea International with an aggregate principal amount of HK\$432,687,009 (equivalent to RMB363,847,000) to acquire Epic China.

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

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

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

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

During the year ended 31 December 2017, the Group has accrued and paid distribution of RMB 19,679,000 and RMB8,458,000, respectively (2016: RMB18,661,000 and RMB8,358,000, respectively).

LANDSEA GREEN GROUP CO., LTD.

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35 Reserves

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

35 Reserves (Continued)

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

35 Reserves (Continued)

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

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

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

36 Non-controlling interests

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

37 Acquisitions of subsidiaries (asset acquisitions)

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

During the year 2017, the Group acquired Xudong. The related assets and liabilities recognised in the consolidated statement of financial position on the dates of the acquisitions were as follows:

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

(ii) Others

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

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

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

37 Acquisitions of subsidiaries (asset acquisitions)

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

38 Disposals of subsidiaries

- (i) Xudong

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

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

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

38 Disposals of subsidiaries (Continued)

(ii) Others

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

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

38 Disposals of subsidiaries (Continued)

(iii) Deemed disposal of subsidiaries

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

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

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

(iv) Summary with details are as follows:

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

39 Disposals of subsidiaries (Continued)

(v) Disposal during the year ended December 2016

(a) Disposal of subsidiaries without retained equity interests

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

40 Disposals of subsidiaries (Continued)

(v) Disposal during the year ended December 2016

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

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

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****39 Commitments****(a) Operating lease arrangement**Group – As lessee

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

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

Group - As lessor

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

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

39 Commitments (Continued)

(b) Capital commitment

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

40 Cash generated from operations

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

(a) Cash flow information

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****40 Cash generated from operations (Continued)****(b) Reconciliation of liabilities arising from financing activities**

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

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

*The cash flows include financing cash inflow of RMB 1,626,814,000 and operating cash inflow of RMB1,019,400,000.

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****41 Related party balances and transactions**

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

(a) Amounts due from related parties

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

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

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

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

Included in current amount due from joint ventures is RMB 461,895,000 related to the disposal of a subsidiary(note 38), which was subsequently collected on 11 January 2018.

As of 31 December 2016, non-current amounts due from joint ventures includes RMB 146,304,000 generating interest at 8.5% and the remaining is interest-free. Current amounts due from joint ventures includes RMB 100,000,000 generating interest at 8% per annum and the remaining is interest-free.

All amounts due to related parties are unsecured.

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

41 Related party balances and transactions (Continued)

(b) Amounts due to related parties

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

- (i) As of 31 December 2017, non-current amounts due to associates is interest-free. Current amounts due to associates includes RMB 293,700,000 bearing interest at 8.5% per annum and the remaining is interest-free.

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

- (ii) As of 31 December 2017, non-current amounts due to joint ventures includes RMB 315,230,000 bearing interest ranging from 6% to 7.5% per annum and the remaining is interest-free. Current amount due to joint ventures is interest-free.

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

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

As of 31 December 2016, current amounts due to fellow subsidiaries of the ultimate holding company bears interest at 5.5% per annum.

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

As of 31 December 2016, non-current amounts due to the ultimate holding company is interest-free.

All amounts due to related parties are unsecured.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

41 Related party balances and transactions (Continued)

(c) Trade receivables

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

(d) Borrowings

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

(e) Related party transactions

(1) Funding with related parties

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

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

41 Related party transactions (Continued)

(e) Related party transactions(Continued)

(2) Mangement services, other income and finance cost

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Management services income from associates and joint ventures (note 5)	421,983	187,845
Management services income from fellow subsidiaries of the ultimate holding company (note 5)	612	74,045
Interest income received from associates (note 41 (a)(i))	52,454	75,841
Interest income received from joint ventures (note 41 (a)(ii))	52,948	19,223
Interest expense on loans from the ultimate holding company (iii)	126,888	100,296
Interest expense on loans from fellow subsidiaries of the ultimate holding company (note 41 (b)(iii))	58,098	830
Interest expense on loans from joint ventures (note 41 (b)(ii))	29,789	15,817
Interest expense on loans from associates (note 41(b)(i))	11,388	13,058
	<u> </u>	<u> </u>

