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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

RESULTS HIGHLIGHT

The results of the Group for the six months ended 30 June 2022 are as follows:

1. The Group's revenue reached approximately RMB418 million, representing an increase of approximately 29.4% as compared with approximately RMB323 million for the corresponding period in 2021.
2. The following sets out the Group's revenue by business line:
 - (1) Revenue from property management services was approximately RMB277 million, accounting for approximately 66.3% of the total revenue and representing an increase of approximately 20.4% as compared with approximately RMB230 million for the corresponding period in 2021;
 - (2) Revenue from value-added services to non-property owners was approximately RMB108 million, accounting for approximately 25.8% of the total revenue and representing an increase of approximately 52.1% as compared with approximately RMB71 million for the corresponding period in 2021; and
 - (3) Revenue from community value-added services was approximately RMB33 million, accounting for approximately 7.9% of the total revenue and representing an increase of approximately 50.0% as compared with approximately RMB22 million for the corresponding period in 2021.
3. Gross profit was approximately RMB105 million, representing an increase of approximately 38.2% as compared with approximately RMB76 million for the corresponding period in 2021. Gross profit margin was approximately 25.1%, representing an increase of 1.4 percentage points as compared with approximately 23.7% for the corresponding period in 2021.
4. Profit for the period was approximately RMB24 million, representing an increase of approximately 71.4% as compared with approximately RMB14 million for the corresponding period in 2021.
5. As at 30 June 2022, the Group's contracted GFA was approximately 36.49 million sq.m., of which total approximately 27.63 million sq.m. were under management, representing an increase of approximately 42.1% as compared with approximately 19.45 million sq.m. under management as at 31 December 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Landsea Green Life Service Company Limited (the “**Company**” or “**Landsea Green Life**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021. The unaudited condensed consolidated interim results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		For the six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB’000	RMB’000
		(Unaudited)	(Unaudited)
Revenue	5	418,228	323,100
Cost of sales and services		(313,021)	(246,668)
Gross profit		105,207	76,432
Other income		4,082	2,502
Selling expenses		(9,361)	(4,756)
Administrative expenses		(45,360)	(48,101)
Impairment losses under expected credit loss model		(19,807)	(4,227)
Other losses — net	6	(4,435)	(171)
Operating profit		30,326	21,679
Finance income		1,512	165
Finance costs		(25)	(9)
Finance income — net		1,487	156
Share of gains of associates		525	—
Profit before income tax		32,338	21,835
Income tax expenses	7	(8,464)	(7,394)
Profit for the period		23,874	14,441

		For the six months ended 30 June	
		2022	2021
<i>Note</i>		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
	— Exchange difference on translation of foreign operations	<u>(9,282)</u>	<u>(324)</u>
<i>Items that will not be reclassified to profit or loss:</i>			
	— Exchange difference on translation of foreign operations	<u>12,720</u>	<u>—</u>
	Total comprehensive income for the period	<u>27,312</u>	<u>14,117</u>
Profit for the period attributable to:			
	— Equity owners of the Company	22,553	14,441
	— Non-controlling interests	<u>1,321</u>	<u>—</u>
		<u>23,874</u>	<u>14,441</u>
Total comprehensive income for the period attributable to:			
	— Equity owners of the Company	25,991	14,117
	— Non-controlling interests	<u>1,321</u>	<u>—</u>
		<u>27,312</u>	<u>14,117</u>
Earnings per share attributable to equity owners of the Company (expressed in RMB per share)			
	Basic and diluted earnings per share	<u>0.06</u>	<u>0.05</u>

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2022

		30 June 2022	31 December 2021
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Investment properties		2,602	7,552
Property, plant and equipment		18,212	7,835
Right-of-use assets		3,243	1,257
Intangible assets	10	49,797	4,679
Goodwill	9	60,750	—
Interests in associates		2,136	1,611
Deferred income tax assets		24,171	15,377
		160,911	38,311
Current assets			
Trade receivables	11	365,374	215,426
Inventories		1,426	1,228
Prepayments and other receivables		195,701	148,564
Restricted cash		—	360
Cash and cash equivalents		240,391	444,093
		802,892	809,671
Total assets		963,803	847,982
LIABILITIES			
Non-current liabilities			
Lease liabilities		634	56
Deferred income tax liabilities		10,771	—
		11,405	56

		30 June 2022	31 December 2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	12	335,935	302,284
Contract liabilities	5	196,938	160,280
Lease liabilities		1,799	871
Current income tax liabilities		22,725	18,815
		557,397	482,250
Total liabilities		568,802	482,306
EQUITY			
Capital and reserves attributable to equity owners of the Company			
Share capital	13	3,421	3,421
Reserves		383,985	357,994
		387,406	361,415
Non-controlling interests		7,595	4,261
Total equity		395,001	365,676
Total liabilities and equity		963,803	847,982

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 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. In the opinion of the directors of the Company, the ultimate holding company and ultimate controlling shareholder of the Company is Honor Limited, a company incorporated under the laws of British Virgin Islands, and Mr. Tian Ming.

