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朗诗绿色管理

LANDSEA GREEN MANAGEMENT

LANDSEA GREEN MANAGEMENT LIMITED

朗詩綠色管理有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 106)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

FINANCIAL HIGHLIGHT

- For the year of 2022, contracted sales of “Landsea Products” amounted to approximately RMB22.32 billion with corresponding contracted GFA of approximately 1.162 million sq.m.
- For the year of 2022, new Project Management Services contracts amounted to approximately RMB1.19 billion, representing an increase of approximately 21.2% as compared with the corresponding period in 2021.
- For the year of 2022, additional saleable value was approximately RMB55.54 billion. As of 31 December 2022, the remaining saleable value of “Landsea Products” was RMB131.19 billion, with sufficient land reserves.
- For the year of 2022, the Group’s revenue was approximately RMB14.02 billion, and its gross profit was approximately RMB1.35 billion.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Landsea Green Management Limited (the “**Company**” or “**Landsea**”) would like to present the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022 (“**FY2022**”) together with the comparative figures. The consolidated results have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		For the year ended	
		31 December	31 December
		2022	2021
	<i>Note</i>	RMB’000	<i>RMB’000</i>
Revenue	3	14,018,521	8,076,070
Cost of sales and services		(12,664,689)	(6,406,403)
Gross profit		1,353,832	1,669,667
Other income	5	28,181	103,209
Selling expenses		(694,776)	(485,646)
Administrative expenses		(893,237)	(1,283,155)
Net impairment losses on financial and contract assets		(479,215)	(275,028)
Fair value losses — net		(60,110)	(5,632)
Other losses — net		(342,522)	(93,215)
Operating loss		(1,087,847)	(369,800)
Finance income	6	4,849	18,227
Finance costs	6	(391,166)	(253,943)
Finance costs — net	6	(386,317)	(235,716)
Share of net profit of associates		31,507	31,482
Share of net (loss)/profit of joint ventures		(303,767)	67,124
Loss before income tax		(1,746,424)	(506,910)
Income tax expenses	7	(707,328)	(189,281)
Loss for the year		(2,453,752)	(696,191)

		For the year ended	
		31 December	31 December
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
— Exchange difference on translation of foreign operations		<u>454</u>	<u>84,135</u>
<i>Items that will not be reclassified to profit or loss:</i>			
— Exchange difference on translation of foreign operations attributable to the Company		(93,577)	23,675
— Exchange difference on translation of foreign operations attributable to non-controlling interests		128,226	(25,889)
— Revaluation gain on the property transferring from property, plant and equipment to investment properties		<u>—</u>	<u>1,289</u>
Other comprehensive income for the year, net of tax		<u>35,103</u>	<u>83,210</u>
Total comprehensive loss for the year		<u>(2,418,649)</u>	<u>(612,981)</u>
(Loss)/profit for the year attributable to:			
— The shareholders of the Company		(2,588,642)	(777,504)
— Non-controlling interests		<u>134,890</u>	<u>81,313</u>
		<u>(2,453,752)</u>	<u>(696,191)</u>
Total comprehensive (loss)/profit for the year attributable to:			
— The shareholders of the Company		(2,681,765)	(668,405)
— Non-controlling interests		<u>263,116</u>	<u>55,424</u>
		<u>(2,418,649)</u>	<u>(612,981)</u>
Loss per share attributable to the shareholders of the Company for the year (expressed in RMB per share)			
Basic loss per share	8	<u>RMB(0.569)</u>	<u>RMB(0.169)</u>
Diluted loss per share	8	<u>RMB(0.569)</u>	<u>RMB(0.169)</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

		31 December 2022	31 December 2021
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment properties	<i>10</i>	332,500	687,500
Property, plant and equipment		186,319	201,044
Right-of-use assets		113,414	89,085
Interests in associates		1,186,685	1,263,464
Interests in joint ventures		2,194,260	2,538,674
Trade and other receivables, prepayments and deposits	<i>12</i>	34,164	280,690
Deferred income tax assets		283,051	709,043
Goodwill		478,041	155,928
		4,808,434	5,925,428
Current assets			
Properties held for sale		699,332	479,426
Properties under development	<i>11</i>	8,959,234	11,402,110
Inventories		30,059	32,320
Contract assets		278,697	318,822
Trade and other receivables, prepayments and deposits	<i>12</i>	3,891,475	5,440,451
Financial assets at fair value through profit or loss		–	63,747
Restricted cash	<i>15</i>	67,505	189,739
Cash and cash equivalents	<i>15</i>	1,252,056	4,031,310
		15,178,358	21,957,925
Total assets		19,986,792	27,883,353

		31 December 2022	31 December 2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Trade and other payables	<i>13</i>	338,389	251,004
Financial liabilities at fair value through profit or loss		10,272	50,103
Advance from lessees		–	23,106
Lease liabilities		84,112	56,417
Borrowings	<i>14</i>	5,836,754	4,650,617
Deferred income tax liabilities		191,015	186,855
		<u>6,460,542</u>	<u>5,218,102</u>
Current liabilities			
Trade and other payables	<i>13</i>	8,231,904	8,565,304
Financial liabilities at fair value through profit or loss		315,931	–
Advance from lessees		–	2,692
Contract liabilities		201,268	4,029,269
Lease liabilities		36,659	37,555
Borrowings	<i>14</i>	1,494,321	3,839,002
Current income tax liabilities		552,809	610,167
		<u>10,832,892</u>	<u>17,083,989</u>
Total liabilities		<u>17,293,434</u>	<u>22,302,091</u>
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital		38,702	38,702
Reserves		678,158	3,885,805
		<u>716,860</u>	<u>3,924,507</u>
Non-controlling interests		<u>1,976,498</u>	<u>1,656,755</u>
Total equity		<u>2,693,358</u>	<u>5,581,262</u>
Total liabilities and equity		<u><u>19,986,792</u></u>	<u><u>27,883,353</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 GENERAL INFORMATION

Landsea Green Management Limited (formerly known as “Landsea Green Properties Co., Ltd.”, the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability. On 9 August 2022, the name of the Company was changed from “Landsea Green Properties Co., Ltd.” to “Landsea Green Management Limited” pursuant to a special resolution passed by the shareholders of the Company. The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and Room 406, 8 Queen’s Road East, Wan Chai, Hong Kong respectively. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The Company and its subsidiaries are referred to as the “**Group**” hereinafter. The Group is principally engaged in development and sales of properties, provision of management services and leasing of properties. The Company’s subsidiary, Landsea Homes Corporation (“**Landsea Homes**”) was listed on Nasdaq on 7 January 2021.

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

The financial statements are presented in thousands of Renminbi (“**RMB’000**”) unless otherwise stated.

The financial statements were approved for issue by the board of directors on 31 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

- (a) *Compliance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (“**HKCO**”)*

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

- (b) *Historical cost convention*

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

(c) *Going concern basis*

As at 31 December 2022, excluding those balances of Landsea Homes Corporation (“**Landsea Homes**”, the Company’s listed subsidiary), which was managed separately for liquidity management purpose, the Group’s current liabilities exceeded its current assets by approximately RMB3,698.85 million and the Group’s current borrowings amounted to approximately RMB1,488.90 million while its cash and cash equivalents was approximately RMB391.00 million only. On the same date and up to the date of approval of the consolidated financial statements, the Group was in default of a senior note (the “**Defaulted Senior Note**”) with principal amount of approximately US\$36.97 million (equivalent to approximately RMB254.05 million) because of non-payment at its due date. Subsequent to 31 December 2022, the Company received a letter formally demanding the Group to settle principal and interest with total amount of approximately US\$3.70 million (equivalent to approximately RMB25.43 million) under the Defaulted Senior Note or otherwise a winding-up petition may be presented to the court.

Due to the slowing down of Mainland China property market since second half of 2021, the Group’s China operations had experienced a decline in the business of property development and the related pre-sales volume and collection of pre-sale proceeds reduced significantly in 2022. For the year ended 31 December 2022, the Group incurred a net loss of approximately RMB2,453.75 million and reported a net operating cash outflow of approximately RMB484.92 million.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt regarding the Group’s ability to continue as a going concern. In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measure have been formulated to mitigate the liquidity pressure and to improve its cash flows which include, but not limited to, the following:

- (i) The Group will continue to actively adjust sales and pre-sale activities to better respond to market needs, make efforts to achieve the latest budgeted sales and pre-sales volumes and amounts, and enhance collection;
- (ii) The Group will maintain continuous communication with the major constructors and suppliers to arrange payments to these vendors and meet all of the necessary conditions to launch the pre-sale and to complete the development of properties on schedule;
- (iii) The Group is actively negotiating to reaching agreements with the holders of the Defaulted Senior Note. At the same time, the Group will closely monitor and ensure compliance with financial covenants and other terms and conditions of the other borrowings, including timely repayment of principal and interests of the borrowings. In addition, the Group has been actively negotiating with certain financial institutions so that the Group can timely secure project development loans for qualified project development and secure or extend other borrowings through pledge of equity interests in certain subsidiaries;
- (iv) The Group has obtained a borrowing facility of approximately RMB750 million from its ultimate controlling company, Landsea Group in March 2023, which have a term of 24 months from the date of first drawn down;

- (v) The Group has been in contact with potential buyers to dispose of certain investment properties held by the Group's subsidiaries, and equity interests in certain joint ventures and associates which hold investment properties. In addition, the Group will continuously seek dividends and advances from certain joint ventures and associates according to those projects' pre-sale and cashflow conditions; and
- (vi) The Group will also continue to speed up the collection of its trade and other receivables and will also continue to take active measures to control administrative costs.