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

41 Related party transactions (Continued)

(e) Related party transactions(Continued)

- (i) During the year, the Group provided property development and management services to its associates and joint ventures, and the prices of these services are based on the prevailing market prices of similar services.
- (ii) Pursuant to the Management Services Agreement entered into between the Group and its ultimate holding company, the Group has provided certain project development and management, sales management to fellow subsidiaries of its ultimate holding company. These transactions constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

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

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

- (f) Included in employee benefit expenses are key management personnel compensations which comprises the following categories:

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

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****42 Guarantee**

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

- (i) The Group has in cooperation with certain financial institutions arranged mortgage loan facilities for its purchasers of properties and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees will be released by banks upon the issuance of the real estate ownership certificate to the purchasers or the satisfaction of mortgaged loan by the purchase of properties, whichever is earlier. In the opinion of directors of the Company, the fair value of the financial guarantee contracts is not significant.
- (ii) As at 31 December 2017 and 2016, the Group provided a guarantee to Fenway Ventures Point Properties LLC, a 50% joint venture of LS-Boston Point LLC, for its bank borrowings. Obligations under such guarantees shall be discharged pursuant to the counter-indemnity provided by Landsea Group Co., Ltd.

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****43 Principal subsidiaries**

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Cathay Holdings Limited 國泰集團有限公司(note1)	Hong Kong	2 shares of HK\$1 each	100	100	100	Investment holding
China Information Industry Limited 中國信息產業有限公司 (note1)	Hong Kong	2 shares of HK\$1 each	-	100	100	Investment holding
Dawning Information Industry (Shenzhen) Limited # 曙光信息產業（深圳）有限公司#(note1)	PRC	HK\$152,120,000	-	100	100	Property leasing and building management
GOI Limited (note1)	Hong Kong	2 shares of HK\$1 each	100	100	100	Investment holding
Green Future Holdings Limited 綠色未來控股有限公司 (note1)	Hong Kong	1 share of HK\$1	100	100	100	Investment holding
Green Homeland Limited 綠色家園有限公司(note1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Green Theme Limited(note1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
New Phenomenon Technology Limited(note1)	BVI	1 share of US\$1	100	100	100	Investment holding
Aqua Sky Limited (note1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Easy Shine Global Limited(note1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Green Era Limited(note1)	Hong Kong	US\$50,000	100	100	100	Investment holding
Power sky enterprise Limited(note1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Prosperous eagle Limited(note1)	Hong Kong	1 share of HK\$1 each	100	100	100	Investment holding
Nanjing Langming Properties Group Limited*# 南京朗銘地產集團 有限公司#	PRC	RMB1,050,000,000	-	100	100	Investment holding
Hangzhou Langhong Property Limited*# 杭州朗宏置業有限 公司#	PRC	RMB100,000,000	-	100	100	Property development
Chengdu Langming Property Limited*# 成都朗銘置業有限 公司#	PRC	RMB8,000,000	-	100	100	Property development
Shanghai Langming Property development Limited*# 上海朗銘房地產開 發有限公司#	PRC	RMB50,000,000	-	100	100	Property development

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Suzhou Langkun Property Limited*# 蘇州朗坤置業有 限公司	PRC	RMB100,000,000	-	55	55	Property development
Shanghai Langxin Properties Development Limited*# 上海朗信房地產 開發有限公司#	PRC	RMB50,000,000	-	100	100	Property development
Wuxi Langhua Development Co., Ltd.*# 無錫朗華置業有 限公司#	PRC	RMB50,000,000	-	100	100	Property development
Nanjing Ganjia Investment Limited*# 南京乾嘉投資有 限公司#	PRC	RMB8,000,000	-	100	100	Property development
Nanjing Landsea Shenlu Property Management Limited*# 南京朗詩深綠物業 管理有限公司#	PRC	RMB5,000,000	-	100	100	Property leasing and building management
Nanjing Landsea Investment Management Limited*# 南京朗詩投資管 理有限公司#	PRC	RMB200,000,000	-	100	100	Investment holding