The interim condensed consolidated balance sheet as of 30 June 2022, the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes of the Group (the "Interim Financial Information") were approved for issue by the Board on 19 August 2022. The Interim Financial Information is presented in thousands of Renminbi ("RMB"), unless otherwise stated.

The Interim Financial Information has not been audited, but has been reviewed by the audit committee of the Company.

2 BASIS OF PREPARATION

The Interim Financial Information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, this announcement is to be read in conjunction with the annual financial statements for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as described below. Income tax expense was recognised based on management's estimate of the annual income tax rate expected for the full financial year.

3.1 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 2022. The adoption of these standards and amendments does not have significant impact to the Interim Financial Information of the Group.

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

3.2 New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2022 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
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 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 directors of the Company were of the view that the above new and revised standards and amendments and interpretations to existing standards that have been issued are not expected to have a significant impact on the Group's financial statements when they become effective.

4 SEGMENT INFORMATION

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

For the six months ended 30 June 2022 and 30 June 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 six months ended 30 June 2022 and 30 June 2021.

As at 30 June 2022 and 31 December 2021, 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 six months ended 30 June 2022 and 2021 is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue from customers and recognised over time		
— Property management services	277,485	230,221
— Value-added services to non-property owners	58,483	53,380
— Community value-added services	7,717	3,725
	343,685	287,326
Revenue from customers and recognised at point in time		
— Value-added services to non-property owners	49,047	17,332
— Community value-added services	25,496	18,442
	74,543	35,774
	418,228	323,100

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contract liabilities related to		
— Property management services	189,646	154,044
— Value-added services to non-property owners	1,413	981
— Community value-added services	5,879	5,255
	196,938	160,280

6 OTHER LOSSES — NET

	For the six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net exchange losses	(4,350)	—
Loss on disposal of investment property	(584)	—
Net loss on disposal of property, plant and equipment	(26)	(20)
Others	525	(151)
	(4,435)	(171)

7 INCOME TAX EXPENSES

	For the six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax		
— PRC corporate income tax (c)	15,098	9,042
Deferred income tax		
— PRC corporate income tax (c)	(6,634)	(1,648)
	8,464	7,394

- (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 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 interim periods. 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 interim periods.
- (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 periods, based on the existing legislation, interpretations and practices in respect thereof.

8 EARNINGS PER SHARE

(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 periods.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to equity owners of the Company	22,553	14,441
Number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	386,758	276,002
Basic earnings per share (expressed in RMB per share)	0.06	0.05

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2022 and 2021 equals the basic earnings per share as there were no dilutive potential ordinary shares in existence during the periods.

9 GOODWILL

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cost at 1 January, net of accumulated impairment	—	—
Acquisition of subsidiaries (<i>note 15</i>)	60,750	—
Net carrying amount at 30 June	60,750	—
At 30 June (Unaudited)		
Cost	60,750	—
Accumulated impairment	—	—
Net carrying amount	60,750	—

Based on management's assessment on the recoverable amounts of the subsidiaries acquired, no impairment provision was considered necessary as at 30 June 2022.

10 INTANGIBLE ASSETS

	Computer software RMB'000	Customer Relationship RMB'000	Total RMB'000
At 1 January 2021 (Audited)			
Cost	4,065	–	4,065
Accumulated amortisation	(847)	–	(847)
Net carrying amount	<u>3,218</u>	<u>–</u>	<u>3,218</u>
Six months ended 30 June 2021 (Unaudited)			
Opening net carrying amount	3,218	–	3,218
Additions	444	–	444
Amortisation charge	(233)	–	(233)
Closing net carrying amount	<u>3,429</u>	<u>–</u>	<u>3,429</u>
At 30 June 2021 (Unaudited)			
Cost	4,509	–	4,509
Accumulated amortisation	(1,080)	–	(1,080)
Net carrying amount	<u>3,429</u>	<u>–</u>	<u>3,429</u>
At 1 January 2022 (Audited)			
Cost	6,041	–	6,041
Accumulated amortisation	(1,362)	–	(1,362)
Net carrying amount	<u>4,679</u>	<u>–</u>	<u>4,679</u>
Six months ended 30 June 2022 (Unaudited)			
Opening net carrying amount	4,679	–	4,679
Additions	2,331	–	2,331
Acquisition of subsidiaries (a)	102	43,445	43,547
Amortisation charge	(398)	(362)	(760)
Closing net carrying amount	<u>6,714</u>	<u>43,083</u>	<u>49,797</u>
At 30 June 2022 (Unaudited)			
Cost	8,474	43,445	51,919
Accumulated amortisation	(1,760)	(362)	(2,122)
Net carrying amount	<u>6,714</u>	<u>43,083</u>	<u>49,797</u>

Amortisation of intangible assets has been charged to the administrative expenses in the interim condensed consolidated statements of comprehensive income.