The directors have reviewed the Group's cash flow projections for a period of 12 months from 31 December 2022 and are of the opinion that, taking into account the above-mentioned plans and measures, the Group will be able to generate sufficient funds to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measure as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) successfully adjust sales and pre-sales activities to achieve budgeted sales and pre-sales volumes and timely collection of sales proceeds;
- (ii) successfully arrange payments to constructors and suppliers on schedule and meet all of the necessary conditions to launch the pre-sale and complete the development of the properties on schedule;
- (iii) successfully reach agreements with the holders of the Defaulted Senior Note and comply with financial covenants and other terms and conditions of the other borrowings, successfully and timely secure or extend the loans from financial institutions when necessary;
- (iv) successfully draw down necessary funding from the borrowing facility granted by the ultimate controlling company;
- (v) successfully dispose of certain investment properties held by the Group's subsidiaries, and equity interests in certain joint ventures and associates which hold investment properties, and timely receive the proceeds; as well as successfully receive dividends and advances from certain joint ventures and associates; and
- (vi) successfully generate operating cash flows through speeding up the collection of trade and other receivables and controlling administrative costs.

Should the Group fail to achieve a combination of the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(d) *New and amended standards adopted by the Group*

A number of new or revised standards, amendments and interpretations to existing standards are mandatory for the financial year beginning on 1 January 2022:

- Merger Accounting for Common Control Combination — Amendments to Accounting Guideline 5
- Property, Plant and Equipment: Proceeds before intended use — Amendments to HKAS 16
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37
- Reference to the Conceptual Framework — Amendments to HKFRS 3
- Annual Improvements to HKFRS Standards 2018–2020

The standards, amendments and interpretations described above are either currently not relevant to the Group or had no material impact on the Group's financial information.

(e) *New standards and interpretations not yet adopted*

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for the financial year beginning 1 January 2022 and relevant to the Group and have not been early adopted by the Group.

Standards, amendments and interpretations		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The above standards, amendments and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE

Revenue from contracts with customers

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Revenue recognized at a point in time		
Property development and sales		
— Mainland China	3,888,601	809,187
— US	9,425,714	6,511,065
Management services (a)		
— Mainland China	95,732	215,371
— US	2,181	2,467
	<u>13,412,228</u>	<u>7,538,090</u>
Revenue recognized over period		
Property development and sales		
— US	345,982	—
Management services (a)		
— Mainland China	255,068	533,913
	<u>601,050</u>	<u>533,913</u>
Rental income		
— Office investment properties	5,243	4,067
	<u>14,018,521</u>	<u>8,076,070</u>

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

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Revenue from development management services	104,703	390,553
Revenue from sales management services	95,732	215,371
Revenue from green product integration services	63,516	33,613
Revenue from brand authorisation services	89,030	112,214
	<u>352,981</u>	<u>751,751</u>

4 SEGMENT INFORMATION

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

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

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

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

Segment profit represents the profit earned by each segment without allocation of net finance costs and corporate expenses charged in the consolidated statement of comprehensive income. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2022 is as follows:

	For the year ended 31 December 2022				
	Property development and sales in US RMB'000	Property development and sales in Mainland China RMB'000	Management services RMB'000	Office property investment RMB'000	Total RMB'000
Segment revenue					
(from external customers)					
(note 3)	9,773,877	3,888,601	350,800	5,243	14,018,521
— Revenue recognized at a point in time under HKFRS 15	9,425,714	3,888,601	97,913	—	13,412,228
— Revenue recognized over period under HKFRS 15	345,982	—	255,068	—	601,050
— Rental income	—	—	—	5,243	5,243
	<u>9,771,696</u>	<u>3,888,601</u>	<u>352,981</u>	<u>5,243</u>	<u>14,018,521</u>
Depreciation of property, plant and equipment	(21,507)	(6,711)	(7,296)	—	(35,514)
Depreciation of right-of-use assets	(32,354)	(1,739)	(5,460)	—	(39,553)
Fair value loss on investment properties	—	—	—	(33,600)	(33,600)
Fair value gain on financial liabilities at fair value through profit or loss	(26,227)	—	—	—	(26,227)
Fair value gain on financial assets at fair value through profit or loss	(283)	—	—	—	(283)
Share of net profit of associates	—	31,507	—	—	31,507
Share of net loss of joint ventures	1,400	(305,167)	—	—	(303,767)
Segment profits/(loss)	<u>477,755</u>	<u>(1,403,663)</u>	<u>(344,488)</u>	<u>18,148</u>	<u>(1,252,248)</u>
At 31 December 2022					
Segment assets	11,009,176	7,863,346	778,498	335,772	19,986,792
Interests in associates	—	1,186,685	—	—	1,186,685
Interests in joint ventures	283	2,193,977	—	—	2,194,260
Additions/(deductions) to non-current assets (excluding financial assets, deferred income tax assets)	346,583	(15,627)	(13,539)	(307,100)	10,317
Segment liabilities	<u>7,467,930</u>	<u>9,360,984</u>	<u>434,700</u>	<u>29,820</u>	<u>17,293,434</u>

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2021 is as follows:

	For the year ended 31 December 2021				
	Property development and sales in US RMB'000	Property development and sales in Mainland China RMB'000	Management services RMB'000	Office property investment RMB'000	Total RMB'000
Segment revenue					
(from external customers)					
(note 3)					
— Revenue recognized at a point in time under HKFRS 15	6,511,064	809,187	217,839	—	7,538,090
— Revenue recognized over period under HKFRS 15	—	—	533,913	—	533,913
— Rental income	—	—	—	4,067	4,067
	<u>6,511,064</u>	<u>809,187</u>	<u>751,752</u>	<u>4,067</u>	<u>8,076,070</u>
Depreciation of property, plant and equipment	(23,586)	(7,565)	(10,683)	—	(41,834)
Depreciation of right-of-use assets	(10,259)	(1,706)	(9,024)	—	(20,989)
Fair value loss on investment properties	—	—	—	(19,600)	(19,600)
Fair value gain on financial liabilities at fair value through profit or loss	13,968	—	—	—	13,968
Share of net profit of associates	—	31,482	—	—	31,482
Share of net profit of joint ventures	15,369	51,755	—	—	67,124
Segment profits/(loss)	<u>28,702</u>	<u>(131,879)</u>	<u>37,788</u>	<u>(26,506)</u>	<u>(91,895)</u>
At 31 December 2021					
Segment assets	9,221,086	16,488,664	1,461,763	711,840	27,883,353
Interests in associates	—	1,263,464	—	—	1,263,464
Interests in joint ventures	2,603	2,536,071	—	—	2,538,674
Additions/(deductions) to non-current assets (excluding financial assets, deferred income tax assets)	55,184	(41,535)	(8,835)	32,200	37,014
Segment liabilities	<u>6,204,013</u>	<u>15,309,711</u>	<u>730,898</u>	<u>57,469</u>	<u>22,302,091</u>

The Group does not have any single customer which contributed to more than 10% of the Group's revenue. The Group's revenue from external customers and non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Mainland China	4,244,644	1,562,538	4,100,638	5,604,674
US	9,773,877	6,513,532	706,504	315,858
Hong Kong (domicile)	—	—	1,292	4,896
	<u>14,018,521</u>	<u>8,076,070</u>	<u>4,808,434</u>	<u>5,925,428</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.

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

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Segment loss	(1,252,248)	(91,895)
Finance costs, net (<i>note 6</i>)	(386,317)	(235,716)
Unallocated corporate expenses	<u>(107,859)</u>	<u>(179,299)</u>
Loss before income tax	<u>(1,746,424)</u>	<u>(506,910)</u>

5 OTHER INCOME

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Interest income from:		
— Amounts due from joint ventures and associates	14,504	47,575
— Amounts due from non-controlling interests	—	22,787
— Loan to third parties	2,551	1,633
Government grants	11,045	31,214
Others	<u>81</u>	<u>—</u>
	<u>28,181</u>	<u>103,209</u>

6 FINANCE COSTS — NET

	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>
Financial cost		
— Bank borrowings	312,215	257,911
— Loans from the ultimate controlling company	35,576	51,473
— Senior private notes	182,436	253,420
— EB-5 loans	4,351	2,470
— Borrowings from other financial institutions	77,903	34,185
— Borrowings from other non-financial institutions	55,216	—
— Amounts due to related parties	39,567	11,046
— Loans from non-controlling interests	—	9,373
— Lease liabilities	5,062	4,382
— Other finance charges	7,918	4,403
	<u>720,244</u>	<u>628,663</u>
Less: interest capitalized	<u>(329,078)</u>	<u>(374,720)</u>
	391,166	253,943
Finance income		
— Bank interest income	<u>(4,849)</u>	<u>(18,227)</u>
	<u>386,317</u>	<u>235,716</u>

The average interest rate of borrowing costs capitalized for the year ended 31 December 2022 was approximately 5.81% per annum (2021: 6.32%).

7 INCOME TAX EXPENSE

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Current income tax		
— Hong Kong profit tax (a)		
Tax expense for the year	—	—
— Mainland China enterprise income tax (b)		
Tax expense for the year	(13,483)	111,654
— US profit tax (c)		
Tax expense for the year	214,835	108,607
	201,352	220,261
Mainland China land appreciation tax (b)	71,185	54,237
Deferred income tax	434,791	(85,217)
	707,328	189,281

(a) Hong Kong profit tax has been provided at 16.5% (2021: 16.5%) on the assessable profits arising in Hong Kong for the year.

(b) For the year ended 31 December 2022, the Group's subsidiaries in Mainland China are subject to enterprise income tax at the rate of 25% (2021: 25%) except for one subsidiary which is located in western areas of Mainland China engaged in encouraged industries and is subject to a preferential tax rate of 15% in accordance with relevant regulations.

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

(c) In accordance with US tax law, the statutory tax rate for federal and state tax purposes was 27.38% (2021: 25.78%).

