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LANDSEA GREEN GROUP CO., LTD.

朗詩綠色集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 106)

**CONNECTED TRANSACTION
PROPOSED ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE FOR CAPITALIZATION OF THE
SHAREHOLDER LOAN**

THE CAPITALIZATION

On 2 November 2018 (after trading hours), the Company and the Subscriber entered into the Agreement pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 341,176,471 new Shares at the Issue Price of HK\$0.85 per Share for the capitalization of the outstanding principal amount of the Shareholder Loan.

The Capitalization Shares represent (i) approximately 8.71% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.01% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalization Shares.

SPECIFIC MANDATE

The Capitalization Shares will be allotted and issued by the Company under the Specific Mandate. An application will be made to the Stock Exchange for the listing of and permission to deal in the Capitalization Shares on the Stock Exchange.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Subscriber is the controlling shareholder of the Company which holds 1,997,961,187 Shares, representing approximately 51.00% of the issued share capital of the Company, through its wholly-owned subsidiary The Subscriber is therefore a connected person of the Company. Accordingly, the Capitalization constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Agreement. The Company will in due course appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The circular containing, among other things, further details of the Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement is expected to be despatched by the Company to the Shareholders on or before 29 November 2018.

THE CAPITALIZATION

On 2 November 2018 (after trading hours), the Company and the Subscriber entered into the Agreement. The principal terms are set out below:

Date

2 November 2018

Parties

- (a) the Company; and
- (b) the Subscriber.

Capitalization Shares

Pursuant to the Agreement, the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, the Capitalization Shares at the Issue Price for the capitalization of the outstanding principal amount of the Shareholder Loan.

The Capitalization Shares represent (i) approximately 8.71% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.01% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalization Shares.

Issue Price

The Issue Price is HK\$0.85 per Share. The Issue Price represents:

- (a) the closing price of HK\$0.85 per Share as quoted on the Stock Exchange as at 2 November 2018, being the date of the Agreement; and
- (b) a premium of approximately 4.17% over the average closing price of approximately HK\$0.816 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Agreement.

The aggregate nominal value of the Capitalization Shares (with a par value of HK\$0.01 each) is approximately HK\$3.4 million.

The aggregate consideration for the allotment and issue of the Capitalization Shares of HK\$290.0 million will be settled by way of set off against the outstanding principal amount of HK\$290.0 million under the Shareholder Loan at Completion.

The Issue Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading performance of the Shares and the business prospects of the Group. The Directors (other than the independent non-executive Directors who will express their views after considering the advice from the independent financial advisor and Mr. Tian who has abstained from voting due to his interest in the Capitalization) consider that the Issue Price and the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions

Completion is conditional upon satisfaction of the following conditions:

- (a) the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Capitalization Shares;
- (b) the approval by the Independent Shareholders of the entering into of the Agreement and the transactions contemplated thereunder having been obtained in accordance with the Listing Rules; and
- (c) the warranties given by the Subscriber under the Agreement remaining true and accurate, not misleading and there is no material omission.

The Company may waive the condition in paragraph (c) above in whole or in part. In the event that any of the conditions of the Capitalization (other than the condition in paragraph (c) above) is not fulfilled on or before 31 March 2019 or such other date as may be agreed between the Subscriber and the Company from time to time or the condition in paragraph (c) above is not fulfilled or waived on or before Completion, the Agreement will cease and determine and all rights and obligations under the Agreement will be terminated save for any rights and obligations accrued before the termination.

Completion

Completion will take place on the third business day after the satisfaction of the last of the conditions (other than the condition in paragraph (c) above) (or such other date as may be agreed between the Subscriber and the Company in writing).

Ranking of the Capitalization Shares

The Capitalization Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Capitalization Shares.

SPECIFIC MANDATE

The Capitalization Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

APPLICATION FOR LISTING

An application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Capitalization Shares on the Stock Exchange.

REASONS FOR THE CAPITALIZATION AND USE OF PROCEEDS

Upon completion of the Capitalization, the gross proceeds from the Capitalization will be HK\$290.0 million, which will be used for setting off against the outstanding principal amount of HK\$290.0 million under the Shareholder Loan at Completion.

The Capitalization is to alleviate some of the Company's debt and improve the Company's financial position and gearing level. According to the Company's latest published interim results for the six months ended 30 June 2018, the Company recorded the net debts to equity ratio of 47.2%. Capitalization of the Shareholder Loan enables the Group to settle its existing liabilities and avoid cash outflows. This improves the Group's financial position by reducing the gearing level and broadening the capital base. It also demonstrates the support and solid confidence given by the controlling shareholder. Regarding the Issue Price, it represents the closing price of the Shares as at the date of entering into the Agreement. In light of the above, the Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the independent financial adviser to be appointed by the Company and Mr. Tian who has abstained from voting due to his interest in the Capitalization) consider that the terms of the Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (a) immediately before Completion, (b) immediately after Completion and (c) immediately after Completion and assuming full conversion of the Convertible Securities are as follows:

