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Landsea Green Life Service Company Limited

朗詩綠色生活服務有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 1965)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

PERFORMANCE SUMMARY

The results of the Group for the year ended 31 December 2021 are as follows:

1. The Group's revenue reached approximately RMB737.2 million, representing an increase of approximately 22.7% as compared with approximately RMB600.9 million for the corresponding period in 2020.
2. The following sets out the Group's revenue by business line:
 - (1) Revenue from property management services was approximately RMB469.9 million, accounting for approximately 63.7% of the total revenue and representing an increase of approximately 14.7% as compared with approximately RMB409.8 million for the corresponding period in 2020;
 - (2) Revenue from value-added services to non-property owners was approximately RMB200.2 million, accounting for approximately 27.2% of the total revenue and representing an increase of approximately 42.1% as compared with approximately RMB140.9 million for the corresponding period in 2020; and
 - (3) Revenue from community value-added services was approximately RMB67.1 million, accounting for approximately 9.1% of the total revenue and representing an increase of approximately 33.7% as compared with approximately RMB50.2 million for the corresponding period in 2020.

3. Gross profit was approximately RMB186.1 million, representing an increase of approximately 15.8% as compared with approximately RMB160.7 million for the corresponding period in 2020. Gross profit margin was approximately 25.2%, representing a decrease of 1.5 percentage points as compared with approximately 26.7% for the corresponding period in 2020.
4. Profit for the year was approximately RMB58.3 million, representing a decrease of approximately 11.0% as compared with approximately RMB65.6 million for the corresponding period in 2020. Excluding the impact of the one-off listing expenses, the adjusted profit for the year was approximately RMB76.2 million, representing an increase of approximately 4.4% as compared with approximately RMB73.0 million for the corresponding period in 2020.
5. As at 31 December 2021, the Group's contracted GFA was approximately 31.97 million sq.m., of which the GFA under management was approximately 23.45 million sq.m., representing an increase of approximately 35.2% as compared with the GFA under management of approximately 17.35 million sq.m. as at 31 December 2020.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Landsea Green Life Service Company Limited (the “**Company**” or “**Landsea Green Life**”) would like to present the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (“**Year of 2021**” or “**Period**”) together with the comparative figures for the corresponding period in 2020. 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 2021

		For the year ended	
	<i>Note</i>	31 December 2021 RMB'000	31 December 2020 RMB'000
Revenue	5	737,218	600,906
Cost of sales and services		<u>(551,145)</u>	<u>(440,176)</u>
Gross profit		186,073	160,730
Other income		4,988	38,444
Selling expenses		(13,789)	(9,451)
Administrative expenses		(96,226)	(65,409)
Impairment losses under expected credit loss model		(12,238)	(4,174)
Other gains/(losses) — net	6	<u>5,475</u>	<u>(640)</u>
Operating profit		74,283	119,500
Finance income		2,095	130
Finance costs		<u>(48)</u>	<u>(34,372)</u>
Finance income/(costs) — net		2,047	(34,242)
Share of gains of associates		231	—
Profit before income tax		76,561	85,258
Income tax expenses	7	<u>(18,219)</u>	<u>(19,698)</u>
Profit for the year		<u>58,342</u>	<u>65,560</u>

		For the year ended	
		31 December	31 December
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss:</i>			
— Exchange difference on translation of foreign operations		299	66
<i>Items that will not be reclassified to profit or loss:</i>			
— Exchange difference on translation of foreign operations		(4,122)	—
Other comprehensive (loss)/income for the year, net of tax		<u>(3,823)</u>	<u>66</u>
Total comprehensive income for the year		<u>54,519</u>	<u>65,626</u>
Profit for the year attributable to:			
— Equity owners of the Company		58,331	65,560
— Non-controlling interests		11	—
		<u>58,342</u>	<u>65,560</u>
Total comprehensive income for the year attributable to:			
— Equity owners of the Company		54,508	65,626
— Non-controlling interests		11	—
		<u>54,519</u>	<u>65,626</u>
Earnings per share attributable to equity owners of the Company			
Basic and diluted earnings per share	8	<u>0.177</u>	<u>0.238</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

		31 December	31 December
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment properties		7,552	5,336
Property, plant and equipment		7,835	4,497
Right-of-use assets		1,257	1,588
Intangible assets		4,679	3,218
Interests in associates	9	1,611	–
Deferred income tax assets		15,377	8,685
		<u>38,311</u>	<u>23,324</u>
Current assets			
Trade receivables	10	215,426	115,611
Inventories		1,228	1,839
Prepayments and other receivables		148,564	160,872
Restricted cash		360	–
Cash and cash equivalents		444,093	314,265
		<u>809,671</u>	<u>592,587</u>
Total assets		<u>847,982</u>	<u>615,911</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		56	142
Current liabilities			
Trade and other payables	11	302,284	310,816
Contract liabilities		160,280	146,663
Lease liabilities		871	949
Current income tax liabilities		18,815	28,958
		<u>482,250</u>	<u>487,386</u>
Total liabilities		<u>482,306</u>	<u>487,528</u>

		31 December	31 December
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Capital and reserves attributable to equity owners of the Company			
Share capital	<i>12</i>	3,421	–
Reserves		<u>357,994</u>	<u>128,383</u>
		<u>361,415</u>	<u>128,383</u>
Non-controlling interests		<u>4,261</u>	<u>–</u>
Total equity		<u>365,676</u>	<u>128,383</u>
Total liabilities and equity		<u><u>847,982</u></u>	<u><u>615,911</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 1 December 2020 as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the People's Republic of China (the "PRC").

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 July 2021 (the "Listing"). In the opinion of the directors of the Company, the ultimate holding company and ultimate controlling shareholder of the Company is Honor Limited ("Honor"), a company incorporated under the laws of British Virgin Islands ("BVI"), and Mr. Tian Ming.

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

The financial statements have been approved for issue by the Board on 18 March 2022.

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Companies Ordinance Cap. 622 ("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.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the reporting period commencing 1 January 2021. The adoption of these standards and amendments does not have significant impact to the financial performance and position of the Group.

- Covid-19-related Rent Concessions — Amendments to HKFRS 16
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 — Interest Rate Benchmark Reform

(d) New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group

Standards, amendments and interpretations		Effective for annual periods beginning on or after
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non — current	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 HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Allowance on doubtful receivables

The Group makes expected credit loss provision on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history of customers and debtors, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and loss provision in the periods in which such estimate has been changed.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board.

During the year ended 31 December 2021, the Group is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the year ended 31 December 2021.

As at 31 December 2021 and 2020, all of the non-current assets of the Group were located in the PRC.

5. REVENUE

Revenue comprises of proceeds from property management services, value-added services to non-property owners and community value-added services. An analysis of the Group's revenue for the years ended 31 December 2021 and 2020 is as follows:

	For the year ended	
	31 December	31 December
	2021	2020
	RMB'000	<i>RMB'000</i>
Revenue from customers and recognised over time		
— Property management services	469,911	409,829
— Value-added services to non-property owners	112,055	81,179
— Community value-added services	17,110	15,579
	<u>599,076</u>	<u>506,587</u>
Revenue from customers and recognised at point in time		
— Value-added services to non-property owners	88,167	59,731
— Community value-added services	49,975	34,588
	<u>138,142</u>	<u>94,319</u>
	<u>737,218</u>	<u>600,906</u>

The Group has recognised the following revenue-related contract liabilities:

	31 December	31 December
	2021	2020
	RMB'000	<i>RMB'000</i>
Contract liabilities related to		
— Property management services	154,044	142,453
— Community value-added services	5,255	314
— Value-added services to non-property owners	981	3,896
	<u>160,280</u>	<u>146,663</u>

(a) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. The increase in contract liabilities was mainly due to the growth of the Group's business.