- (d) Under the Law of Mainland China on Enterprise Income Tax (the “EIT Law”) and implementation regulations of the EIT Law, a withholding tax at 10% is imposed for dividends distributed by a Mainland China-resident enterprise to its immediate holding company outside Mainland China for earnings generated beginning 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding company is established in Hong Kong according to the tax treaty arrangement between Mainland China and Hong Kong. The Group controls the dividend policies of subsidiaries in Mainland China. The directors of the Company confirmed that the remaining retained earnings of the Group’s subsidiaries in Mainland China as at 31 December 2022 will not be distributed to its immediate holding company in the foreseeable future. As at 31 December 2022, deferred income tax liability of approximately RMB520,790,000 (2021: approximately RMB496,763,000) on the remaining unremitted distributable profit generated by the Group’s subsidiaries in Mainland China attributable to its immediate holding company with the amount of approximately RMB5,207,900,000 (2021: approximately RMB4,967,631,000) was not recognized.

Pursuant to the requirements of the US Department of the Treasury on Withholding of Tax on Nonresident Aliens and Foreign Entities, a withholding tax at 30% is imposed for dividends distributed by a US-resident enterprise to its immediate holding company outside the US. A reduced rate, including exemption, may apply if there is a tax treaty between the country of residence and the US. The Group controls the dividend policies of subsidiaries in the US. The directors of the Company confirmed that the remaining retained earnings of the Group’s subsidiaries in the US as of 31 December 2022 will not be distributed to its immediate holding company in the foreseeable future. As at 31 December 2022, deferred income tax liability of approximately RMB72,678,000 (2021: approximately RMB45,515,000) on the remaining unremitted distributable profit generated by the Group’s subsidiaries in the US attributable to its immediate holding company with the amount of approximately RMB269,776,000 (2021: approximately RMB168,950,000) was not recognized.

- (e) As of 31 December 2022, the Group has unused tax losses approximately RMB1,457,720,000 (2021: approximately RMB162,125,000) available for offset against future profits for certain entities in Mainland China which have not been recognized due to the unpredictability of future profit streams. The tax losses in Mainland China would expire within five years.

8 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss 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 2022	For the year ended 31 December 2021
Loss attributable to the shareholders of the Company (RMB’000)	<u><u>(2,588,642)</u></u>	<u><u>(777,504)</u></u>
Weighted average number of ordinary shares in issue (in thousands)	<u><u>4,545,948</u></u>	<u><u>4,590,548</u></u>
Basic loss per share (expressed in RMB per share)	<u><u>RMB(0.569)</u></u>	<u><u>RMB(0.169)</u></u>

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: restricted share award scheme. The shares granted under the restricted share award scheme are assumed to have been transferred to the grantee. The effects of restricted share award scheme were excluded from calculation of diluted loss per share as the effects would have been anti-dilutive during the year ended 31 December 2022.

	For the year ended 31 December 2022	For the year ended 31 December 2021
Loss attributable to the shareholders of the Company (RMB'000)	<u>(2,588,642)</u>	<u>(777,504)</u>
Weighted average number of ordinary shares in issue (in thousands)	4,545,948	4,590,548
Adjustment for:		
— Assumed distribution of shares under restricted share award scheme (in thousands)	<u>—</u>	<u>—</u>
Adjusted weighted average number of ordinary shares for diluted earnings per share (in thousands)	<u>4,545,948</u>	<u>4,590,548</u>
Diluted loss per share (expressed in RMB per share)	<u>RMB(0.569)</u>	<u>RMB(0.169)</u>

9 DIVIDEND

The Board did not propose to make a distribution for the year ended 31 December 2022 (2021: Nil).

During the year ended 31 December 2022, dividend payable of RMB200,000,000 were paid to the shareholders of the Company.

10 INVESTMENT PROPERTIES

As at 31 December 2022, the Group held certain properties located in Mainland China. Changes to the carrying amount of investment properties in the consolidated balance sheet are summarized as follows:

	For the year ended	
	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	<u>687,500</u>	674,900
Transfer from property, plant and equipment	–	32,200
Fair value losses — net	(33,600)	(19,600)
Disposal of subsidiaries	<u>(321,400)</u>	–
At 31 December	<u><u>332,500</u></u>	<u>687,500</u>

11 PROPERTIES UNDER DEVELOPMENT

	31 December	
	2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Properties under development located in:		
— Mainland China	1,971,621	5,648,120
— US	<u>7,765,426</u>	5,753,990
	9,737,047	<u>11,402,110</u>
Less: provision for decline in the value of properties under development	<u>(777,813)</u>	–
	<u><u>8,959,234</u></u>	<u>11,402,110</u>
Amount comprises:		
— Land payments	3,935,610	5,886,042
Leasehold land, Mainland China	992,499	3,325,628
Freehold land, US	2,943,111	2,560,414
— Development expenditures and improvements	4,459,256	4,882,206
— Finance cost capitalized	<u>564,368</u>	633,862
	<u><u>8,959,234</u></u>	<u>11,402,110</u>

12 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Included in non-current assets:		
Amounts due from related parties	–	398,810
Less: provision for bad debt	–	<u>(170,584)</u>
	<u>–</u>	<u>228,226</u>
Other receivables		
— Deposits for building construction	30,000	50,000
— Lendings to third parties	–	–
— Deposits for property maintenance	5,580	5,580
	<u>35,580</u>	<u>55,580</u>
Less: provision for bad debt	<u>(1,416)</u>	<u>(3,116)</u>
	<u>34,164</u>	<u>52,464</u>
	<u>34,164</u>	<u>280,690</u>
Included in current assets:		
Trade receivables		
— Related parties	186,350	180,176
— Third parties	492,535	501,539
	<u>678,885</u>	<u>681,715</u>
Less: provision for bad debt		
— Related parties	(35,612)	(26,397)
— Third parties	(275,999)	(228,429)
	<u>(311,611)</u>	<u>(254,826)</u>
	<u>367,274</u>	<u>426,889</u>

	31 December 2022 RMB'000	31 December 2021 RMB'000
Prepayments		
— Prepayments for purchase of land	442,513	542,500
— Prepaid value added tax (“VAT”) and other surcharges	69,503	104,090
— Prepaid taxes	29,709	92,789
— Other prepayments	200,090	164,495
	<u>741,815</u>	<u>903,874</u>
Amounts due from related parties	1,646,813	2,722,671
Less: provision for bad debt	(756,673)	(296,294)
	<u>890,140</u>	<u>2,426,377</u>
Amounts due from non-controlling interests	169,012	847,518
Less: provision for bad debt	(11,831)	(33,901)
	<u>157,181</u>	<u>813,617</u>
Deposits for purchase of land	697,074	405,577
Less: provision for bad debt	(20,912)	(4,056)
	<u>676,162</u>	<u>401,521</u>
Other receivables		
— Lendings to third parties	366,462	332,746
— Deposits for land bidding	42,000	42,000
— Escrow Receivable	426,649	31,246
— Deposits in housing fund	5,930	8,860
— Deposits for building construction	17,381	3,377
— Deposits for apartments rental	2,942	3,350
— Consideration receivables	25,249	–
— Warranty insurance receivables	188,804	–
— Others	107,340	60,818
	<u>1,182,757</u>	<u>482,397</u>
Less: provision for bad debt	(123,854)	(14,224)
	<u>1,058,903</u>	<u>468,173</u>
	<u><u>3,891,475</u></u>	<u><u>5,440,451</u></u>

(a) Trade receivables

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade receivables from property development and sales	271,384	255,482
Trade receivables from management services	407,501	426,233
	<u>678,885</u>	<u>681,715</u>
Less: provision for bad debt	<u>(311,611)</u>	<u>(254,826)</u>
	<u>367,274</u>	<u>426,889</u>

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Related parties		
— Less than one year	48,652	64,556
— One to two years	42,856	26,750
— Two to three years	24,803	34,627
— Three to four years	22,321	46,258
— Four to five years	39,824	7,985
— Over five years	7,894	—
	<u>186,350</u>	<u>180,176</u>
Third parties		
— Less than one year	40,892	48,379
— One to two years	45,513	38,246
— Two to three years	35,894	336,896
— Three to four years	310,954	39,822
— Four to five years	23,087	38,196
— Over five years	36,195	—
	<u>492,535</u>	<u>501,539</u>
	<u>678,885</u>	<u>681,715</u>

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

As at 31 December 2022, the carrying amounts of trade and other receivables, prepayments and deposits (netting off provision for bad debt) were denominated in below currencies:

	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	2,552,214	5,196,774
US\$	1,372,979	516,094
HK\$	446	8,273
	<u>3,925,639</u>	<u>5,721,141</u>

As at 31 December 2022 and 2021, the fair value of trade and other receivables approximate their carrying amounts.

13 TRADE AND OTHER PAYABLES

	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Included in non-current liabilities:		
— Amounts due to related parties	8,443	145,958
— Warranty accruals	324,946	100,046
— Other payables	5,000	5,000
	<u>338,389</u>	<u>251,004</u>
Included in current liabilities:		
— Amounts due to related parties	3,206,819	4,412,922
— Payables for construction materials and services	1,806,464	1,925,063
— Deposits received from rental and construction services	720,146	497,663
— Interest payable	431,185	319,376
— Amounts due to non-controlling interests	278,560	269,187
— Funding from third parties	872,116	252,919
— VAT and other tax payables	163,829	220,111
— Dividend payable	12,967	204,245
— Accruals for staff costs	162,668	193,923
— Notes payables	39,560	39,520
— Consideration payables	4,626	4,626
— Other payables	532,964	225,749
	<u>8,231,904</u>	<u>8,565,304</u>

As at 31 December 2022, the carrying amounts of trade and other payables approximate their fair values.