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Shanghai Landsea Investment Management Limited*# 上海朗詩投資管 理有限公司#	PRC	US\$5,000,000	-	100	100	Investment holding
Shanghai Langmao Investment Management Limited*# 上海朗茂投資管 理有限公司#	PRC	US\$500,000	-	100	100	Investment holding
Nanjing Langqing Property Limited*# 南京朗慶置業有 限公司#	PRC	HK\$1,371,480,000	-	100	100	Property development
Nanjing Landsea Construction and Decoration Limited*# 南京朗詩建築裝 飾有限公司#	PRC	RMB50,000,000	-	100	100	Decoration and design
Zhejiang Langyue Construction and Decoration Limited*# 浙江朗悅建築裝 飾有限公司#	PRC	RMB10,000,000	-	100	100	Decoration and design
Ningbo Jinwo Business Investment Co., Ltd.*# 宁波金沃商业投 资有限公司#	PRC	RMB30,000,000.00	-	100	-	Property development

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Wuxi Minglang Property Limited*# 無錫明朗置業有限公司#	PRC	RMB50,000,000	-	100	100	Property development
Chongqing Langrui Equity Investment Fund Partnership (Limited Partnership)*# 重慶朗睿股權投資基金合夥企業(有限合夥)#	PRC	RMB2,000,000,000	-	100	100	Investment holding
Wuhan Langxi Equity Investment Fund Partnership (Limited Partnership)*# 武漢朗熙股權投資基金合夥企業(有限合夥)#	PRC	RMB1,999,800,000	-	100	100	Investment holding
Shanghai Langqing Investment Management Limited*# 上海朗青投資管理有限公司#	PRC	RMB17,183,252.53	-	100	100	Investment holding
Nanjing Xinbeisheng Investment Limited*# 南京鑫貝盛投資管理有限公司#	PRC	Subscription	-	100	100	Investment holding

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Nanjing Bozhixin Investment Management Limited*# 南京博之鑫投資管理有限公司#	PRC	RMB17,880,000	-	100	100	Investment holding
Nanjing Xinhuisheng Investment Management Limited*# 南京鑫輝盛投資管理有限公司#	PRC	RMB8,000,000	-	60	60	Investment holding
Nanjing Xinzhousheng Investment Management Limited*# 南京鑫洲盛投資管理有限公司#	PRC	Subscription	-	100	100	Investment holding
Nanjing Xinmingsheng Investment Management Limited*# 南京鑫明盛投資管理有限公司#	PRC	Subscription	-	100	100	Investment holding
Suzhou Langrui Investment Mangement Limited*# 蘇州朗銳投資管理有限公司#	PRC	Subscription	-	100	100	Investment holding

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Hangzhou Langhui Investment Management Limited*# 杭州朗輝投資管 理有限公司#	PRC	RMB5,000,000	-	100	100	Investment holding
Shanghai Langju Properties Development Limited*# 上海朗居房地產開 發有限公司#	PRC	Subscription	-	100	100	Property development
Beijing Landsea Investment Limited*# 北京朗詩投資管理 有限公司#	PRC	RMB50,000,000	-	100	100	Property development
Nanjing Landsea Landscape Limited*# 南京朗詩園林景觀 有限公司#	PRC	RMB2,000,000	-	100	100	Property development
Wuhan Langming Investment Limited*# 武漢朗銘投資有限 公司#	PRC	Subscription	-	100	100	Property leasing and building management
Zhongfuyiyang (Tianjin) Real Estate Co., Ltd.*# 中福頤養（天津） 置業有限公司#	PRC	RMB100,000,000	-	75	75	Property development