(b) Revenue recognised in relation to contract liabilities

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

	For the year ended	
	31 December 2021 RMB'000	31 December 2020 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
— Property management services	142,453	112,768
— Community value-added services	314	365
— Value-added services to non-property owners	3,896	—
	<u>146,663</u>	<u>113,133</u>

(c) Unsatisfied performance obligations

For property management services and value-added service to non-property owners, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

For community value-added services, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

6. OTHER GAINS/(LOSSES) — NET

	For the year ended	
	31 December 2021 RMB'000	31 December 2020 RMB'000
Net gain on disposal of investment properties	2,431	—
Net exchange gains	2,290	—
Net gain on derecognition of financial assets	1,475	—
Net loss on disposal of property, plant and equipment	(23)	(39)
Others	(698)	(601)
	<u>5,475</u>	<u>(640)</u>

7. INCOME TAX EXPENSE

	For the year ended	
	31 December	31 December
	2021	2020
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax (c)	23,863	13,375
Deferred income tax		
— PRC corporate income tax (c)	<u>(5,644)</u>	<u>6,323</u>
	<u>18,219</u>	<u>19,698</u>

- (a) The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.
- (b) Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year. No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax during the years ended 31 December 2021 and 2020.
- (c) Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.
- (d) Pursuant to the Detailed Implementation Regulations for Implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding tax of 10% and a lower 5% withholding tax rate may be applied when the immediate holding companies of the subsidiaries in the PRC are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding tax for these undistributed earnings of its subsidiaries in the PRC as the Group does not have a plan to distribute these earnings from its subsidiaries in the PRC.

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated statements of comprehensive income to the income tax expenses is listed below:

	For the year ended	
	31 December	31 December
	2021	2020
	RMB'000	RMB'000
Profit before income tax	<u>76,561</u>	<u>85,258</u>
Tax calculated at tax rate of 25%	19,140	21,315
Effects of preferential tax rates to different subsidiaries of the Group (i)	(5,620)	(2,439)
Tax effect of non-deductible expenses	756	1,194
Tax effect of unrecognised tax losses	6,698	(263)
Others	<u>(2,755)</u>	<u>(109)</u>
	<u>18,219</u>	<u>19,698</u>

- (i) Under the Law of the PRC on Corporate Income Tax (the “**CIT Law**”) and implementation regulations of the CIT Law, the income tax rate of 25% is applicable to the Group’s subsidiaries for the years ended 31 December 2021 and 2020. Some subsidiaries are qualified as small and micro businesses and enjoy preferential income tax rate of 5% or 10% as approved by the local tax authorities for the years ended 31 December 2021 and 2020. Some subsidiaries located in western areas of the PRC engaged in encouraged industries and are subject to a preferential tax rate of 15% in accordance with regulations for the year ended 31 December 2021 and 2020.

8. EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the Reorganisation and the Capitalisation Issue (as defined and detailed in note 12) as if the Reorganisation and Capitalisation Issue had been completed on 1 January 2020 without taking into account of 23,998,345 shares issued to Green Sailing (PTC) Limited (“**Green Sailing (PTC)**”), representing 5.84% of the total shares of the Company after completion of the partial exercise of the over-allotment option, that have not yet been granted to employees.

(a) **Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares outstanding during the years ended 31 December 2021 and 2020.

	For the year ended	
	31 December	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to equity owners of the Company	58,331	65,560
Number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	328,762	276,002
Basic earnings per share (expressed in RMB cents per share)	0.177	0.238

(b) **Diluted earnings per share**

No diluted earnings per share is presented as the Group had no dilutive potential ordinary shares during the years ended 31 December 2021 and 2020.

9. INTERESTS IN ASSOCIATES

	For the year ended	
	31 December	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	—	—
Additions:		
— Additional investments in associates	1,380	—
Share of gains of associates	231	—
At 31 December	1,611	—

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

10. TRADE RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade receivables (a)		
— Related parties	143,703	51,842
— Third parties	90,371	73,675
	<u>234,074</u>	<u>125,517</u>
Less: provision for bad debt	<u>(18,648)</u>	<u>(9,906)</u>
	<u>215,426</u>	<u>115,611</u>

- (a) Trade receivables mainly arise from property management services income under lump sum basis and value-added services provided to property owners and non-property owners.

Property management services income are received in accordance with the terms of the relevant services agreements. Service income from property management service is due for payment by the residents upon the issuance of demand note.

The receivables from the provision of value-added services to non-property owners are usually due for payment upon the issuance of document of settlement.

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Related parties		
— Less than 1 year	139,518	47,580
— 1 to 2 years	1,958	2,862
— 2 to 3 years	827	1,400
— 3 to 4 years	1,400	—
	143,703	51,842
Third parties		
— Less than 1 year	62,968	57,007
— 1 to 2 years	17,447	12,062
— 2 to 3 years	6,316	2,289
— 3 to 4 years	1,571	711
— 4 to 5 years	608	438
— Over 5 years	1,461	1,168
	90,371	73,675
	234,074	125,517

As at 31 December 2021 and 2020, the fair values of trade receivables approximate their carrying amounts.

11. TRADE AND OTHER PAYABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade payables	94,338	77,322
Other payables		
— Amounts due to related parties	1,151	30,899
— Amounts collected on behalf of property owners	68,033	59,540
— Deposits received	11,021	7,781
— Others	2,713	4,212
Accruals for staff costs	100,730	95,480
Value-added tax (“VAT”) and other tax payables	24,298	35,582
	302,284	310,816

As at 31 December 2021 and 2020, the carrying amounts of trade and other payables approximate their fair values.

As at 31 December 2021 and 2020, amounts due to related parties were unsecured, interest-free and repayable on demand.

As at 31 December 2021 and 2020, the ageing analysis of the trade payables based on goods and services received is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Less than 1 year	91,966	74,806
1 to 2 years	2,372	2,516
	<u>94,338</u>	<u>77,322</u>

12. SHARE CAPITAL

	Number of ordinary shares	Share capital of the Company	
		HK\$	RMB'000
Ordinary shares of HK\$0.01 each			
Authorised:			
On the date of incorporation and 31 December 2020	38,000,000	380,000	–
Increase on 15 June 2021 (a)	<u>1,962,000,000</u>	<u>19,620,000</u>	–
At 31 December 2021	<u>2,000,000,000</u>	<u>20,000,000</u>	–
Issued:			
As at 31 December 2020 (b)	100,000	–	–
Credited as fully paid in connection with the Reorganisation (c)	–	1,000	–*
Issue of shares held for share incentive scheme (d)	8,695	87	–*
Issue of shares in connection with the capitalisation issue (e)	299,891,305	2,998,913	2,498
Issue of shares in connection with the Listing (f)	100,000,000	1,000,000	833
Issue of shares in connection with the over-allotment option (g)	<u>10,765,000</u>	<u>107,650</u>	<u>90</u>
As at 31 December 2021 (Unaudited)	<u>410,765,000</u>	<u>4,107,650</u>	<u>3,421</u>

* The balance represents amount less than RMB1,000.

(a) Pursuant to shareholders' written resolutions dated on 15 June 2021, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,962,000,000 shares.