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Less than one year	849,874	1,192,113
One to two years	480,191	436,909
Two to three years	295,154	202,174
Over three years	181,245	93,867
	<u>1,806,464</u>	<u>1,925,063</u>

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
RMB	6,412,295	7,319,858
US\$	2,110,458	1,211,918
HK\$	47,540	284,532
	<u>8,570,293</u>	<u>8,816,308</u>

14 BORROWINGS

	31 December 2022		31 December 2021	
	Current RMB'000	Non-current RMB'000	Current RMB'000	Non-current RMB'000
Secured				
— Bank borrowings	523,650	3,984,465	1,154,933	2,993,989
— Loans from other financial institutions	623,700	—	623,700	—
Total secured borrowings	<u>1,147,350</u>	<u>3,984,465</u>	<u>1,778,633</u>	<u>2,993,989</u>
Unsecured				
— Bank borrowings	—	—	10,000	—
— Senior notes 2019	—	—	932,592	—
— Senior notes 2020 (a)	257,481	—	1,117,777	—
— Senior notes 2022 (a)	89,490	704,436	—	—
— Loans from the ultimate controlling company	—	356,220	—	917,577
— EB-5 loans and contributions from EB-5 investors	—	791,633	—	739,051
Total unsecured borrowings	<u>346,971</u>	<u>1,852,289</u>	<u>2,060,369</u>	<u>1,656,628</u>
Total borrowings	<u>1,494,321</u>	<u>5,836,754</u>	<u>3,839,002</u>	<u>4,650,617</u>

- (a) Senior notes 2020 issued by the Company were listed on the Singapore Exchange Securities Trading Limited on 21 January 2020 with interest at 10.75% per annum paid semi-annually in arrears and fell mature in October 2022. Up to October 2022, the Group had repurchased US\$30,600,000 (equivalent to approximately RMB196,753,000) of the total principal amount of senior note 2020. In October 2022, the Group successfully exchanged senior notes 2020 of US\$132,216,000 (equivalent to approximately RMB947,962,000) with a new senior note of US\$118,994,400 (equivalent to approximately RMB853,166,000) due on 20 October 2024 (the “senior notes 2022”), which is at 90% of the aggregate principal amount of senior note 2020, and cash payment of US\$13,883,000 (equivalent to approximately RMB99,538,000), which is at 10.5% of the aggregate principal amount of senior note 2020.

As of 31 December 2022 and up to the date of approval of the consolidated financial statements, the Group was in default of the senior notes 2020 with principal amount of US\$36,970,000 (equivalent to approximately RMB257,481,000) because of non-payment at its due date. The events of default provisions under senior notes 2022 carve out any cross-default events and final judgments and orders arising directly or indirectly from any occurrence of events of default under senior notes 2020.

Senior notes 2022 were listed on the Singapore Exchange Securities Trading Limited on 21 October 2022 with interest at 10.75% per annum paid semi-annually in arrears. As of 31 December 2022, the remaining outstanding principal amounts of senior notes 2022 was US\$113,994,400 (equivalent to approximately RMB793,926,000).

Borrowings carry interest ranging from 0.10% to 10.75% (2021: 0.10% to 12.30%) per annum.

Subsequent to 31 December 2022, current bank borrowings with the amount of RMB270,000,000 and loans from other financial institutions with the amount of RMB385,000,000 were extended till a date after 31 December 2023.

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

	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	1,299,711	1,568,436
US\$	6,031,364	6,921,183
	<u>7,331,075</u>	<u>8,489,619</u>

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

	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,494,321	3,839,002
Between one and two years	4,956,873	111,292
Between two and five years	826,861	3,816,213
Over five years	53,020	723,112
	<u>7,331,075</u>	<u>8,489,619</u>

15 CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are cash balance of US\$123,634,000 (equivalent to approximately RMB861,061,000) held by the Company's listed subsidiary, Landsea Homes, which relates to the operation of the property development and sales in the US, and are not available for general use by the Company. As a result, the Group's cash and cash equivalents excluding those held by Landsea Homes which was managed separately for liquidity management purpose was RMB390,995,000.

CHAIRMAN’S STATEMENT

Market Overview

The year 2022 was a “bottom year” for the Chinese real estate sector. As we mentioned in last year’s chairman’s statement, the industry as a whole entered into an “ice age” and will face long-term and deep-seated restructuring. Even so, the recession over the past year has been more severe than the market had anticipated, figures falling below their bottom lines. We may find the sales scale of commodity housing nationwide has been significantly narrowed down, when the performance of the top 100 real estate enterprises has dropped by more than 40%, and the number of real estate enterprises with value higher than RMB100 billion reduced by half and real estate enterprises encountered liquidity crises more frequently. The real estate industry is evolving from the 1.0 model to the 2.0 model, while the old development model of high leverage, fast turnaround and scalability will be replaced by a new model of low leverage, professionalization and quality improvement. Meanwhile, the international landscape is complex and volatile, with major economic players in the world entering a downward cycle under high inflation and continued increase of interest rate.

Operation Performance

In the past year, Landsea faced unprecedented challenges, but our teams maintained their high spirits and no team was beaten. We fought hard and achieved uneasy result. The contracted sales of “Landsea Products” amounted to approximately RMB22.3 billion with contracted GFA of approximately 1.16 million sq.m.. The total revenue was approximately RMB14.02 billion. During the period under review, the Group overcame many obstacles and secured a total of 57 projects, among which, 24 were in the PRC and 33 in the United States; and achieved smooth delivery of over 16,000 houses in 29 projects in China and over 2,000 houses in the United States during the year.

Real Estate Business in the PRC

As a green development service provider, research and development and construction capabilities for green buildings are the foundation of the Company. Landsea persistently focuses on green products differentiation to enhance its position as a green brand. As of the end of 2022, we had built over 150 green residential projects in 36 cities across the PRC with a green residential development area of over 25 million sq.m.. The Company has obtained a total of 104 green building certifications in the PRC, of which 56 were green building three-star certifications. The first green building three-star certification in 9 cities, including Shanghai, Nanjing, Hangzhou and Suzhou, were obtained by Landsea. We have obtained National Green Building Certification for nearly 70% of our total projects. In addition, we have also obtained 21 top international certifications for green buildings, including BREEAM, LEED and DGNB.

Landsea devoted to building green homes. Since the debut of “Ark of Freedom (自由方舟)”, a green healthy residence, in 2020, it has been launched throughout 16 cities in the PRC with over 12,000 sets of residence delivered as at the end of 2022. In 2022, the first project was launched and equipped with Landsea’s latest technology system “Healthy Fortress”, Nanjing Luxurious Mansion (南京璟華府), achieving a comprehensive upgrade in temperature, humidity, air purification and other dimensions. Several newly acquired projects in 2023 will also be built according to the Healthy Fortress system standard.

In 2022, Landsea secured a total of 24 projects in cities such as Nanjing, Suzhou, Wuxi, Chengdu, Nantong, Xi’an and Tai’an, with an additional saleable value of approximately RMB43.65 billion and an additional saleable area of approximately 2.393 million sq.m.. As at the end of 2022, the accumulated saleable value in the PRC amounted to approximately RMB100 billion, approximately 85% of which were from first-tier, new first-tier and second-tier cities ^{Note} and nearly 80% of which were from the Yangtze River Delta and the Greater Bay Area.

Over the years, Landsea has been exploring the path of transforming from a traditional asset-heavy housing model to an asset-light model. The year of 2022 can be regarded as a test for Chinese real estate enterprises, and our differentiated development strategy was examined in the past year. It was our ongoing strategic determination that helped us to survive the most difficult times in the industry.

In 2022, out of the 24 projects obtained by the China real estate business segment, 22 were projects for development and management services (the “**Project Management Services**”), with total contracted sales from the Project Management Services of approximately RMB1.19 billion, representing a year-on-year increase of 21.2%; the new Project Management Services projects have contributed incremental saleable area of 2.296 million sq.m. and saleable value of approximately RMB40.92 billion, achieving a year-on-year increase of 58.2%. As at the end of 2022, we provided a total of 96 projects with Project Management Services and with minority interests, when the total saleable area was approximately 5.038 million sq.m. and the estimated saleable value was approximately RMB93.12 billion, representing approximately 93% of the total value for the China region.

Real Estate Business in the United States

In 2022, Landsea Homes hit a record high on both sales and profits of the business. However, the continued interest rate hikes resulted in the decrease of the number of new orders from the second half of the year and hence a decline in new house sales and a significant rise in cancellations, which in turn had a negative impact on our performance in the second half of the year. Nevertheless, our business in United States were effectively and properly handled.

During the period, Landsea Homes had new projects in Florida with saleable areas of approximately 985,000 sq.m. and the saleable value was approximately RMB11.89 billion. As at the end of 2022, the accumulated saleable value in the United States was approximately RMB31.26 billion, of which 41% was for Florida and Texas together, 30% was for California and 22% was for Arizona.

OUTLOOK

The scale of China's real estate industry will remain at around RMB10 trillion and will remain one of the pillar industries of the national economy, which laid our fundamental consideration on the industry's future. At the same time, the industry is still in transition and market players are still struggling to survive. Landsea's strategic transformation for product differentiation, asset-light model transformation and revenue diversification has started in 2014, and almost ten years has passed. Last year, the Company officially changed its name to "Landsea Green Management Limited" to more accurately reflect the strategic positioning of an asset-light green development service provider. Not only do we seek to become a green branded service provider with strong operation capability, but also to be equipped with investment capability to a certain extent in order to seize every good market opportunity, so the Company's profitability could grow. The name change will be accompanied by a change in organisational structure, adjustments to the staffing structure and incentive system. We should not waste the opportunity presented in any single crisis. 2022 marked the biggest loss in our history, and it was a painful experience for both Landsea and the industry as a whole. We all paid the price for the recklessness and insolence. As the saying goes, "Once bitten, twice shy". We will remember the lesson and remain fearful, exercise strict self-discipline, operate steadily and abide by the rules of the industry. Despite all those obstacles, in the year of 2023, we expect to get out of the darkness and get ready for the brightness.