LANDSEA GREEN GROUP CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Shanghai Landsea Planning and architectural design Co.,Ltd.*# 上海朗诗规划建 筑设计有限公司 (原上海汤正规 划建筑设计有限 公司) #	PRC	RMB3,000,000	-	100	100	Decoration and design
Wuhan Langheng Industrial Co.Ltd.*# 武 汉 朗恒实业有限公 司#	PRC	Subscription	-	100	100	Property development
Shanghai Langji Enterprise Management Consulting Co., Ltd.*# 上海朗际企业管 理咨询有限公司 #	PRC	Subscription	-	100	100	Investment holding
Shanghai Langshan Industrial Co., Ltd.*# 上海朗杉实业有 限公司#	PRC	RMB10,000,000	-	100	100	Property development
Hangzhou Langkang Investment Co., Ltd.*# 杭州朗康投资有 限公司#	PRC	Subscription	-	100	100	Investment holding

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Xian Jiapeng Real Estate Development Co. LTD.*# 西安嘉鹏房地产 开发有限公司#	PRC	RMB 20,000,000	-	70	-	Property development
Xian Langshiming Real Estate Development Co. LTD.*# 西安朗诗铭房地 产开发有限公司 #	PRC	Subscription	-	100	-	Property development
Shanghai Langzhi Property Limited*# 上海朗智置業有 限公司#	PRC	RMB8,000,000	-	100	100	Property development

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Hangzhou Langyu Investment Management Co. LTD.*# 杭州朗寓投资管 理有限公司#	PRC	RMB105,492,600.00	-	100	-	Leasing
Beijing Langshiyu Business Management Co. LTD.*# 北京朗诗寓商业 管理有限公司#	PRC	RMB12,270,000.00	-	100	-	Leasing
Langshiyu(Shen zhen) Business Management Co. LTD.*# 朗诗寓商业管理 (深圳)有限公 司#	PRC	RMB 2,180,000.00	-	100	-	Leasing
Hangzhou Langrong Investment Co. LTD.*# 杭州朗荣投资有 限公司#	PRC	RMB 44,530,000.00	-	100	100	Leasing
Shanghai Langsong Industrial Co. LTD.*# 上海朗松实业有 限公司#(note1)	PRC	RMB120,000,000.00	-	100	100	Leasing
Nanjing Langshiyu Business Management Co. LTD.*# 南京朗诗寓商业 管理有限公司	PRC	RMB50,000,000.00	-	100	-	Leasing

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows:
(Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
Chengdu Langming Real Estate Co. LTD.*# 成都朗铭置业有 限公司#(note1)	PRC	RMB8,000,000.00	-	100	100	Property development
Chengdu Lansheng Enterprise Management Consulting Co. LTD.*# 成都朗昇企业管 理咨询有限公司 #	PRC	Subscription	-	100	-	Investment holding
Landsea Holdings Corporation	US	US\$158,873,331	-	100	100	Investment holding
SF Vale LLC(note2)	US	US\$9,000,000	-	5	5	Investment holding
LS- Jordan Ranch LLC	US	US\$19,900,870	-	100	100	Real estate development and sales US

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

43 Principal subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group as at 31 December 2017 (%)	Proportion of ordinary shares held by the Group at 31 December 2016 (%)	Principal activities and place of operation
159 Aliso Ridge Loop LLC	US	US\$4,004,043	-	100	100	Sell real estate held for development US
LS-LA Simi LLC	US	US\$21,786,756	-	100	100	Real estate development and sales US
LS-OC Portola LLC	US	US\$102,849,956	-	100	100	Real estate development and sales US
LS-Walnut Creek LLC	US	US\$12,945,233	-	100	100	Real estate development and sales US
LS-NJ Port Imperial LLC	US	US\$96,335,191	-	100	100	Real estate development and sales - New Jersey
LS-Sunnyvale LLC	US	US\$133,269,944	-	71	71	Real estate development and sales - California
Long City Ventures Limited	BVI	US\$50,000	-	100	100	Property development
Epic China Limited	BVI	US\$50,000	100	100	100	Investment holding
Landsea Equity LLC	Delaware	US\$51,900,000	-	100	100	Investment holding

Limited liability company registered in the PRC

* For identification purpose only

Note1 Senior private notes are guaranteed by these shares of the companies (note 29).