- (b) As at 31 December 2020, all the shares issued by the Company was nil-paid.
- (c) On 6 January 2021, the Company entered into a share transfer agreement with Landsea Community Service Co., Ltd. (“**Landsea Community Service**”), pursuant to which Landsea Community Service transferred all the issued shares of Landsea Greenlive International Company Limited and Southern Land International Company Limited to the Company. As settlement, the Company credited the above nil-paid shares held by the then shareholders as fully paid shares.
- (d) On 18 January 2021, 8,695 shares were issued and allotted at par value to Green Sailing (PTC), representing approximately 8.0% of the enlarged issued share capital of the Company. Green Sailing (PTC) is a private trust company incorporated in the BVI and wholly owned by Honor as a special purpose vehicle to hold shares to be granted to eligible grantees under a share incentive scheme to be adopted at least six months after the Listing.
- (e) Pursuant to shareholders’ written resolutions passed on 15 June 2021, and conditional on the share premium account of the Company being credited as a result of the issue of offer shares pursuant to the proposed share offering described in the prospectus of the Company dated 25 June 2021, the directors are authorised to capitalise an amount of approximately HK\$3.00 million (equivalent to RMB2.50 million), standing to the credit of the share premium account by applying such sum towards the paying up in full at par a total of 299,891,305 shares for allotment and issue to holders of shares whose names appear on the register of members of the Company on the date of passing such resolutions in proportion to their then existing respective shareholding in the Company (the “**Capitalisation Issue**”). The Capitalisation Issue was completed on 8 July 2021 in connection with the Listing.
- (f) On 8 July 2021, the Company issued 100,000,000 new ordinary shares at HK\$3.18 each with HK\$0.01 per share in connection with the Listing and raised gross proceeds of approximately HK\$318 million (equivalent to RMB264.32 million). The excess over the par value of HK\$317 million (equivalent to RMB263.49 million) net of the transaction costs of approximately RMB19.68 million was credited to other reserve account with an amount of RMB243.81 million.
- (g) On 4 August 2021, the over-allotment option was partially exercised pursuant to which the Company issued 10,765,000 new ordinary shares at HK\$3.18 each with HK\$0.01 per share and raised gross proceeds of approximately HK\$34.23 million (equivalent to RMB28.45 million). The excess over the par value of HK\$34.12 million (equivalent to RMB28.36 million) net of the transaction costs of approximately RMB1.65 million was credited to share premium account with an amount of RMB26.71 million.

13. DIVIDEND

No dividends were paid, declared or proposed during the year ended 31 December 2021. The directors of the Company have determined that no dividend will be paid in respect of in respect of the year ended 31 December 2021.

CHAIRMAN’S REPORT

REVIEW OF 2021

In the past year, China’s property service industry continued to grow rapidly. Under the guidance and encouragement of national policies, the exploration on the development of community value-added services based on communities and families is in full swing, and the diversification of services in the property management industry continues to increase. Landsea Green Life adheres to the customer-oriented principle, focuses on the demand and the need of customers, and promotes the continuous optimization and innovation of services. On one hand, we adhere to the principle with quality service as business foundation, creating differentiated advantages and brand characteristics through sustainable operation of green, low-carbon and warm communities. On the other hand, we focus on the field of value-added services and explore new business models, while actively expanding our business in the urban service sector, promoting digitization and accelerating the transformation of the Group from a traditional property service enterprise to a green life service provider, with our business developed and scale growing with higher quality.

Performance Overview

During the Period, the Group’s revenue was RMB737 million, representing an increase of 22.7% from RMB601 million for the corresponding period in the previous year. Gross profit for the Period was RMB186 million, representing an increase of 15.8% from RMB161 million for the corresponding period in the previous year. Excluding the impact of listing expenses, net profit for the period was RMB76 million, representing an increase of 4.4% from RMB73 million for the corresponding period in the previous year.

Business Update

At the beginning of 2021, the Ministry of Housing and Urban-Rural Development and other nine ministries and committees clearly encouraged property service enterprises to explore the model of “property service plus living service” so as to meet diversified and multi-level residential needs of people. The Group adheres to the orientation based on customers’ demand, focuses on customer asset services and home-living services, and continuously broadens our service boundaries and business fields. During the Period, revenue from community value-added services amounted to RMB67 million, representing an increase of 33.7% from RMB50 million for the corresponding period in the previous year. In addition, we continue to promote cultural establishment for communities and have created a warm atmosphere for communities through The Landsea

Friends. During the year, 559 activities for the community, groups and online activities were held, 25% of which were independently organized by property owners. In terms of value-added services to non-property owners, the Group continues to reinforce its business capabilities, vigorously develops property consultancy services with capabilities on green building operation and maintenance as its core competitiveness, and provide property agency services in response to customers' demand with a high sell-through rate. During the period under review, revenue from value-added services to non-property owners amounted to RMB200 million, representing an increase of 42.1% from RMB141 million for the corresponding period in the previous year.

In terms of market development, the Group pursues sustainable scale growth, adheres to multi-channel regional expansions, enriches the types of project management business, and actively enters undeveloped regional markets. In 2021, the Group integrated its advantages and resources in the market and established nine new partner companies obtaining new area under management of 2.21 million sq.m. The Group has actively and strategically participated in the non-residential market and urban service sectors. During the Period, our non-residential area under management increased by 0.63 million sq.m. and our urban service area under management by 3.67 million sq.m. As at 30 December 2021, the Group signed a share transfer agreement with Anhui Xindi Ruiyi Property, which has strengthened the Group's brand awareness and competitiveness in the property management service market in Anhui, Henan and Shandong. Upon completion of the equity transfer, the new contracted area of the Group would be approximately 7 million sq.m. As of 31 December 2021, the Group's property management services covered 26 cities, with a total gross floor area ("GFA") under management of 23.45 million sq.m., a total contracted GFA of 31.97 million sq.m. and more than 150,000 households served. The quality scale growth has led to a 6% increase in the Group's average unit price for property to RMB2.13 per sq.m. in 2021 and a 14.7% increase in revenue from property management service business.

The Group attaches great importance to digital establishment for the transformation of property services so as to achieve the goal of "people-oriented services, wise management and intelligent communities". In terms of the construction of digital and intelligent community, the quality of basic property services is secured by establishing a mature and stable management platform for basic property services. Continuous improvement in the life service platform empowered living service business operation. Through the establishment of an intelligent IoT platform and the implementation of applications such as smart traffic, smart pedestrian and smart security, the living experience of customers in the digital and intelligent community is enhanced. In terms of intelligent management transformation, focusing on the "*human resource management, finance management, asset management, task management and market expansion*", we gradually enhanced our digital back-stage management, and basically established a human resource and finance sharing centre, and thus made progress on digital transformation of our operation and management.

Corporate Social Responsibility and Sustainability

The Group holds on to the core values of “people orientation, positive and green”, and is committed to becoming an excellent corporate citizen. While actively promoting the integration of property services into social governance for grassroots and providing residents with quality and diversified services, we also actively participated in the joint force to prevent from and get control of the pandemic situation in communities, to uphold the front line of defence for the health and safety of property owners. In addition, we have actively launched flood and disaster prevention measures to safeguard the normal and orderly lives of property owners.

The Group strictly follows the principle of coordinated development of economy, society and environment, conducts business operations in a responsible manner, and is committed to making contribution to the sustainability of the environment and the society. As at 19 May, the Group published the 2020 ESG Report, which has clearly suggested to, create a more inclusive, safer and healthier sustainable community and realize and protect the green and healthy life for an increasing number of people, by providing warm community services and leveraging our professional capabilities on green operation and maintenance. As at 24 December, the Group officially released a roadmap for carbon neutrality, which has clarified the Group’s carbon neutrality timetable and implementation method, considering promotion of carbon emission reduction as an important goal for the Group’s future development, in urban residential scenarios, including energy and water consumption, transportation and non-hazardous garbage in the community.