- (a) A valuation was performed by an independent valuer to determine the fair value of the customer relationships when the Group acquired Dream Seeker Company Limited (“**Dream Seeker**”) in May 2022. The valuation method used is income approach.

11 TRADE RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables (a)		
— Related parties	226,651	143,703
— Third parties	177,192	90,371
	403,843	234,074
Less: provision for bad debt	(38,469)	(18,648)
	365,374	215,426

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

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Related parties		
— Less than 1 year	145,906	139,518
— 1 to 2 years	77,124	1,958
— 2 to 3 years	1,613	827
— 3 to 4 years	608	1,400
— 4 to 5 years	1,400	—
	226,651	143,703
Third parties		
— Less than 1 year	129,456	62,968
— 1 to 2 years	28,245	17,447
— 2 to 3 years	11,646	6,316
— 3 to 4 years	4,162	1,571
— 4 to 5 years	1,602	608
— Over 5 years	2,081	1,461
	177,192	90,371
	403,843	234,074

As at 30 June 2022 and 31 December 2021, the fair values of trade receivables approximate their carrying amounts.

12 TRADE AND OTHER PAYABLES

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Trade payables	96,370	94,338
Other payables		
— Amounts due to related parties	1,181	1,151
— Amounts collected on behalf of property owners	93,129	68,033
— Deposits received	11,511	11,021
— Others	19,719	2,713
Accruals for staff costs	83,762	100,730
Value-added tax (“VAT”) and other tax payables	30,263	24,298
	<u>335,935</u>	<u>302,284</u>

As at 30 June 2022 and 31 December 2021, the carrying amounts of trade and other payables approximate their fair values.

As at 30 June 2022 and 31 December 2021, amounts due to related parties were unsecured, interest-free and repayable on demand.

The ageing analysis of the trade payables based on goods and services received is as follows:

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Less than 1 year	93,569	91,966
1 to 2 years	2,801	2,372
	<u>96,370</u>	<u>94,338</u>

13 SHARE CAPITAL

	Number of ordinary shares	Share capital of the Company	
		HK\$	RMB'000
Ordinary shares of HK\$0.01 each			
Authorised:			
As at 1 January 2022 and 30 June 2022	<u>2,000,000,000</u>	<u>20,000,000</u>	<u>—</u>
Issued:			
As at 1 January 2022 and 30 June 2022	<u>410,765,000</u>	<u>4,107,650</u>	<u>3,421</u>

14 DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2022. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2022.

15 ACQUISITION OF SUBSIDIARIES

Business combination

In May 2022, the Group acquired 100% equity interest of Dream Seeker at a total consideration of HK\$129,976,000 (equivalent to RMB108,414,000). After the acquisition, Dream Seeker became a wholly-owned subsidiary of the Company.

Purchase consideration	Dream Seeker RMB'000
— Cash consideration	<u>108,414</u>
Total consideration	<u>108,414</u>

The assets and liabilities recognized as a result of the acquisition are as follows:

	Dream Seeker <i>RMB'000</i>
Property, plant and equipment	7,080
Right-of-use assets	1,007
Intangible assets (<i>note 10</i>)	43,547
Deferred income tax assets	2,251
Trade receivables	17,046
Inventory	7
Prepayments and other receivables	10,017
Cash and cash equivalents	82,085
Lease liabilities	(962)
Deferred tax liabilities	(10,862)
Trade and other payables	(61,585)
Contract liabilities	(37,691)
Current income tax liabilities	(2,361)
	<hr/>
Total net identifiable assets acquired at fair value	49,579
Less: non-controlling interests	(1,915)
Add: goodwill (<i>note 9</i>)	60,750
	<hr/>
Total acquired net assets at fair value	108,414
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Cash outflow on acquisition:	
Total consideration settled by cash	108,414
Cash in the subsidiary acquired	(82,085)
	<hr/>
	26,329
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CHAIRMAN’S REPORT

FIRST HALF-YEAR REVIEW

In the first half of 2022, the Group adhered to the customer-oriented principle to carry out business innovation based on our customers’ needs and enhanced strategic transformation of the Group into a living service platform. Relying on our increasingly refined operation and management, scientific organizational reform and people-oriented and empirical business philosophy, the Group has developed a manner of higher quality, higher efficiency and higher sustainability in the first half of the year.