The theme for the Company in this year is a year of “going through the cycle”, we are committed to getting through a glacial period. It is estimated that 2023 will still be a difficult year for the industry as it is still in a period of adjustment. However, due to the supportive adjustment in real estate policy and the removal of the epidemic prevention policy, we anticipate that 2023 will be slightly better than the “bottom year” of 2022. In order to fight the battle for protecting cash flow, survive and achieve sustainable development, we must have bottom-line mindset; we must unify our thinking, work hard and fight determinedly. We are striving to get out of trouble sooner and to get through the cycle successfully.

In the Real Estate 2.0 era of low leverage, and emphasis on professional segmentation and product services, we need to be respectful to the market, understand the market situation in the correct way, accurately capture market opportunities, enhance our investment capabilities, and adhere to customer orientation and product innovation. In the future, we are still confident enough to find the most suitable development path by leveraging our unique advantages in the new era. We believe that Landsea will be able to transform and upgrade and iterate into a successful enterprise in the future market.

Note: The city classification criteria are derived from the 2022 Ranking of Cities’ Business Attractiveness (城市商業魅力排行榜) published by the New First-tier City Research Institute, a city data research project of Yicai (第一財經), on 1 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall performance of the Group

The Group upheld the development strategy of “Product-differentiation, Asset-light transformation and Revenue-diversification” and leveraged its resource endowments to further achieve capability of green property products differentiation. Meanwhile, with the advantages of products diversification, the Group actively expanded various projects focusing on minority interests and Project Management Services to achieve revenue diversification.

In FY2022, “Landsea Products” recorded contracted sales of approximately RMB22.32 billion (2021: approximately RMB47.15 billion). The contracted area was 1,162,178 sq.m. (2021: 2,635,383 sq.m.).

In FY2022, the Group secured 57 projects in total, of which 24 were in the PRC and 33 were in the United States. All of the projects were under development for sale (including 35 projects in which the Group held equity interests and 22 Project Management Services projects).

In FY2022, the Group recorded an increase in the new project saleable area of 3,378,646 sq.m., which were properties under development for sale, with expected new project saleable value of approximately RMB55.54 billion, in which new project saleable area of 1,082,305 sq.m. and expected new project saleable value of approximately RMB14.63 billion are recorded from the new project the Group held interest respectively. Among the equity-held projects, the equity attributable to the Group recorded a new project saleable area of 995,024 sq.m. as well as expected new project saleable value of approximately RMB12.17 billion. During the period under review, the Group obtained new Project Management Services projects with a GFA of 3,073,509 sq.m. (saleable area of 2,296,341 sq.m.) and expected saleable value of approximately RMB40.92 billion. By adhering to a stable and prudent investment strategy, the Group’s costs for acquiring land and asset have significant advantage in resisting the market risk in the future.

In FY2022, the Group had reserve projects with an aggregate saleable area of 7,271,103 sq.m. and expected saleable value of approximately RMB131.19 billion, in which saleable area of 2,565,782 sq.m. and expected saleable value of approximately RMB48.31 billion secured for the equity-held projects, with saleable area of 2,267,383 sq.m. and expected saleable value of approximately RMB39.59 billion attributable to the Group. The Group had also acquired a total of 68 Project Management Services projects, with saleable area of 4,705,321 sq.m. and expected saleable value of approximately RMB82.88 billion. The Group held the leased properties with total GFA of 96,392 sq.m. and the equity-held projects with GFA of 51,509 sq.m..

Business development in the PRC

For expansion of real estate development in the PRC, Landsea continued to take a prudent and pragmatic approach. As the year ended 31 December 2022, the Group secured a total of 24 projects in cities such as Nanjing, Suzhou, Chengdu, Wuxi, Xi'an, Zhongshan with an additional saleable area of 2,390,000 sq.m. and saleable value of approximately RMB43.65 billion. Meanwhile, the new Project Management Services contracts amounted to approximately RMB1.119 billion (2021: approximately RMB981 million), representing an increase of approximately 21.2% in year 2021.

Business development in the United States

The Group's property development business covers both the PRC and the United States. Landsea Homes has successively entered Greater New York, California and Arizona, Texas and Florida. In FY2022, Landsea Homes secured 33 new projects in Florida with additional saleable area of approximately 990,000 sq.m. and saleable value of approximately RMB11.89 billion.

Contracted sales in which the Group held equity interests and properties sold but not recognised

In FY2022, the total contracted sales of the property projects in which the Group held equity interests amounted to approximately RMB9.08 billion with contracted sales area of 495,714 sq.m., i.e. an average selling price of RMB18,315 per sq.m.. The contracted sales were mainly from the on-sale projects in Hangzhou, Wuhan, Wuxi, Jiaxing, Chengdu, Mianyang, Chongqing, Nanjing, Shanghai, etc. in the PRC and first tier and second tier gateway cities in the United States. As at 31 December 2022, the Group's accumulated areas of properties sold but not recognised were 1,583,075 sq.m. (as at 31 December 2021: 2,497,779 sq.m.), amounting to approximately RMB24.37 billion (as at 31 December 2021: approximately RMB40.86 billion), in which areas of properties sold but not recognised attributable to the Group were 672,557 sq.m. (as at 31 December 2021: 1,132,397 sq.m.), amounting to approximately RMB10.40 billion (as at 31 December 2021: approximately RMB18.67 billion).

External contracts in 2022

Number	Projects	Equity Holding	Contracted	Contracted	Average
			Sales Amounts (RMB'000)	Sales GFA (sq.m.)	Contracted Sales Selling Price (RMB)
1	Landsea Future Block	100%	10,400.00	–	
2	Nanjing Youth Block	100%	30	–	
3	Nanjing Xihua Mansion	19%	7,030	–	
4	Nanjing Zixi Mansion	20%	18,511	1,150	16,097
5	Suqian Weilan Court	51%	90	–	
6	Hefei Landsea's Hi-tech Court	49%	1,244	–	
7	Yixin Xindu Mansion	26%	2,758	–	
8	Suzhou Cheng Garden	100%	1,000	–	
9	Wuxi Xihua Mansion	40%	110,769	2,322	47,704
10	Zhangjiagang Le Mansion	50%	4,157	202	20,579
11	Hangzhou Xihua Mansion	49%	400	–	
12	Hangzhou Le Mansion	50%	676	–	
13	Hangzhou Linglongyue	30%	668,823	30,427	21,981
14	Haining Oasis Jing Yuan	20%	396,379	28,409	13,953
15	Wuhan Xihua Mansion	30%	675,852	31,682	21,332
16	Chengdu Xihua Mansion	33%	725	–	
17	Chongqing Le Mansion	30%	80,013	6,404	12,494
18	Chengdu Landsea Cuiyue	50%	11,292	1,207	9,355
19	Chengdu Future Zhe	50%	134,593	23,461	5,737
20	Chengdu Le Mansion	76%	1,943	–	
21	Chengdu Xihua Tianxi	60%	1,673	98	17,071
22	Mianyang Jiangyu Bay	60%	254,880	26,406	9,652
23	Tianjin Emerald Lan Wan	75%	1,236	–	
24	Tianjin Cuiweilan Pavilion (B)	100%	300	–	
25	Tianjin Cuiweilan Pavilion (CD)	35%	1,359	–	
26	Xi'an Future Block	100%	3,895	–	
27	14th & 6th	95%	406,951	2,439	166,852
28	Ardmore	100%	259,268	18,733	13,840
29	Avora	51%	20,452	353	57,938
30	Bargrove	100%	218,551	16,999	12,857
31	Belle Oaks	100%	35,441	1,689	20,983
32	Celery Oaks	100%	138,079	9,485	14,558
33	Centerra	100%	55,963	3,327	16,821
34	Country Club Lakes Estates	100%	32,417	2,063	15,714
35	Courtyards at Waterstone	100%	79,953	6,018	13,286

Number	Projects	Equity Holding	Contracted Sales Amounts (RMB'000)	Contracted Sales GFA (sq.m.)	Average Contracted Sales Selling Price (RMB)
36	Cypress Hammock	100%	206,781	13,954	14,819
37	Cypress Oaks	100%	11,510	897	12,832
38	Davenport Estates	100%	78,646	5,755	13,666
39	Eastmark	100%	126,355	6,431	19,648
40	Ellis Town Country	100%	675,769	23,383	28,900
41	Estrella	100%	120,372	7,041	17,096
42	Georgiana Reserve	100%	15,319	684	22,396
43	Greenfield	100%	170,112	12,808	13,282
44	Halifax Plantation-Bulow	100%	78,229	4,683	16,705
45	Hammock Reserve	100%	32,451	2,463	13,175
46	Hanover Lakes	100%	218,447	14,480	15,086
47	Harvest Queen Creek	100%	4,027	257	15,669
48	Heathrow Country Estate Homes	100%	27,789	1,439	19,311
49	Horse Creek	100%	94,574	7,272	13,005
50	Iron Ridge	100%	94,768	2,114	44,829
51	Lake Lincoln	100%	96,578	7,180	13,451
52	Lavender	100%	338,407	4,215	80,286
53	Legacy Landings	100%	61,051	4,778	12,778
54	Lincoln 65 - Nolin	100%	165,895	5,081	32,650
55	North Central Phoenix (Madison Town & Country)	100%	74,333	4,821	15,419
56	North Copper Canyon	100%	98,989	7,015	14,111
57	Northern Farms	100%	128,745	7,845	16,411
58	Novato	100%	113,952	3,413	33,388
59	Ontario Vander Eyk	100%	433,648	15,450	28,068
60	Orchid Terrace	100%	9,892	767	12,897
61	Placentia Heights	100%	102,964	2,947	34,939
62	Preservation Pointe	100%	116,340	9,178	12,676
63	Preserve at Sunrise	100%	147,578	10,790	13,677
64	Ridgeview	100%	323,335	23,831	13,568
65	Sky Lake	100%	18,844	1,295	14,551
66	South Carpenter Estates	100%	3,041	199	15,281
67	St. Johns Preserve	100%	66,636	4,879	13,658
68	Stone Creek Ranch	100%	10,136	385	26,327
69	Sunrise Ranch	100%	152,732	9,821	15,552
70	Sunrise Ridge	100%	4,949	346	14,303

Number	Projects	Equity Holding	Contracted Sales Amounts (RMB'000)	Contracted Sales GFA (sq.m.)	Average Contracted Sales Selling Price (RMB)
71	Sunset Farms	100%	72,201	4,729	15,268
72	Synagogue	90%	62,525	528	118,419
73	Tevelde	100%	314,190	13,086	24,010
74	Tirado	100%	97,534	2,296	42,480
75	Trinity Lakes	100%	141,853	10,245	13,846
76	Verrado	100%	140,389	12,785	10,981
77	Vintage Oaks	100%	97,584	4,608	21,177
78	Williams Preserve	100%	3,746	317	11,817
79	Wiregrass	100%	83,988	6,105	13,757
80	Woods of Lake Helen	100%	4,563	244	18,701
	Equity-held projects entered into by the Company		<u>9,078,870</u>	<u>495,714</u>	<u>18,315</u>

Project reserves

As at 31 December 2022, the Group had project reserves with total saleable area of 7,271,103 sq.m. and expected saleable value of approximately RMB131.19 billion. In terms of the equity holding, saleable area attributable to the Group was 2,267,383 sq.m. and expected saleable value was approximately RMB39.59 billion. The Group had also acquired a total of 68 Project Management Services projects, with saleable area of 4,705,321 sq.m. and expected saleable value of approximately RMB82.88 billion.