OUTLOOK FOR 2022

Looking forward to 2022, the property management industry will still be in the golden development cycle characterized by fast growing and extensive development room and service boundaries. The pursuit of wonderful life by residents will not only continue to increase the owners’ expectations for the quality of property services, but also encourage the property management industry to enter the stage of “high-quality” development. It will also continue to stimulate the demand for value-added services, promote the diversification on residents’ life, work and services, and bring new development opportunities for value-added services for property management enterprises. In addition, under the goal of “carbon peak and carbon neutralization” , the low-carbon transformation and sustainability of the property management industry will also be increasingly emphasized by the society.

The Group always believes that doing well in providing regular services is not only a fundamental requirement for property services, but also a prerequisite for obtaining customers' trust, opening up business opportunities and exploring value in gold fields. As a green living service provider, we will adhere to the customer-oriented principle, carry out business innovation based on customers' demand, and continue to build up our capabilities for green, low-carbon and warm living services. By combining our own resources and talents, we could accelerate our service layout for a variety of living such as elderly care, housekeeping, asset operation, green home renovation and alteration, community retail, neighborhood and community as well as comprehensive urban services. We will continue to promote the establishment of standardized services, attain quicker response and higher problem solving efficiency from property owners through digitalization, and continuously improve our professional level and quality of services. We will embrace our dreams and ambition, maintain our resilience, do the right things regardless of difficulties, promote the quality growth of scale on the basis of continuous innovation, and accelerate our transformation and upgrading from traditional property companies to life service platforms.

The Company was listed in 2021, and 2022 will be the first full year of operation after listing. We are determined and confident to accelerate the transformation and upgrade of the Company to a life service platform with product innovation in value-added services. We will rely on more refined operation and management, scientific organisational reforms and human-oriented and pragmatic business philosophy, and strive to achieve a more qualitative, effective and sustainable development in 2022.

ACKNOWLEDGEMENT

2021 is a milestone year in the development history of the Group. The successful listing of Landsea Green Life on the Main Board of the Hong Kong Stock Exchange on 8 July 2021 is inseparable from the strong support of all parties in the society and the joint efforts of all our employees. On behalf of the Board, I would like to express my sincere gratitude to all our employees, investors, customers and partners.

At a new starting point, we take our way again. In 2022, we will continue to promote the culture of hard workers, uphold the spirit of entrepreneurship to promote business innovation, bear in mind our mission, forge ahead, and continue to create diversified values for customers, shareholders, employees, partners and other stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a growing life service provider well-established in the Yangtze River Delta that provides diversified types of property management services and value-added services. According to China Index Academy (“CIA”), we ranked the 24th among the “2021 Top 100 Property Management Companies in the PRC” (2021中國物業服務百強企業) in terms of overall strength, considering factors including respective property management scale, operational performance, service quality and growth potential.

As of 31 December 2021, our property management services covered 26 cities, including 19 cities in the Yangtze River Delta and 7 other cities in the PRC. Our total GFA under management amounted to approximately 23.45 million sq.m. with a total of 151 managed properties, including 125 residential properties and 26 non-residential properties, serving over 150,000 households as at 31 December 2021. Further, our total contracted GFA amounted to approximately 31.97 million sq.m. as at 31 December 2021.

As a property management service company that carries a “green” gene and has put profound efforts in the management of green buildings for 17 years, Landsea Green Life focuses on green development and continues to enhance the differentiated competitiveness of green operations in the community. Meanwhile, maintaining our focus on our customers, we make business innovation serving their needs, actively exploring a new business model of “Property Service + Life Service” in the pursuit of efficient and high-quality growth in scale and hence transforming from a traditional property service company into a green life service provider.

We strive to provide high quality and featured property management services and value-added services to various customers, strengthen market-oriented operations and enhance brand value, earning us numerous recognitions. As of 31 December 2021, we received the “China Leading Property Management Companies in terms of Service Quality 2021” (2021中國物業服務百強服務質量領先企業) from CIA for four consecutive years, and have been bestowed honours of the “China Leading Property Management Companies in terms of Customer Satisfaction 2021” (2021中國物業服務百強滿意度領先企業), the “China Leading Property Management Companies in terms of Marketisation of Business 2021” (2021中國物業管理行業市場化運營領先企業), the “China Leading Property Management Companies in terms of Social Responsibility 2021” (2021中國物業服務年度社會責任感企業) and the “Featured Brand of China Property Management Service offering warm community 2021” (2021中國物業服務特色品牌企業 — 有溫度的社區). We also received the “Top 30 Branded Property Management Companies in East China 2021” (2021中國物業服務華東品牌企業30強) and the “China TOP30 Digital Power of Property Enterprises 2020-2021” (2020–2021中國物業企業數字力TOP30) from E-house China R&D Institute (上海易居房地產研究院), and the “China Operation Benchmark

Enterprise of Property Service Enterprise Community 2021” (2021中國物業服務企業社群運營標杆企業) from EH Consulting (億翰智庫 • 嘉和家業) and the “Best Listed Company with ESG Practice” (最佳 ESG 實踐上市公司) from Hong Kong Ta Kung Wen Wei Media Group. Besides, the Nanjing Landsea Zhongshan Green County, our managed project, was awarded the first 6-star certification for BREEAM In-Use V6 residential project in the world.

Business Segments

The Group provides diversified property management services to property owners and residents, mainly serving residential properties with an expanding portfolio of non-residential properties. We also offer value-added services to non-property owners, primarily property developers, to meet their various needs for property management. With an aim to provide quality property management services, we also offer a range of community value-added services to our property owners and residents of our managed residential properties. Our community value-added services complement our property management services and contribute to enhancing the satisfaction and loyalty of property owners and residents.

Property Management Services

The Group provides property developers, property owners and residents with a range of property management services, primarily including security, cleaning, gardening and landscaping, car parking management, and daily repair and maintenance services. Our project portfolio included residential and non-residential properties as well as urban service project, among which, the non-residential properties including (i) office buildings, (ii) rental apartments, (iii) public facilities, (iv) industrial parks, (v) hospitals; and (vi) branches of bank.

The Group continued to put our profound efforts in the Yangtze River Delta by adhering to multi-channel expansion for sustainable scale growth. The Group will increase our types of project management business, actively entering the undeveloped regional markets. As of 31 December 2021, the total contracted GFA of the Group was approximately 31.97 million sq.m. For the Year of 2021, the new contracted areas were approximately 8.85 million sq.m., of which, in terms of customer type, the new areas from independent third parties were approximately 7.726 million sq.m., accounting for approximately 87.3% of the total new contracted areas for the year ended 31 December 2021. In terms of property type, the new areas from our non-residential business were approximately 4.044 million sq.m., accounting for approximately 45.7% of the total new contracted areas for the Year.

The breakdown of our revenue from property management services by property types and GFA under management of the Group were as follows:

	As of 31 December 2021			As of 31 December 2020			Year-on-year growth rate of revenue
	GFA under management <i>Ten thousand sq.m.</i>	2021 Revenue <i>Ten thousand RMB</i>	% of revenue %	GFA under management <i>Ten thousand sq.m.</i>	2020 Revenue <i>Ten thousand RMB</i>	% of revenue %	%
Residential properties	1,862.6	41,307.9	87.9%	1,645.8	35,881.9	87.6%	15.1%
Non-residential properties and urban service projects	482.0	5,683.2	12.1%	88.8	5,101.0	12.4%	11.4%
Total	<u>2,344.6</u>	<u>46,991.1</u>	<u>100.0%</u>	<u>1,734.6</u>	<u>40,982.9</u>	<u>100.0%</u>	14.7%

During the Period, the Group actively and strategically developed the non-residential market, and focused on projects such as public buildings, industrial parks and commercial buildings. In 2021, the new non-residential area under management was approximately 0.63 million sq.m.. When the proportion of non-residential project scale further increased, it was also the first time for the Group to enter the urban service field, with our new urban service area under management for 2021 of approximately 3.67 million sq.m..