Note2 The Group is the only managing member of the Company.

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****44 Associates**

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

Name	Place of establishment/ operations	Percentage of ownership interests (%)	Principal activities
杭州万业置业有限公司#Hangzhou Wanye Property Co., Ltd.* #	PRC	34	Property development
苏州科技城朗诗置业有限公司# Suzhou Science and Technology Town Landsea Property Co., Ltd.*#	PRC	20	Property development
南京招商兴盛房地产有限公司# Nanjing Merchant Xingsheng Property Development Co., Ltd.*#	PRC	30	Property development
南京奥建置业有限公司# Nanjing Aojian Properties Co., Ltd.*# (a)	PRC	12.97	Property development
南京学衡置业有限公司# Nanjing Xueheng Properties Co., Ltd.*#	PRC	49.9	Property development
成都辰诗置业有限公司# Chengdu Chenshi Properties Co., Ltd.*#	PRC	25	Property development
杭州朗优房地产开发有限公司# Hangzhou Langyou Properties Development Limited*#	PRC	49	Property development
杭州朗宁投资有限公司#Hangzhou Langning Investment Limited*#	PRC	27	Investment holding
成都太行瑞宏房地产开发有限公司# Chengdu Taihang Ruihong Properties Development Limited*# (a)	PRC	9.91	Property development
成都城峰企业管理咨询有限公司 Chengdu Chengfeng Enterprise Management and Consultant Limited*#	PRC	33	Investment holding
寰安置业（成都）有限公司# Allgreen Properties (Chengdu) Pte.Ltd.*#	PRC	33	Property development
浙江天元房地产开发有限公司#Zhejiang Tianyuan Properties Development Company Limited*#	PRC	40	Property development
海宁朗宏房地产开发有限公司#Haining Lanhong Real Estate Development Co., Ltd.*#(b)	PRC	80	Property development
苏州乾道实业有限公司#Suzhou Qiandao Industrial Co., LTD.*#	PRC	19	Property development
南京旭晟辉企业管理咨询有限公司#Nanjing Xushenghui Enterprise Management Consulting Co., LTD.*#	PRC	40	Investment holding

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****44 Associates (Continued)**

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

Name	Place of establishment/ operations	Percentage of ownership interests (%)	Principal activities
南京颐成房地产开发有限公司# Nanjing Yicheng Real Estate Development Co. LTD.*#	PRC	20	Property development
江阴朗晟房地产开发有限公司# Jiangyin Lansheng Real Estate Development Co. LTD.*#	PRC	19	Property development
朗诗荣达（北京）投资管理有限公司# Landsea Rongda (Beijing) Investment Management Co. LTD.	PRC	20	Investment holding

Limited liability company registered in the PRC
* For identification purpose only

- (a) The Group has one board seat in Nanjing Aojian Properties Co., Ltd. and Chengdu Taihang Ruihong Properties Development Limited, respectively.
- (b) According to the co-operation agreement with a third party, the Group only has significant influence in the entity, the Group account it as interest in associate.