Accumulated land reserve at the end of 2022

Number	City	Total GFA (sq.m.)	Developed GFA (sq.m.)	Developing GFA (sq.m.)	GFA for		GFA Sold (sq.m.)	Saleable Value (RMB'000)	Saleable GFA (sq.m.)
					future development (sq.m.)	Value Sold (RMB'000)			
1	Shanghai	2,52,666	252,666	-	-	3,811,249	167,993	89,542	-
2	Nanjing	2,329,477	1,657,582	643,377	28,518	37,272,989	1,359,450	10,752,992	273,275
3	Hangzhou	3,81,194	219,754	161,440	-	7,840,831	181,255	1,445,296	54,441
4	Chengdu	3,342,646	2,775,444	522,183	45,019	26,422,828	1,774,637	7,162,631	697,756
5	Tianjin	4,95,926	299,184	178,809	17,933	3,176,407	220,528	2,882,478	136,859
6	Xi'an	1,29,449	-	97,119	32,330	1,066,069	61,314	819,647	24,530
7	Chongqing	6,80,927	235,844	285,079	160,004	5,151,296	392,732	2,172,472	66,406
8	Wuhan	2,20,143	-	220,143	-	2,227,123	95,231	1,504,098	58,809
9	Hefei	3,35,758	278,360	57,398	-	3,347,773	201,875	492,810	34,710
10	Changsha	2,66,216	80,301	112,098	73,817	1,035,522	162,644	3,480	-
11	Shijiazhuang	1,66,336	-	166,336	-	1,079,183	124,875	121,200	-
12	Suzhou	2,003,737	684,798	862,754	456,185	15,915,667	694,667	14,517,018	614,916
13	Wuxi	1,757,696	694,828	612,671	450,197	11,845,239	609,444	17,246,530	588,531
14	Changzhou	3,91,851	140,833	251,018	-	4,874,556	185,970	3,295,550	96,787
15	Nantong	1,056,254	169,325	165,089	721,840	4,122,504	302,968	7,522,530	494,757
16	Jinhua	5,76,344	-	576,344	-	2,155,746	180,916	2,723,554	190,179
17	Ningbo	2,16,549	-	216,549	-	461,543	36,072	1,742,727	129,126
18	Jiaxing	3,14,288	73,291	240,997	-	2,187,580	160,615	1,339,665	64,006
19	Taizhou	40,624	-	40,624	-	620,906	23,799	101,024	4,116
20	Tai'an	2,03,757	-	136,112	67,645	-	-	2,519,310	109,805
21	Zhongshan	8,43,312	78,046	224,528	540,738	1,679,371	160,312	8,005,465	449,222
22	Huizhou	1,39,615	-	139,615	-	-	-	1,577,480	94,754
23	Kaifeng	2,78,468	-	278,468	-	913,912	101,488	1,304,674	110,724
24	Huaian	2,06,653	-	206,653	-	64,344	7,423	1,123,194	153,775
25	Xianyang	4,43,619	-	302,259	141,360	2,035,386	192,203	1,715,366	155,030
26	Zhangzhou	1,03,075	-	103,075	-	-	-	1,074,830	55,772
27	Yancheng	4,50,924	103,131	78,136	269,657	1,983,232	157,872	2,819,049	245,350
28	Chuzhou	1,57,138	-	105,138	52,000	127,694	22,755	603,986	81,629
29	Zhangjiakou	1,34,908	-	134,908	-	613,669	87,420	397,787	12,597
30	Mianyang	1,15,409	-	115,409	-	917,649	84,057	55,440	-
31	Suqian	4,25,143	201,389	223,754	-	3,071,741	299,590	90,968	-
32	Yingtian	92,060	-	-	92,060	-	-	751,560	58,839
33	Huangshi	2,15,418	-	-	215,418	-	-	1,173,220	173,922
34	Ganzi	1,11,000	-	-	111,000	-	-	781,816	85,427
35	the United States	2,924,608	892,537	255,138	1,776,933	12,503,173	969,555	31,259,723	1,955,053
Total:		21,803,188	8,837,313	7,713,221	5,252,654	158,525,182	9,019,660	131,189,112	7,271,103
Of Which: Subtotal of Equity-held Project		9,746,431	5,266,625	2,381,253	2,098,553	82,643,291	5,206,477	48,312,050	2,565,782
Subtotal of Project Management Services projects		1,2,056,757	3,570,688	5,331,968	3,154,101	75,881,891	3,813,183	82,877,062	4,705,321

FINANCIAL REVIEW

Revenue and gross profit

For the year ended 31 December 2022, the Group's revenue was mainly derived from Project Management Services of approximately RMB353 million (2021: approximately RMB752 million), from sale of properties of approximately RMB13.66 billion (2021: approximately RMB7.32 billion) and rental income of approximately RMB5 million (2021: approximately RMB4 million), which in aggregate was approximately RMB14.02 billion (2021: approximately RMB8.08 billion). The gross profit of the Group was approximately RMB1.35 billion (2021: approximately RMB1.67 billion) and the gross profit margin was approximately 9.7% (2021: approximately 20.7%).

Recognised sales of properties of subsidiaries

For the year ended 31 December 2022, the Group recognised revenue of approximately RMB14.02 billion (2021: approximately RMB8.08 billion). In which, the consolidated subsidiaries of the Group recognised revenue from sales of properties and total sales area of approximately RMB13.66 billion (2021: approximately RMB7.32 billion) and 686,758 sq.m. respectively, mainly attributable to Chengdu Xihua Tianxi and Xi'an Future Block in the PRC, and Ellis Town Country, 14th & 6th, Tevelde, Ontario Vander Eyk, Verrado, Ardmore, etc. in the United States. The average selling price in the PRC was approximately RMB20,695 (2021: approximately RMB23,503) per sq.m., while the average selling price in the United States was approximately RMB18,746 (2021: approximately RMB17,699) per sq.m..

Income from Project Management Services

The Group recorded Project Management Services income of approximately RMB353 million (2021: approximately RMB752 million) for the year ended 31 December 2022.

Income from rental and management fee

For the year ended 31 December 2022, the Group recognised rental and management fee income of approximately RMB5 million (2021: approximately RMB4 million).

Selling expenses

For the year ended 31 December 2022, the Group recorded selling expenses of approximately RMB695 million (2021: approximately RMB486 million). The increase in selling expenses was attributable to the strengthened stimulating policies to promote sales under the impact of pandemic and market.

Administrative expenses

For the year ended 31 December 2022, the Group recorded administrative expenses of approximately RMB893 million (2021: approximately RMB1.28 billion). The decrease in administrative expenses was mainly due to the increase in listing expenses indirectly incurred by the acquisition of a special purpose acquisition company (“SPAC”) in the United States (approximately RMB377 million) in 2021.

Net impairment losses on financial and contract assets

For the year ended 31 December 2022, net provision for impairment loss on financial assets of the Group amounted to approximately RMB479 million (2021: approximately RMB275 million). The Company’s net provision for impairment loss on financial assets was provided using the expected credit loss rate for financial assets such as trade and other receivables in accordance with the standard requirement of HKFRS 9 Financial Instruments.

Fair value Losses

For the year ended 31 December 2022, the fair value losses of the Group amounted to approximately RMB60 million (2021: losses of approximately RMB6 million). The fair value losses were mainly due to the combined effect of: (i) the losses on changes in fair value of warrants brought by the acquisition of SPAC in the United States during the period of approximately RMB26 million; and (ii) the fair value losses on investment properties during the period of approximately RMB34 million (2021: losses of approximately RMB20 million). The Group’s investment properties included Huangxing Building in Shanghai, 2/F, Building 5, Shanghai IBP International Business Park, Huafei Apartment in Nanjing, Wangjiawan Building in Nanjing and Neighbourhood Union in Wuxi located in the PRC. The fair value of the investment properties was assessed by a qualified independent valuer based on the property’s current business model adopted by the Group and its expected income to be generated.

Finance cost

For the year ended 31 December 2022, the Group recorded interest expenditures of approximately RMB720 million (2021: approximately RMB629 million). The capitalisation rate of interest expenses in the 2022 was approximately 45.7% (2021: approximately 59.6%). For the year ended 31 December 2022, the expensed finance cost of the Group was approximately RMB391 million (2021: approximately RMB254 million). For the year ended 31 December 2022, the interest income of the Group was approximately RMB22 million (including interest income from amounts due from joint ventures and associates, non-controlling interests and loan to third parties) and the net finance cost was approximately RMB369 million (2021: approximately RMB164 million). For the year ended 31 December 2022, the weighted average finance cost was approximately 6.2% (2021: approximately 7.0%).