The breakdown of our revenue from property management services by customer types and GFA under management of the Group were as follows:

	As of 31 December 2021			As of 31 December 2020			Year-on-year growth rate of revenue
	GFA under management <i>Ten thousand sq.m.</i>	2021 Revenue <i>Ten thousand RMB</i>	% of revenue %	GFA under management <i>Ten thousand sq.m.</i>	2020 Revenue <i>Ten thousand RMB</i>	% of revenue %	%
Properties developed by Landsea Green Properties Co., Ltd. (“ Landsea Green Properties ”)	790.6	21,598.4	46.0%	783.5	21,174.3	51.7%	2.0%
Properties developed by joint ventures and associates of Landsea Green Properties	332.0	7,528.3	16.0%	217.6	4,151.9	10.1%	81.3%
Properties receiving project management services from Landsea Green Properties	149.7	3,152.2	6.7%	112.5	2,475.9	6.0%	27.3%
Properties developed by independent third-party	<u>1,072.3</u>	<u>14,712.2</u>	<u>31.3%</u>	<u>621.0</u>	<u>13,180.8</u>	<u>32.2%</u>	11.6%
Total	<u><u>2,344.6</u></u>	<u><u>46,991.1</u></u>	<u><u>100.0%</u></u>	<u><u>1,734.6</u></u>	<u><u>40,982.9</u></u>	<u><u>100.0%</u></u>	14.7%

The growth of results performance of the Group was also benefitted from long-term stable development capabilities of Landsea Green Properties, leading to a continuous expansion for our property management services in terms of scale. Landsea Green Properties developed and delivered the following projects, including projects receiving project management services with a new contracted area of approximately 1.66 million sq.m. and a new area under management of approximately 2.19 million sq.m. in 2021. The breakdown was as follows:

	Year-on-year growth (addition in Additional Contracts signed 2021 compared with that of 2020)		Year-on-year growth (addition in Addition under management 2021 compared with that of 2020)	
Number of projects	13	Decreased by 2	18	Increased by 4
Area (in ten thousand sq.m.)	166	-8%	219	140%
Number of households	<u>9,241</u>	<u>-25%</u>	<u>10,890</u>	<u>59%</u>

Adhering to a flexible and open market-oriented cooperative attitude, the Group has reached strategic cooperation with state-owned government enterprises and regional property developers and established partner companies to handle the property management services arising from projects developed and delivered by and from the projects to be developed by the companies by leveraging mature service system and management standardization strength of Landsea Green Life. As of 31 December 2021, a total of eleven partner companies have been established, among which five were consolidated into the Group, namely (i) Landsea Property Management (Xuzhou) Co., Ltd.* (朗詩寶物業管理(徐州)有限公司); (ii) Anju Landsea Property Management Service (Yangzhou) Co., Ltd.* (安居朗詩物業服務(揚州)有限公司); (iii) Jiangsu Landsea Sea Lake Property Management Co., Ltd.* (江蘇朗詩海湖物業有限公司); (iv) Sichuan Langshang Property Management Co., Ltd.* (四川朗商物業管理有限公司), (v) Xi'an Langze Property Management Co., Ltd.* (西安朗澤物業管理有限公司) while the accounts of the remaining six were not consolidated into that of the Group where only investment gains would be shared, namely (i) Chengdu Fulang Property Services Co., Ltd.* (成都福朗物業服務有限公司); (ii) Huizhou Landsea Dezhou Property Management Co., Ltd.* (惠州朗詩德州物業管理有限公司); (iii) Zhejiang Langheng Property Management Co., Ltd.* (浙江朗恒物業管理有限公司); (iv) Shanghai Landsea Savills Property Management Co., Ltd.* (上海朗詩第一太平戴維斯物業管理有限公司); (v) Dongyang City Investment Landsea Property Service Co., Ltd.* (東陽市城投朗詩物業服務有限公司); and (vi) Suzhou Langtong Green Elevator Service Co., Ltd.* (蘇州朗通綠色電梯服務有限公司).

During the Year of 2021, unconsolidated partner companies contributed 15 new projects in total with new area under management of approximately 2.21 million sq.m. for the Year of 2021.

As at 30 December 2021, the Group entered into a share transfer agreement with, among others, Anhui Xindi Ruiyi Property Services Co., Ltd.* (安徽新地銳意物業服務有限公司) (“**Xindi Ruiyi**”) to acquire 100% equity interests in Xindi Ruiyi. The projects under management of Xindi Ruiyi include the Xindi Center (新地中心), a landmark in Anhui Province and a super high-rise office building with a height of 240 meters. The acquisition has increased the market share of the Group in the Anhui market. Upon the completion of the transfer, the contracted areas of the Group will increase by approximately 7 million sq.m..

The Group insisted on the standardization of service quality and enhancement of service diversification, and the average price of property management fees was steadily increased. The Group passed the ISO50001 energy management system and ISO27001 information security management system certifications in March and June 2021 successively, supporting the system for regulating energy management and information security management during the course of business operation of the Group. With the expansion of scale in property management, the improvement of branding impact and quality standardization, the average property management fee per sq.m. per month for 2021 reached RMB2.13, representing an increase of approximately 6% compared with that of the corresponding period in 2020, among which, the average property management fee for residential properties increased by approximately 2.1% to RMB1.97 while the average property management fee for non-residential properties surged by approximately 72% to RMB4.85.

Value-Added Services to Non-Property Owners

The Group offers value-added services to non-property owners to address their various needs on property management, including (i) sales assistance services, which mainly include visitors reception, on-site cleaning, security, repair and maintenance services to assist property developers in showcasing and marketing their properties at the pre-sale stage; (ii) consultancy services and other pre-delivery services such as cleaning, inspection, repair and maintenance services at the pre-delivery stage and to a lesser extent, repair and maintenances services after delivery where such services are required by property developers based on inspection of relevant properties; and (iii) property agency services provided for sales and leases of properties to property developers.

The following table sets out a breakdown of the revenue of value-added services to non-property owners by types for Year of 2021:

	Whole year of 2021		Whole year of 2020		Year-on-Year growth rate of revenue
	Revenue <i>Ten thousand RMB</i>	% of revenue %	Revenue <i>Ten thousand RMB</i>	% of revenue %	
Sales assistance services	6,425.6	32.1%	4,826.4	34.3%	33.1%
Property consultancy services	4,779.9	23.9%	3,202.4	22.7%	49.3%
Property agency services	8,816.7	44.0%	6,062.2	43.0%	45.4%
Total	<u>20,022.2</u>	<u>100.0%</u>	<u>14,091.0</u>	<u>100.0%</u>	42.1%

The Group is engaged in providing perfect “first impression” to customers by building professional sales assistance services teams. As at 31 December 2021, the Group provided sales assistance services to 47 sales offices of Landsea Green Properties and its joint ventures and associates, which included 11 newly added sales offices during the Period representing an increase in income from sales assistance services of 33.1% as compared to the corresponding period in 2020.

Leveraging on its experience in operating green buildings for years, the Group managed to secure more property consultancy services. The Group has signed a strategic cooperation agreement with the Building Research Establishment (BRE) to jointly cultivate talents for green building certification assessment and for operation and maintenance management, promote the concept and standards for green building operation and maintenance, and has obtained the status as the exclusive certification assessment institution of BREEAM In-Use green building operation and maintenance standards (residence) in China. In 2021, the contracted service area increased by approximately 1.58 million sq.m. and the contracted amount reached approximately RMB 10.79 million, when the revenue from property consultancy services increased by approximately 49.3% as compared with the corresponding period in 2020.