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

45 Joint ventures

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

Name	Place of establishment/ operations	Percentage of ownership interests (%)	Principal activities
南京朗潤房地產開發有限公司# Nanjing Langrun Property Development Company Limited#	PRC	50.1	Property development
蘇州朗宏置業有限公司# Suzhou Langhong Property Limited*#	PRC	51.0	Property development
Silver Knight Global Limited (HK)	Hong Kong	38.46	Investment holding
杭州朗平置業有限公司# Hangzhou Langping Property Co., Ltd.*#	PRC	50	Property development
苏州高铁新城朗诗置业有限公司# Suzhou Gaotie Xincheng Landsea Properties Co., Ltd.*#	PRC	51	Property development
深圳朗信合投资中心（有限合伙）# Shenzhen Langxinhe Investment Company (Limited Partnership)*#	PRC	23	Investment holding
武汉朗诗长安投资有限公司# Wuhan Changan Investment Limited*#	PRC	60	Investment holding
LS-Boston Point LLC	US	50	JV with Ping An - invested in Boston project
湖北供销徐东民生广场置业有限公司# Hubei Supply and Marketing Xudong Minsheng Plaza Properties Limited*#	PRC	30	Property development
中福乐龄（天津）置业有限公司# Zhongfuleling (Tianjin) Real Estate Co., Ltd.*#	PRC	35	Property development
中福颐乐（天津）置业有限公司# Zhongfuyile (Tianjin) Real Estate Co., Ltd.*#	PRC	35	Property development
成都尚高投资有限公司# Chengdu Shanggao Investment Co., Limited*#	PRC	50	Property development
重庆星德房地产开发有限公司# Chongqing Xingde Real Estate Development Co. LTD.*#	PRC	25.5	Property development

LANDSEA GREEN GROUP CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****45 Joint ventures (Continued)**

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

Name	Place of establishment/ operations	Percentage of ownership interests (%)	Principal activities
成都朗辉企业管理咨询有限公司# Chengdu Langhui Corporate Management and Consulting Co., Ltd.*#	PRC	50	Investment holding
成都汉飞房地产开发有限公司# Chengdu Hanfei Properties Development Co., Ltd *#	PRC	50	Property development
杭州朗正投资有限公司# Hangzhou Langzheng Investment Limited *#	PRC	50	Property development
嘉兴朗达一号投资合伙企业（有限合伙）# Jiaxin Langda I Investment Partnership (Limited Partnership) . *#	PRC	30	Investment holding
嘉兴朗达二号投资合伙企业（有限合伙）# Jiaxin Langda II Investment Partnership (Limited Partnership). *#	PRC	30	Investment holding
上海中城乾念投资中心（有限合伙）# Shanghai Zhongcheng Qiannian Investment Company (Limited Partnership) . *#	PRC	50	Investment holding
天津朗信投资管理有限公司# Tianjin Langxin investment management Co., Ltd. *#	PRC	51	Investment holding
上海著久企业管理咨询有限公司# Shanghai Zhujiu Enterprise Management Consulting Co., Ltd.*#	PRC	50	Investment holding
宜兴美晟置业有限公司#(Yixing Meisheng Real Estate Co., Ltd.)*#	PRC	51	Property development
肥东皖新文化产业投资有限公司# Feidong Wanxin Cultural Industry Investment Co., Ltd.*#	PRC	10	Investment holding
合肥皖新朗诗文化投资有限公司# Hefei Wanxin Cultural Investment Co., Ltd.*#	PRC	25	Investment holding
上海朗诗深绿投资企业（有限合伙）# Shanghai Landsea Shenlv Investment Enterprise (limited partnership)*#	PRC	5.44	Investment holding

LANDSEA GREEN GROUP CO., LTD.