Share of net loss of joint ventures and associates

For the year ended 31 December 2022, the Group's share of net losses of joint ventures and associates amounted to approximately RMB272 million (2021: share of net profit of joint ventures and associates amounted to approximately RMB99 million), mainly due to an increase in our share of net losses of joint ventures as a result of the expected project impairment of joint venture.

Taxation

Income tax expenses include enterprise income tax and land appreciation tax. For the year ended 31 December 2022, the Group recorded taxation charge of approximately RMB707 million (2021: approximately RMB189 million), mainly due to the downturn in the overall domestic real estate market in the past two years, the write off of approximately RMB373 million of deferred income tax assets led to an increase in income tax expenses for the current period.

Loss for the period

For the year ended 31 December 2022, the Group incurred a net loss of approximately RMB2.45 billion (2021: net loss of approximately RMB696 million). It is mainly due to the provision for impairment and the write off of deferred income tax assets due to the continued impact of the COVID-19 epidemic and the overall market downturn in the real estate industry.

Liquidity and Financial Resources

Cash positions

As at 31 December 2022, the Group's cash and cash equivalents and restricted cash amounted to approximately RMB1.32 billion (as at 31 December 2021: approximately RMB4.22 billion). As at 31 December 2022, the Group's current ratio (current assets divided by current liabilities) was approximately 1.4 times (as at 31 December 2021: approximately 1.3 times).

Indebtedness

As at 31 December 2022, the total indebtedness of the Group amounted to approximately RMB7.33 billion (as at 31 December 2021: approximately RMB8.49 billion). The indebtedness of the Group primarily consists of shareholder loans, bank borrowings, senior notes and EB-5 financing. As at 31 December 2022, total net debts[#] were approximately RMB6.08 billion (as at 31 December 2021: approximately RMB4.46 billion). As at 31 December 2022, the proportion of short-term debts was approximately 20.4% (as at 31 December 2021: approximately 45.2%) and long-term debts was approximately 79.6% (as at 31 December 2021: approximately 54.8%). Long-term debt of the Company accounted for a greater proportion, maintaining reasonable structure of long-term and short-term debt to facilitate sufficient liquidity.

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

Gearing ratio

The Group has been striving to optimize its capital and debt structure. The Group's debt to total assets ratio (total borrowings divided by total assets) was approximately 36.7% as at 31 December 2022 (as at 31 December 2021: approximately 30.4%). In addition, the debt to assets ratio of the Group net of advance payment received was approximately 86.4% as at 31 December 2022 (as at 31 December 2021: approximately 76.6%). The management will monitor the capital and debt structure of the Group on a regular basis with aim of mitigating its exposure to the risk of gearing.

Pledge of assets of the Group

As at 31 December 2022, bank borrowings of the Group were secured by one or a combination of the following items: restricted cash, property, plant and equipment, properties under development, investment properties, equity interests in certain subsidiaries of the Group and guarantee provided by the controlling shareholders of the Company. Senior notes were guaranteed by certain subsidiaries of the Company. EB-5 loans are guaranteed by a subsidiary.

Foreign exchange and currency risk

As at 31 December 2022, the Group's cash and cash equivalents and restricted cash were mainly denominated in Renminbi, Hong Kong dollar and United States dollar. The functional currency of the Group's subsidiaries in the United States is United States dollar while that of the subsidiaries in Hong Kong is Hong Kong dollar, and that of the subsidiaries in Mainland China is Renminbi. As at 31 December 2022, the corresponding exchange rate changes in the internal funds transfer of the Group resulted in book exchange gains recorded by the Group of approximately RMB189 million (2021: exchange losses of approximately RMB120 million). As at 31 December 2022, the assets of the Group denominated in US\$ was approximately 1.5 times of the liabilities denominated in US\$ (2021: approximately 1.3 times). As foreign currency assets are in line with the foreign currency liabilities, no financial instrument is required for hedging purposes.

Interest rate risk

As at 31 December 2022, the debts payable borne with fixed interest rate accounted for approximately 35.9% (as at 31 December 2021: approximately 51.8%) of the total debts of the Group. The Group will continue to monitor the trend of interest rates in the market closely and seek to adopt appropriate risk management measures for mitigating the exposure to the interest rate risk. In this regard, the Group considered the exposure to interest rate risk is low.

Guarantee

The Group cooperates with various financial institutions to arrange mortgage loan facilities for the purchasers of its properties and provides guarantees to secure such purchasers' obligations of repayment. As at 31 December 2022, the outstanding guarantees amounted to approximately RMB994 million (as at 31 December 2021: approximately RMB1.25 billion). In addition, the Group provided guarantee for the loan of Guangzhou Langxiu Business Management Consulting Co., Ltd.* (廣州朗秀企業管理諮詢有限公司), and the balance of the guarantee as at 31 December 2022 was approximately RMB102 million (as at 31 December 2021: approximately RMB118 million). As at 31 December 2022, there were certain corporate guarantees provided by the subsidiaries of the Group for each other in respect of their borrowings. The management considered that the subsidiaries had sufficient financial resources to fulfill their obligations. Save as disclosed above, the Group had no other material contingent liabilities as at 31 December 2022.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

During FY2022, the Group had the following significant investments, material acquisitions and disposals:

1. The acquisition of 100% interest in Hanover Family Builders, LLC

On 18 January 2022 (United States Pacific Standard Time), Landsea Homes of Florida LLC (“**Landsea Homes Florida**”) and Landsea Homes Corporations, which are non-wholly owned subsidiaries of the Company, entered into the membership interest agreement with (among others) SAM Building Partners, LLC and Edge Creek Ventures, LLC as sellers (the “**US Sellers**”), pursuant to which Landsea Homes Florida agreed to purchase, and the US Sellers agreed to sell, all the issued equity interests of Hanover Family Builders, LLC, a limited liability company incorporated in the State of Florida of the USA.

The acquisition of the Subject Company constituted a major transaction of the Company under Rule 14.06 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and was completed on 19 January 2022, upon which Hanover Family Builders, LLC has become a wholly-owned subsidiary of the Group. For further information, please refer to the announcement of the Company dated 19 January 2022 and the circular of the Company dated 30 November 2022.

2 The Credit Agreement

On 12 May 2022 (United States Eastern Standard Time), Landsea Holdings Corporation, an indirect wholly-owned subsidiary of the Company as the borrower (the “**Borrower**”), and 1103849 B.C. LTD as the lender (the “**Lender**”) entered into the credit agreement (the “**Credit Agreement**”), pursuant to which, the Lender conditionally agreed to provide the loan in a principal amount of US\$45,000,000 (the “**Loan**”) to the Borrower. If the Facility Termination Date (as defined in the Credit Agreement) shall have been extended as provided in the Credit Agreement, and the Lender shall have provided the requisite written notice to the Borrower, of the Lender’s election to exercise the Lender Stock Payment Election Right (as defined in the Credit Agreement), the Borrower shall repay the outstanding principal of the Loan with common shares of Landsea Homes (the “**LSEA Stock**”) in lieu of immediately available funds on the extended Facility Termination Date, together with accrued interest on such principal, which shall be paid in cash. The number of shares of LSEA Stock required to repay the outstanding principal of the Loan shall be determined by dividing the outstanding principal of the Loan by US\$9.30, provided that transfer of such number of LSEA Stock would not cause the Borrower’s beneficial ownership in LSEA Stock to drop below 50% of the issued and outstanding shares of LSEA Stock.

In the event that the Loan (a) is not repaid on the Facility Termination Date or (b) the Loan shall have been accelerated following the occurrence of an event of default, the Lender may elect by providing written notice to the Borrower to require all or any portion specified by the Lender of the outstanding principal of the Loan be immediately repayable with LSEA Stock, together with the balance of the remaining outstanding principal and all accrued interest be payable in cash. The number of shares of LSEA Stock required to so repay the outstanding principal of the Loan shall be determined by dividing the outstanding principal amount of the Loan by US\$6.00 but in any case shall not exceed 4,838,710 shares of LSEA Stock.

The exercise of the Lender Stock Payment Election Right by the Lender for the LSEA Stock is at the discretion of the Lender, and was therefore treated as if it had been exercised pursuant to Rule 14.74 of the Listing Rules. Therefore, 4,838,710 shares of LSEA Stock was treated as if they had been disposed of by the Borrower.

The Credit Agreement constituted a major transaction of the Company under Chapter 14 of the Listing Rules. For further information, please refer to the announcement of the Company dated 13 May 2022 and the circular of the Company dated 8 August 2022.

3 The disposal 鑫貝盛投資管理有限公司 (Nanjing Xinbeisheng Investment Management Limited*)

On 17 May 2022, 南京朗銘地產集團有限公司 (Nanjing Langming Properties Group Limited*), an indirect wholly-owned subsidiary of the Company as the vendor (the “**Vendor**”), and 南京玖富星海置業有限公司 (Nanjing Jiufu Xinghai Real Estate Co., Ltd.*) as the purchaser (the “**Purchaser**”) entered into the equity transfer agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the entire equity interest in 南京鑫貝盛投資管理有限公司 (Nanjing Xinbeisheng Investment Management Limited*) for the consideration of RMB85,500,000. The equity transfer will be completed in due course.

The disposal constituted a disclosable transaction of the Company under Chapter 14 of the Listing Rules. For further information, please refer to the announcement of the Company dated 17 May 2022.