We provided property agency services to developers and property owners to facilitate the sale of new or remaining properties of developers and meet the home purchase and car parking space purchase demand of more property owners. During the Year of 2021, we established a professional sales team for property agency services assisting community management service providers in enhancing service quality based on analysis on customers' needs and facilitated 107 residential properties transactions, 119 shop transactions, 2,782 car parking space transactions and 4 storeroom transactions. In addition to providing property agency services for sales of car parking spaces and shops owned by property developers, we sourced potential property buyers, assisted property developers in entering into property sale and purchase agreements with buyers and the sales of new properties, thereby expanding our property agency services. During the Period, revenue from property agency services amounted to approximately RMB88.17 million, representing an increase of approximately 45.4% as compared with RMB60.62 million for the corresponding period in the previous year.

Community Value-Added Services

The Group offers a wide range of community value-added services in its residential properties under management to cater for the evolving needs of its customers and improve their quality of life. The services primarily consist of (i) home-living services such as house cleaning, home repair and maintenance services; (ii) public resource management services, which primarily include public spaces leasing and advertising activities; and (iii) property agency services for properties which relate to the sales and leases of properties, car parking spaces and use rights of the car parking spaces.

The following table sets out a breakdown of the revenue of community value-added services by types for the Year of 2021:

	Whole year of 2021		Whole year of 2020		Year-on-Year
	Revenue	% of	Revenue	% of	growth rate
	<i>Ten thousand</i>	revenue	<i>Ten thousand</i>	revenue	of revenue
	<i>RMB</i>	%	<i>RMB</i>	%	%
Home-living services	3,292.4	49.1%	2,518.0	50.2%	30.8%
Public resource management services	1,711.0	25.5%	1,557.9	31.1%	9.8%
Asset management services	1,705.1	25.4%	940.8	18.7%	81.2%
Total	<u>6,708.5</u>	<u>100.0%</u>	<u>5,016.7</u>	<u>100.0%</u>	33.7%

Revenue from community value-added services comprised of home-living services, public resource management services and asset management services, representing an increase of nearly 33.7% as compared to the corresponding period in 2020. With an aim to provide convenient and comfortable living environment for residents and to increase the level of their satisfaction and loyalty, we provided community value-added services to residential properties residents to improve their living experience. Home-living services are provided in terms of household maintenance, housekeeping and cleaning and partial house renovation. Despite the impact of epidemic control, the total revenue of this business recorded an increase of approximately 30.8% as compared with the corresponding period of 2020. The public resource management services mainly focus on the lease of both advertisement spots and community space. In 2021, through the online space management system of the Group, online management is adopted for community space available for operation. We have fully considered the environmental impact on the community and the acceptance levels from customers, and strictly complied with relevant regulations for title share, and have been resilient to sustainable development. Regarding our asset management business, throughout the Year of 2021, we started 361 transactions for our trading business and 1,627 transactions for our lease business with the transaction amount of approximately RMB650 million. The total revenue of asset management services recorded an increase of approximately 81.2% as compared with the corresponding period.

Stressing on customer value management for after-sales market, customer satisfaction and relationships with neighbours, the Group strived for creating a healthy atmosphere and creating value for its customers in the communities. We adhere to the customer-oriented approach to create cultural products for community. In order to create value for customers and become their favourite, The Landsea Friends closely maintains its groups of customer and creates products for the groups. Throughout 2021, 25 groups, approximately 32% owners of which were property owners, were established under five themes. 559 activities for the community, groups and online activities, approximately 25% of which were independently organized by property owners, have started. They have covered more than 710,000 customers, 117,000 of which have participated in the event and 7,646 groups of customers have paid for the community and group activities.

Informatisation establishment

The Group has accelerated our digital establishment to improve operational efficiency. As of 31 December 2021, our corporate service account covered all projects under management, and the WeChat accounts of our project managers and our WeCom (管家企業) covered approximately 60% of families, basically realizing the customer reach field of property management services including online payment, repair request and complaint.

The intelligent inspection of internal equipment and facilities of the Group covers all projects under management, realizing platform-based management from maintenance and repair to warehousing and settlement. The Group has upgraded the intelligent management systems for community visitors and parking to enhance customers' experience and better adapt to the needs of epidemic prevention and management, further improving the operational efficiency of projects. The operating spot management system for online space for our public resource management business in relation to the community has effectively reduced human resource investment. The construction of the human resource and financial sharing system and platform was also completed, such that mechanical and repetitive works could be reduced and management efficiency could be further improved. The proportion of employee benefit expenditure to total costs and expenses steadily decreased from approximately 65% for 2018 to approximately 56% in 2021.

Social Responsibility

In the first half of 2021, the Group published its first annual Environmental, Social and Governance (ESG) report. With reference to international standards such as the Global Sustainable Development Goals, the ISO37120 Sustainable Cities and Communities Standard, the SUC Sustainable Cities and Communities Standard and the ISC Sustainable Communities Standards, we have developed the three dimensions for sustainable communities that are more inclusive, safer and healthier. Meanwhile, we will accelerate the promotion and layout for green building operation and management, continue to improve our professional operation and maintenance capabilities in eight major aspects, including disaster prevention and resilience, health and well-being and energy consumption management, which help communities improve their quality, reduce energy consumption and carbon emissions, provide residents with a more eco-friendly and healthier community life, and facilitate the achievement on sustainable management for an increasing number of green buildings.

We are committed to fight against the pandemic, protect the communities and assume our social responsibilities. In 2021, the society, economy and our daily lives were hit hard by the outbreak of COVID-19. By fulfilling our social responsibilities, adhering to our mission and fighting against the pandemic at the first line of defense, we are determined to make useful contributions to protect our property owners and achieve success in pandemic control, thereby gaining recognition from the society. In addition to the recognition of our property management teams and individuals by local governments in 2020, in 2021, the management team of Nanjing Landsea International District (南京朗詩國際街區) was named as “2021 Leading Group in Prevention and Control of COVID-19” (2021年度新冠疫情防控先進集體), and Nanjing Mangrove Garden (南京紅樹林花園) was named as “2020 Meritorious Community against the Pandemic” (2020年度防疫有功社區). The property service team of the Future Home (未來之家) of Wuxi Landsea has been credited as the “Most Beautiful Volunteer Team”. For the Linglong Yu (玲瓏嶼) and the Youth Block (青春街區) of Nanjing Landsea and the Yixing

Xindufu, certificates of honor for epidemic prevention and control have been obtained. The Nanmen Green County (南門綠郡) and the (熙華府) of Chengdu Landsea* (成都朗詩) have been awarded the “Advanced Unit” for epidemic prevention and control, while a number of employees were awarded the individual honor for epidemic prevention and control.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased by approximately 22.7% from approximately RMB600.9 million for the year ended 31 December 2020 to approximately RMB737.2 million for the year ended 31 December 2021, due to (i) the increase in number of projects and GFA under management of the Group, resulting in another increase in revenue from property management services; (ii) the gradual scope expansion of community value-added services provided by the Group as a result of our continuous business development; and (iii) the expansion of value-added service scope to non-property owners.

The following table sets out a breakdown of the Group’s revenue by business line for the periods indicated:

	For the year ended 31 December			
	2021		2020	
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>	<i>%</i>
Property management services	469,911	63.7	409,829	68.2
Value-added services to non-property owners	200,222	27.2	140,910	23.4
Community value-added services	67,085	9.1	50,167	8.4
Total	<u>737,218</u>	<u>100.0</u>	<u>600,906</u>	<u>100</u>

Revenue from property management services increased by approximately 14.7% from approximately RMB409.8 million for the year ended 31 December 2020 to approximately RMB469.9 million for the year ended 31 December 2021. Such increase was primarily due to the increase in number of projects and GFA under management of the Group.