Shareholder	Immediately before Completion (Note 1)		Immediately after Completion (Note 2)		Immediately after Completion and assuming full conversion of the Convertible Securities	
	No. of Shares	Approx %	No. of Shares	Approx %	No. of Shares	Approx %
Greensheid Corporation (Note 3)	1,997,961,187	51.00	1,997,961,187	46.91	1,997,961,187	42.31
Subscriber (Note 3)	-	-	341,176,471	8.01	804,736,584	17.04
Easycorps Group Limited (Note 3)	310,028,907	7.91	310,028,907	7.28	310,028,907	6.57
Directors						
Mr. Tian	7,220,000	0.18	7,220,000	0.17	7,220,000	0.15
Mr. Xiang Jiong	1,596,000	0.04	1,596,000	0.04	1,596,000	0.03
Ms. Shen Leying	1,064,000	0.03	1,064,000	0.02	1,064,000	0.02
Mr. Xie Yuanjian	1,064,000	0.03	1,064,000	0.02	1,064,000	0.02
Ms. Zhou Qin	1,626,163	0.04	1,626,163	0.04	1,626,163	0.03
Public Shareholders	1,597,010,704	40.77	1,597,010,704	37.51	1,597,010,704	33.83
	<u>3,917,570,961</u>	<u>100.00</u>	<u>4,258,747,432</u>	<u>100.00</u>	<u>4,722,307,545</u>	<u>100.00</u>

Notes:

1. The number of Shares held by the Shareholders mentioned in the table above is based on the information as shown on the website of the Stock Exchange as at the date of this announcement.
2. Figures calculated assuming no change in the issued share capital of the Company from the date of this announcement to the date of Completion.
3. Greensheid Corporation is wholly-owned by the Subscriber, which is in turn wholly owned by Landsea Group. Mr. Tian is the controlling shareholder of Landsea Group. Easycorps Group Limited is a company wholly and beneficially owned by Mr. Tian.

FUND RAISING EXERCISES IN THE PRIOR 12-MONTH PERIOD

The Company has not carried out any equity fund raising exercise in the 12-month period immediately preceding the date of this announcement.

INFORMATION ON THE COMPANY AND THE SUBSCRIBER

The Company is a development operator and life service provider which is people-oriented, adheres to green technology and is committed to create a life-cycle green living system for customers. The Company's businesses consist of six divisions, namely, the real estate division in the PRC, the real estate division in the United States of America, the long term rentals business unit, the aged care services division, the green finance division and the green property division, all together forming the "Group Headquarters – Business Unit Level 2 Control Model" to continuously build professional capabilities that are vertically diversified in each market segment.

As at the date of this announcement, the Subscriber is the controlling shareholder of the Company which holds 1,997,961,187 Shares, representing approximately 51.00% of the issued share capital of the Company, through its wholly-owned subsidiary. Mr. Tian is the controlling shareholder of the Subscriber.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Subscriber is the controlling shareholder of the Company which holds 1,997,961,187 Shares, representing approximately 51.00% of the issued share capital of the Company, through its wholly-owned subsidiary. The Subscriber is therefore a connected person of the Company. Accordingly, the Capitalization constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will at the SGM seek approval of the Independent Shareholders for the Agreement and the transactions contemplated thereunder. Landsea Group and its associates and Mr. Tian, an executive Director who has an interest in Landsea Group, and his associates, will abstain from voting at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Agreement. The Company will in due course appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement is expected to be dispatched by the Company to the Shareholders on or before 29 November 2018.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings in this announcement:

“Agreement”	the agreement dated 2 November 2018 entered into between the Subscriber and the Company in relation to the Capitalization
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“Capitalization”	capitalization of the outstanding principal amount of the Shareholder Loan by way of the allotment and issue of the Capitalization Shares to the Subscriber pursuant to the terms of the Agreement
“Capitalization Share(s)”	341,176,471 new Share(s)
“Company”	Landsea Green Group Co., Ltd., a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 106)
“Completion”	completion of the Capitalization
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Convertible Securities”	the perpetual convertible securities in an aggregate principal amount of HK\$432,687,009 issued by the Company to the Subscriber on 29 January 2016 convertible into 463,560,113 Shares based on the initial and prevailing conversion price of HK\$0.9334 per Share
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than (i) the Subscriber and its associates and (ii) any other Shareholders who are required by the Listing Rules to abstain from voting in respect of the resolution(s) relating to the Agreement and the transactions contemplated thereunder at the SGM
“Issue Price”	the issue price of HK\$0.85 per Share
“Landsea Group”	朗詩集團股份有限公司 (Landsea Group Co., Ltd.*), a joint-stock company established in the PRC with limited liability, the ultimate controlling shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tian”	Mr. Tian Ming, the chairman and executive Director of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Capitalization and the Specific Mandate
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holders of the Share(s)
“Shareholder Loan”	the loan in the principal amount of HK\$290 million provided by the Subscriber to the Company
“Specific Mandate”	the specific mandate for the allotment and issue of the Capitalization Shares, which is subject to approval by the Independent Shareholders voting by way of poll at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”

Landsea International Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Landsea Group, who will subscribe for the Capitalization Shares and is a controlling shareholder of the Company

“%”

per cent.

* *For identification purposes*

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

Hong Kong, 2 November 2018

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