4 The acquisitions of the remaining 45% equity interest in 蘇州朗坤置業有限公司 (Suzhou Langkun Properties Company Limited*)

On 31 May 2022, 上海朗毓商業管理有限公司 (Shanghai Langyu Commercial Management Limited*), an indirect wholly-owned subsidiary of the Company as the purchaser (the “**Purchaser**”), 江蘇國泰華鼎投資有限公司 (Jiangsu Guotai Huading Investment Company Limited*) as vendor, and 蘇州朗坤置業有限公司 (Suzhou Langkun Properties Company Limited*) (the “**Target Company**”) entered into an equity transfer agreement, pursuant to which, the Purchaser agreed to purchase, and the Vendor agreed to sell, 22.5% of the entire equity interest in the Target Company, for a consideration of RMB41,377,657.50.

The Purchaser also succeeded in the bidding for 22.5% equity interest in the Target Company through Shanghai United Assets and Equity Exchange. On 31 May 2022, the Purchaser and 江蘇國泰紫金科技發展有限公司 (Jiangsu Guotai Zijin Technology Development Company Limited*) (“**Jiangsu Zijin**”) as vendor entered into an equity transfer agreement, pursuant to which, the Purchaser agreed to purchase, and Jiangsu Zijin agreed to sell 22.5% of the entire equity interest in the Target Company, for a consideration of RMB41,377,657.50.

Upon completion of the acquisitions on 8 June 2022, the Target Company became an indirect wholly-owned subsidiary of the Company.

The acquisitions constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further information, please refer to the announcement of the Company dated 31 May 2022.

5 The disposal of 10.7% interest in Landsea Homes

On 31 May 2022 (United States Eastern Daylight Time), Landsea Holdings Corporation, an indirect wholly owned subsidiary of the Company, as the vendor (the “**Vendor**”), and Green Investment Alpha Limited, as the purchaser (the “**Purchaser**”) entered into the stock purchase agreement (the “**Stock Purchase Agreement**”), pursuant to which, the Vendor agreed to sell, and the Purchaser agreed to purchase, approximately 10.7% of the issued and outstanding shares of the common shares of Landsea Homes (the “**Sale Shares**”) at a sale price of US\$9.30 per share for a total consideration of US\$45,000,000. Upon completion of the disposal on 31 May 2022, Landsea Homes remains to be a subsidiary of the Company.

In connection with the Stock Purchase Agreement, on 31 May 2022 (United States Eastern Daylight Time), the Purchaser and the Vendor entered into the put option agreement (the “**Put Option Agreement**”), pursuant to which the Purchaser shall, for each of the First Put Exercise Period and the Second Put Exercise Period (each as defined in the Put Option Agreement), have the right, but not the obligation, to cause the Vendor to purchase all or a portion of the Sale Shares.

Each of the disposal under the Stock Purchase Agreement and the put right under the Put Option Agreement constituted a major transaction of the Company under Chapter 14 of the Listing Rules. For further information, please refer to the announcement of the Company dated 31 May 2022 and the circular of the Company dated 8 August 2022.

6 Share repurchase by Landsea Homes (the “Share Repurchase”)

On 1 June 2022 (United States Eastern Daylight Time), Landsea Holdings Corporation (“**LHC**”), an indirect wholly-owned subsidiary of the Company, and Landsea Homes entered into the share repurchase agreement, pursuant to which LHC agreed to sell, and Landsea Homes agreed to repurchase shares (the “**Repurchase Shares**”), representing approximately 9.7% of the issued and outstanding shares of the common shares of Landsea Homes at a repurchase price of US\$6.82 per share for a total consideration of approximately US\$30 million. The shareholding of LHC in Landsea Homes decreased from approximately 61.9% to approximately 57.8% immediately after completion of the Share Repurchase and cancellation of the Repurchase Shares.

The Share Repurchase constituted a disclosable transaction of the Company under Chapter 14 of the Listing Rules. For further information, please refer to the announcement of the Company dated 2 June 2022.

7 The disposal of 50% equity interest in a joint venture

On 25 August 2022, 上海朗昆企業管理有限公司 (Shanghai Langkun Business Management Co., Ltd.), an indirect wholly-owned subsidiary of the Company as the vendor (the “**Vendor**”), entered into the sale and purchase agreement with (among others) 北京融匯嘉智投資管理中心(有限合夥) (Beijing Ronghui Jiazhi Investment Management Center (Limited Partnership)*) and 廈門嘉晟融懋管理諮詢有限公司 (Xiamen Jiasheng Rongmao Management Consulting Co. Ltd.*) (collective, the “**Purchasers**”), pursuant to which the Purchasers conditionally agreed to purchase and the Vendor conditionally agreed to sell 50% of the entire equity interest in 上海融懋商業管理有限公司 (Shanghai Rongmao Commercial Management Co., Ltd.*). Upon completion of the disposal on 25 August 2022, the Company ceased to have any interest in the joint venture.

The disposal constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further information, please refer to the announcement of the Company dated 25 August 2022.

8 The disposal of 100% interest in 上海朗松實業有限公司 (Shanghai Langsong Enterprises Company Limited*)

On 24 October 2022, 上海朗緒企業管理諮詢有限公司 (Shanghai Langxu Enterprise Management Consultancy Company), an indirect wholly-owned subsidiary of the Company as the vendor (the “**Vendor**”), 南京朗銘地產集團有限公司 (Nanjing Langming Property Group Limited) and 上海朗青投資管理有限公司 (Shanghai Langqing Investment Management Limited), indirect wholly-owned subsidiaries of the Company as the vendor guarantors (the “**Vendor Guarantors**”) and LAO VI CN Company VI Pte. Ltd. as the purchaser (the “**Purchaser**”) entered into the equity acquisition agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 100% equity interest in 上海朗松實業有限公司 (Shanghai Langsong Enterprises Company Limited*) at the initial consideration of RMB102,489,655.35, subject to adjustments. Upon completion of the disposal on 24 October 2022, the target company ceased to be a subsidiary of the Company.

The disposal constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For further information, please refer to the announcement of the Company dated 24 October 2022.

EVENTS AFTER THE REPORTING PERIOD

Save for default of the Defaulted Senior Note as mentioned in note 2.1(c) to the consolidated financial statement, there is no other material subsequent event undertaken by the Company or the Group after 31 December 2022 and up to the date of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2022, the Group did not have any specific plan for material investments or capital assets.

FINAL DIVIDEND

The Board does not recommend any payment of final dividend in FY2022 (for the year ended 31 December 2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitle to attend and vote at the annual general meeting of the Company to be held on Friday, 30 June 2023, the register of members of the Company will be closed from Tuesday, 27 June 2023 to Friday, 30 June 2023, both dates inclusive, during which period no transfer of shares will be effected. All transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 26 June 2023.

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

On 30 September 2022, the Company commenced an exchange offer (the "**Exchange Offer**") for the outstanding principal amount of USD169,400,000 10.75% U.S. dollar denominated senior notes issued by the Company due 20 October 2022 (the "**Notes Due 2022**"). The Company had also repurchased the Notes Due 2022 in the aggregate principal amount of US\$30,600,000, representing 15.3% of the aggregate principal amount of the Notes Due 2022 originally issued prior to commencement of the Exchange Offer. As of the extended exchange expiration deadline, Notes Due 2022 amounting to USD132,216,000 (representing approximately 78.05% of aggregate principal amount of outstanding Notes Due 2022) were validly tendered for exchange and accepted pursuant to the Exchange Offer.

Pursuant to the Exchange Offer, on 20 October 2022, the Notes Due 2022 in an aggregate principal amount of US\$132,216,000 were cancelled, and the Company issued USD118,994,400 in aggregate principal amount of new U.S. dollar denominated senior notes due 20 October 2024 with an annual interest rate of 10.75%. Further details of the aforesaid Exchange Offer are disclosed in the announcements of the Company dated 30 September, 19 October 2022 and 21 October 2022.

Save as disclosed above, the Company or any of its subsidiaries (other than the trust of the share award scheme adopted on 2 July 2014) did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2022.

MODEL CODE FOR DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions.

The Company confirms that, having made specific enquiry of all Directors, all Directors have complied with the required standards as set out in the Model Code for FY2022.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

In the opinion of the Directors, the Company was in compliance with all the relevant code provisions under the CG Code during FY2022.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report from the external auditor of the Group for the year ended 31 December 2022:

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 2022, 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.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1(c) to the consolidated financial statements, which indicates that as at 31 December 2022, excluding those balances of Landsea Homes Corporation (the Company's listed subsidiary), the Group's current liabilities exceeded its current assets by approximately RMB3,698.85 million and the Group's current borrowings amounted to approximately RMB1,488.90 million while its cash and cash equivalents was approximately RMB391.00 million only. On the same date and up to the date of approval of the consolidated financial statements, the Group was in default of a senior note (the "**Defaulted Senior Note**") with principal amount of approximately US\$36.97 million (equivalent to approximately RMB254.05 million) because of non-payment at its due date. Subsequent to 31 December 2022, the Company received a letter formally demanding the Group to settle principal and interest with total amount of approximately US\$3.70 million (equivalent to RMB25.43 million) under the Defaulted Senior Note or otherwise a winding-up petition may be presented to the court. In addition, the Company incurred a net loss of approximately RMB2,453.75 million and net operating cash outflow of approximately RMB484.92 million for the year ended 31 December 2022. These events or conditions, along with other matters as set forth in note 2.1(c) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Rui Meng (as chairman), Mr. Chen Tai-yuan and Mr. Xu Xiaonian. The principal duties of the Audit Committee include the review of the Company's financial reporting procedure, control systems and interim and annual results of the Group and to review the risk management and internal control systems of the Group. The consolidated financial statements of the Group for FY2022 have been reviewed by the Audit Committee.

REVIEW OF RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

By order of the Board
Landsea Green Management Limited
Gao Yuan
Company Secretary

Hong Kong, 31 March 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Tian Ming and Mr. Huang Zheng, two non-executive Directors, namely Ms. Gu Jing and Mr. Cheng Yuan, and three independent non-executive Directors, namely Mr. Xu Xiaonian, Mr. Chen Tai-yuan and Mr. Rui Meng.

* *For identification purposes only*