Revenue from value-added services to non-property owners increased by approximately 42.1% from approximately RMB140.9 million for the year ended 31 December 2020 to approximately RMB200.2 million for the year ended 31 December 2021. Such increase was due to (i) the increase in number of projects from Landsea Green Properties, resulting in an increase in revenue from sales assistance services of the Group; and (ii) the orderly commencement of sales business.

Revenue from community value-added services increased by approximately 33.7% from approximately RMB50.2 million for the year ended 31 December 2020 to approximately RMB67.1 million for the year ended 31 December 2021. Such increase was primarily due to (i) the orderly commencement of asset management service business; and (ii) the increase in number of projects and GFA under management of the Group.

Cost of Sales and Services

The Group's cost of sales includes employee benefit expenses, cleaning costs, security costs, maintenance costs, utilities, greening and gardening costs, depreciation and others.

The Group's cost of sales increased by approximately 25.2% from approximately RMB440.2 million for the year ended 31 December 2020 to approximately RMB551.1 million for the year ended 31 December 2021. Such increase was primarily due to (i) the increase in staff headcount and subcontracting costs as a result of the expansion of the Group's business; (ii) the increase in cost of quality improvement for the Group's projects to enhance its brand image; and (iii) the reduction in or exemption of payment of social insurance contributions for the employees due to the pandemic last year, while there was no such preferential policy for the current year.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by approximately 15.8% from approximately RMB160.7 million for the year ended 31 December 2020 to approximately RMB186.1 million for the year ended 31 December 2021. The gross profit margin decreased from approximately 26.7% for the year ended 31 December 2020 to approximately 25.2% for the year ended 31 December 2021. Such decrease was primarily due to (i) the increase in cost of quality improvement for the Group's projects to enhance its brand image; and (ii) the reduction in or exemption of payment of social insurance contributions for the employees due to the pandemic last year, while there was no such preferential policy for the current year.

Other Income and Gains

The Group's other income mainly represents interest income, government grants, additional VAT deductibles and others.

The Group's other income decreased by approximately 87.0% from approximately RMB38.4 million for the year ended 31 December 2020 to approximately RMB5.0 million for the year ended 31 December 2021, primarily due to the decrease in interest income as a result of the absence of borrowings to related parties for the current year.

Selling Expenses

The Group's selling expenses mainly represent employee benefit expenses, business development expenses, travel expenses, office expenses and others.

The Group's selling expenses increased by approximately 45.3% from approximately RMB9.5 million for the year ended 31 December 2020 to approximately RMB13.8 million for the year ended 31 December 2021, primarily due to the continuous expansion of the Group's business.

Administrative Expenses

The Group's administrative expenses mainly represent employee benefit expenses, professional fees, travel expenses, office expenses and others.

The Group's administrative expenses increased by approximately 47.1% from approximately RMB65.4 million for the year ended 31 December 2020 to approximately RMB96.2 million for the year ended 31 December 2021, primarily due to (i) the increase in listing expenses; and (ii) the continuous expansion of the Group's business.

Finance Income/(Costs) — Net

The Group's net finance income/(costs) represent various interest expenses and interest income from bank deposits.

The Group's net finance income/(costs) turned by approximately 105.8% from net finance costs of approximately RMB34.2 million for the year ended 31 December 2020 to net finance income of approximately RMB2.0 million for the year ended 31 December 2021, primarily due to the absence of external borrowings of the Group for 2021.

Share of Profits of Associates

The Group recorded a share of the profits of associates of approximately RMB0.2 million for the year ended 31 December 2021.

Income Tax Expenses

The Group's income tax refers to PRC enterprises income tax at a tax rate of 25% on taxable profits of our subsidiaries incorporated in the PRC. Some subsidiaries of the Group are qualified as small and micro businesses and enjoy preferential tax rate of 10% for the year ended 31 December 2021.

The Group's income tax expenses decreased by approximately 7.6% from approximately RMB19.7 million for the year ended 31 December 2020 to approximately RMB18.2 million for the year ended 31 December 2021, representing a smaller change.

Profit for the year

As a result of the foregoing, the Group's profit decreased by approximately 11.0% from approximately RMB65.6 million for the year ended 31 December 2020 to approximately RMB58.3 million for the year ended 31 December 2021. For the year ended 31 December 2021, the profit attributable to owners of the Company was approximately RMB58.3 million, representing a decrease of approximately 11.0% as compared with the corresponding period in 2020. For the year ended 31 December 2021, the net profit margin was approximately 7.9%, representing a decrease of 3.0 percentage points as compared with approximately 10.9% for the corresponding period in 2020.

Excluding the listing expenses, the adjusted profit for the year ended 31 December 2021 amounted to approximately RMB76.2 million, representing an increase of approximately 4.4% as compared with approximately RMB73.0 million for 2020. For the year ended 31 December 2021, the net profit margin after listing expenses was approximately 10.3%, representing a decrease of 1.8 percentage points as compared with approximately 12.1% for 2020.

Liquidity, Reserves and Capital Structure

As at 31 December 2021, the Group's current assets amounted to approximately RMB809.7 million, representing an increase of approximately 36.6% as compared with approximately RMB592.6 million as at 31 December 2020.

As at 31 December 2021, the Group's cash and cash equivalents, denominated in Renminbi and Hong Kong dollar, amounted to approximately RMB444.1 million, representing an increase of approximately 41.3% as compared with RMB314.3 million as at 31 December 2020, mainly due to the net cash inflow from financing activities of RMB228.1 million, representing an increase in net cash inflow by RMB782.7 million from the net outflow of RMB554.6 million for the previous year, and the net outflow from investing activities of RMB96.6 million, representing a decrease in net inflow by RMB216.2 million as compared with the net inflow of RMB119.6 million for the previous year.

Trade Receivables

The Group's trade receivables primarily consist of receivables for our property management services and community value-added services from our customers.

As at 31 December 2021, the Group's trade receivables amounted to approximately RMB215.4 million, representing an increase of approximately 86.3% as compared with approximately RMB115.6 million as at 31 December 2020. Such increase was due to the increase in the Group's revenue.

Prepayments and Other Receivables

As at 31 December 2021, the Group's prepayments, deposits and other receivables amounted to approximately RMB148.6 million, representing a decrease of approximately 7.6% as compared with approximately RMB160.9 million as at 31 December 2020. It was primarily due to (i) the decrease in prepayments and other receivables of RMB131.7 million arising from the completion of transfer of technological systems business in January 2021; (ii) the deposit payment of RMB93.6 million for the exclusive sales agency business; and (iii) the payment of acquisition intention fee of RMB20.0 million.

Trade and Other Payables

As at 31 December 2021, the Group's trade and other payables amounted to approximately RMB302.3 million, representing a decrease of 2.7% as compared with approximately RMB310.8 million as at 31 December 2020. Such decrease was primarily due to the repayment of amount due to related parties.

Contract Liabilities

The Group receives payments from customers based on billing schedules as stipulated in the property management agreements. Certain payments are usually received in advance of the performance under the contracts which are mainly from property management services.

As at 31 December 2021, the Group's contract liabilities amounted to RMB160.3 million, representing an increase of approximately 9.3% as compared with approximately RMB146.7 million as at 31 December 2020. Such increase was primarily due to the increase in number of projects and the GFA under management of the Group.

Borrowings

As at 31 December 2021, the Group had no bank borrowings.

Significant Investments Held

Save as disclosed in this announcement, the Group did not hold any significant investment during the Year of 2021.