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45 Joint ventures (Continued)

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

Name	Place of establishment / operations	Percentage of ownership interests (%)	Principal activities
亚太经贸联合有限公司 Asia Pacific Business Link Limited*	Hong Kong	38.46	Property development
上海亚太国际房地产有限公司# Shanghai Asia Pacific International Real Estate Co.,LTD.*#	PRC	38.46	Property development
LS-NJ Port Imperial JV LLC*	USA	51	Property development
LS-LIA Manager LLC	USA	50	Management services
LS-LIA Manager II LLC	USA	50	Management services
LS-LIA Manager III LLC	USA	50	Management services
LS-LIA Manager IV LLC	USA	50	Management services

Limited liability company registered in the PRC

* For identification purpose only

46 Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised statements of balance sheet

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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46 Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised statements of comprehensive income

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

Summarised cash flows

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

47 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current assets		
Investments in subsidiaries	399,089	78,126
Investments in joint ventures	129,701	123,755
	<u>528,790</u>	<u>201,881</u>
Current assets		
Other receivables, prepayments and deposits	415	2,350
Amounts due from subsidiaries	4,405,246	4,120,585
Restricted cash	-	1,325
Cash and cash equivalents	8,823	13,148
	<u>4,414,484</u>	<u>4,137,408</u>
Total assets	<u>4,943,274</u>	<u>4,339,289</u>
Current liabilities		
Creditors and accruals	17,559	3,355
Amounts due to subsidiaries	2,799,566	1,985,429
Borrowings	1,002,958	292,156
	<u>3,820,083</u>	<u>2,280,940</u>
Non-current liabilities		
Borrowings	213,990	685,747
Total liabilities	<u>4,034,073</u>	<u>2,966,687</u>
Equity		
Share capital	31,800	31,800
Convertible perpetual securities	Note (a) 495,425	484,204
Reserves	Note (a) 381,976	856,598
Total equity	<u>909,201</u>	<u>1,372,602</u>
Total liabilities and equity	<u>4,943,274</u>	<u>4,339,289</u>

The balance sheet of the Company was approved by the Board of Directors on 28 March 2018 and was signed on its behalf

Xiang Jiong
Director

Shen Leying
Director

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

47 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

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

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

LANDSEA GREEN GROUP CO., LTD.

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47 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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47 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

(i) Reserves movement of the Company (Continued)

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

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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47 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

(i) Reserves movement of the Company (Continued)

	Share premium RMB'000	Translation reserve RMB'000	Share based compensation reserve RMB'000	Employee share trust RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	712,051	118,314	19,800	(28,907)	23,185	114,711	(102,556)	856,598
Exchange difference arising from translation of foreign operation	-	(76,929)	-	-	-	-	-	(76,929)
Loss for the year	-	-	-	-	-	-	(232,789)	(232,789)
Total comprehensive loss for the year	-	(76,929)	-	-	-	-	(232,789)	(309,718)
Issuance of shares	-	-	-	-	-	-	-	-
Shares held for restricted share award scheme	-	-	-	(6,543)	-	-	-	(6,543)
Accrued distribution to holders of convertible perpetual securities	-	-	-	-	-	-	(19,679)	(19,679)
Share premium reduction	(500,000)	-	-	-	-	500,000	-	-
Dividend	-	-	-	-	-	(138,682)	-	(138,682)
Subtotal of transaction with shareholders	(500,000)	-	-	(6,543)	-	361,318	(19,679)	(164,904)
At 31 December 2017	212,051	41,385	19,800	(35,450)	23,185	476,029	(355,024)	381,976

LANDSEA GREEN GROUP CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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48 Subsequent events

- (i) On 7 February 2018, Shanghai Langqing and Nanjing Langming, wholly-owned subsidiaries of the Company, entered into the Transfer Agreement with CITIC Capital and Pingan Heding, pursuant to which (i) CITIC Capital conditionally agreed to sell and Shanghai Langqing conditionally agreed to purchase the entire Property Share of General Partner of the Partnership at the consideration of RMB10,000; and (ii) Pingan Heding conditionally agreed to sell and Nanjing Langming conditionally agreed to purchase the entire Property Share of Limited Partner of the Partnership at the consideration of RMB221,000,000.
- (ii) On 28 February 2018, Landsea Green Properties Co., Ltd. changed its name to Landsea Green Group Co., Ltd.