Material Acquisitions and Disposals

On 30 December 2021, Southern Land International Company Limited (a wholly owned subsidiary of the Company) (“**Southern Land**”), Lucky Front Investments Limited (“**Lucky Front**”), Dream Seeker International Limited (“**Dream Seeker**”) and Xindi Ruiyi, entered into a share transfer agreement, pursuant to which Southern Land conditionally agreed to acquire, and Lucky Front conditionally agreed to sell, 100 ordinary shares of Dream Seeker, representing the entire issued share capital of Dream Seeker, for an initial cash consideration of RMB106,937,500, subject to adjustment as provided in the said share transfer agreement. Save as disclosed in this announcement, during the Year of 2021, the Company did not conduct any material acquisitions or disposals of assets, subsidiaries and affiliated companies.

Employees and Remuneration Policies

As at 31 December 2021, the Group had a total of 3,568 employees (as at 31 December 2020: 2,866). The Group offers employees competitive remuneration packages that include fees, salaries, allowances and benefits in kind, bonuses and pension scheme contribution and social welfare. The Group contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds.

Pledge of Assets

As at 31 December 2021, the Group had no pledge of assets.

Future Plans for Material Investments and Capital Assets

The Group will continue to focus on its existing property management services and community value-added services. Save as disclosed in the prospectus of the Company dated 25 June 2021 (the “**Prospectus**”), no concrete plan for future investment is in place as at the date of this announcement.

Gearing Ratio

Gearing ratio, defined as bank and other borrowings, lease liabilities and amounts due to related parties divided by total equity and multiplied by 100% was 0.57% as at 31 December 2021 as the Group has no bank loan and other borrowings.

Use of Proceeds from the Listing

The shares of the Company were listed on the Stock Exchange on 8 July 2021 (the “**Listing Date**”) by way of global offering, 100,000,000 shares were issued, and the total of 110,765,000 shares were issued after the over-allotment options were partially exercised, raising the total net proceeds (after deducting underwriting commissions and other related listing expenses) of approximately HK\$288.9 million.

The analysis on the utilization of the net proceeds from the Listing Date to 31 December 2021 is as follows:

Use	Percentage of the net proceeds as stated in the Prospectus and allocation of the net proceeds after taking into account the partial exercise of the over-allotment option on 30 July 2021		Actual use of net proceeds up to 31 December 2021	Unutilised net proceeds as at 31 December 2021	Expected Timeline
	<i>% of total amount</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	
Strategic acquisitions and investments	56.8%	164.1	20.0	144.1	2023/12/31
Further upgrading the software and hardware of the Group’s digitalised smart systems, improving customer data security and establishing a strategy analysis platform, developing and upgrading the Group’s internal management systems and continuing to upgrade the Group’s Landsea e Cloud and the IT tools and software for running the Group’s WeChat service accounts	15.3%	44.2	1.5	42.7	2023/12/31
Enriching community living and cultural activities, expanding and further promoting the Group’s property agency services, enriching and promoting the Group’s community value-added services, establishing a WeChat Mini Program	10.2%	29.5	4.2	25.3	2024/12/31

Use	Percentage of the net proceeds as stated in the Prospectus and allocation of the net proceeds after taking into account the partial exercise of the over-allotment option on 30 July 2021		Actual use of net proceeds up to 31 December 2021	Unutilised net proceeds as at 31 December 2021	Expected Timeline
	<i>% of total amount</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	
Continuing to incentivise, retain and recruit talents in order to better the Group's human resources management	7.7%	22.2	9.2	13.0	2022/12/31
Working capital and other general corporate purposes	10.0%	28.9	0	28.9	2024/12/31

Further details of the breakdown and description of the proceeds are set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. As at the date of this announcement, the Directors were not aware of any material change to the planned use of proceeds. It is currently expected that the unutilised net proceeds will be applied according to the purposes, allocations and timetable mentioned in the Prospectus.

Financial Risks

The Group is exposed to risks arising from its financial instruments such as interest rate risk, credit risk and liquidity risk.

Interest Rate Risk

The Group has not used any financial derivatives to hedge its interest rate risk. All bank interests were received at fixed rates.

Credit Risk

The Group's financial instruments have been grouped based on shared credit risk characteristics such as instrument types and credit risk ratings for the purpose of determining significant increases in credit risk and impairment measurement.

As at 31 December 2021, the carrying amounts of cash and cash equivalents, trade receivables, amounts due from related parties and other receivables included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2021, all cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk.

Foreign Exchange Risk

As all of the Group's businesses were conducted in the PRC, the revenue and profit for the Year of 2021 were denominated in Renminbi. The major foreign currency source for the Group was the fundraising following the successful listing on the Stock Exchange during the Period, all of which were in Hong Kong dollars. As at 31 December 2021, the Group did not have significant foreign currency exposure from its operations. The Group has not used any financial derivatives to hedge its foreign exchange risk. The Group will closely monitor its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 31 December 2021, the Group did not have any outstanding guarantees or other material contingent liabilities.

Liabilities to Assets Ratio

Liabilities to assets ratio is calculated based on our total liabilities as at the end of the relevant period divided by our total assets as at the end of such period. As at 31 December 2021, our liabilities to assets ratio was 56.9% (as at 31 December 2020: 79.2%).

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving a high standard of corporate governance to protect the Shareholders' overall interests.

Since the Listing, the Company has adopted and applied the code provisions under the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own corporate governance code. To the best knowledge of the Directors, the Company has complied with all applicable code provisions under the CG Code during the whole period from the Listing Date to 31 December 2021.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Since the Listing Date, 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 code of conduct and rules governing dealings by all the Directors in the securities of the Company. Having made specific enquiry of all the Directors, they have confirmed that they have complied with the required standards as set out in the Model Code since the Listing Date and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE COMPANY

Since the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, the Directors have confirmed that the Company has maintained the prescribed minimum public float under the Listing Rules since the Listing Date and up to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend any payment of final dividend for the Year of 2021 (year ended 31 December 2020: Nil).

EVENTS AFTER THE REPORTING PERIOD

There is no other material subsequent event undertaken by the Company or the Group after 31 December 2021 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code on 15 June 2021. The primary duties of the Audit Committee include providing an independent view of the effectiveness of the financial reporting, risk management and internal control system, overseeing the audit process, developing and reviewing its policies, and performing other duties and responsibilities as assigned by the Board. The Audit Committee comprises three members, namely Dr. Chen Kevin Chien-wen, Dr. Wong Chi Wing and Ms. Lu Mei, all being independent non-executive Directors. Dr. Chen Kevin Chien-wen is the chairman of the Audit Committee who possesses appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee has reviewed the consolidated financial statements of the Group for the Year of 2021, and discussed the accounting principles and practices adopted by the Group, as well as internal controls, financial reporting and other matters, with the Group's management.

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 2021 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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2021 (the “AGM”) is expected to be held on Thursday, 30 June 2022 at Landsea Green Center, Building 5, Lane 280, Linhong Road, Changning District, Shanghai, China. The notice of the AGM will be published on the Company’s website (www.landseawy.com) and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM

For the purpose of determining the identity of the shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 24 June 2022 to Thursday, 30 June 2022, 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 Thursday, 23 June 2022.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.landseawy.com. The annual report of the Company for Year of 2021 containing all information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

By Order of the Board
Landsea Green Life Service Company Limited
Tian Ming
Non-executive Director and Chairman of the Board

Hong Kong, 18 March 2022

As at the date of this announcement, the Board comprises Ms. Zhou Qin, Mr. Wu Xu and Mr. Liu Chao as executive Directors, Mr. Tian Ming as non-executive Director, and Dr. Wong Chi Wing, Ms. Lu Mei and Dr. Chen Kevin Chien-wen as independent non-executive Directors.

* *For identification purposes only*