PERFORMANCE OVERVIEW

During the period under review, the Group’s revenue was RMB418 million, representing an increase of 29.4% as compared with RMB323 million for the corresponding period of last year. Our gross profit for the period was RMB105 million, representing an increase of 38.2% as compared with RMB76 million for the corresponding period of last year. Our profit for the period was RMB24 million, representing an increase of 71.4% as compared with RMB14 million for the corresponding period of last year.

BUSINESS UPDATE

In the first half of the year, the government introduced a number of policies to promote the development of community elderly care, maintenance, housekeeping, retail, childcare and other diversified life services, with further supports towards property management companies to leverage their advantages of being close to residents for providing professional services. On the basis of consolidating property services of good quality, the Group actively responds to national policies in order to follow closely social development trends and also adhere to the direction aimed at customers’ demand, and continues to innovate our business models in the field of living services. We have focused on customer asset services, expanded our space operation (空間運營) services, explored community elderly care services, started our pilot run of housekeeping services, and promoted new retail business in communities. Benefiting from the orderly development of lease and sales business in communities and the continuous expansion of the number of projects and GFA under management, our revenue from community value-added services in the first half of the year amounted to RMB33 million, representing a significant increase of 50.0% as compared with RMB22 million for the corresponding period of last year.

The Group also attaches importance to meeting the spiritual needs of property owners through community culture development. In the first half of the year, The Landsea Friends (詩友公社) continued to develop various forms of community activities, completed the replacement with its own standard products, and released the guidance manual on community culture standardization and society development in order to lead property owners to jointly create and build a beautiful and harmonious home. The Landsea Friends (詩友公社) has stimulated the vitality of local communities, and nurtured property owner KOLs and societies. It has also developed, and made connection among 11 urban societies and 146 communities and societies voluntarily operated by property owner KOLs.

In terms of value-added services to non-property owners, the Group has strived to build a quality and professional team of sales assistance and management and continued to improve its featured property consultancy services with green building operation and maintenance as the core as well as its capability of providing property agency service for speedy sale of customers' properties. During the period under review, our revenue from value-added services to non-property owners amounted to RMB108 million, representing a significant increase of 52.1% as compared with RMB71 million for the corresponding period of last year.

In terms of market development, the Group continued to expand its market through multiple channels and steadily promoted our scalability together with quality. While focusing on the development of industrial parks and commercial and office properties, we will expand our scope of urban services and gradually build up our service ability for all types of business in the industry. In the first half of the year, the Group started joint venture cooperation with Jiangsu Nanfang Real Estate Group (江蘇南房房產集團) and reached a cooperation intention for the industrial park project with them, entering into the market in Qinlan Town (秦欄鎮), Tianchang City (天長市), Anhui Province to provide urban services on maintenance of and treatment for environment and hygiene. On 30 May 2022, the Group formally completed the equity transfer of Anhui Xindi Ruiyi Property (安徽新地銳意物業) with an additional contracted GFA of approximately 7.03 million sq.m., which strengthened our brand awareness and competitiveness in the commercial and office market in Anhui, Henan and Shandong regions. As of 30 June 2022, the Group had expanded its property management services to 35 cities with a total GFA under management of 27.63 million sq.m. and a total contracted GFA of 36.49 million sq.m., serving over 230,000 households. In particular, the proportion of GFA under management from independent third parties to the total GFA under management further increased to 56.2%, indicating that the Group's capability of independently expanding markets continued to increase.

With a customer-oriented approach, the Group has been promoting digital establishment to continuously improve customer service and experience as well as our life service capabilities with a view to promoting the transformation of property services. In the first half of the year, the customer service mini program has been fully launched, and the online service contact and the service experience management system jointly established with the Service Account (服務號) and the Corporate WeChat (企業微信) have been gradually improving. The in-depth application of intelligent management system for community visitors and parking not only improves the travel experience of property owners, but also enables an increase in parking income. The optimization of the operating spot management system for space and the launch of the management system for community group purchase, the management system for home lease and sales and the service system for express home delivery effectively facilitated the development of the life service business and improved service efficiency. In addition, electronic work cards were introduced in the project to achieve online management of the operation process of cleaning staff. The construction of procurement management system has launched to further promote cost reduction and efficiency enhancement of corporate operation.

Corporate Social Responsibility and Sustainability

The Group adheres to the core values of “people orientation, positive and green” and actively fulfills its corporate social responsibilities, such as grassroot governance, environmental protection, employee protection and charity activities.

In the first half of the year, the pandemic revived in many places across the country, when the Group took the initiative to assume the important responsibility of community epidemic prevention. During the epidemic prevention and control in cities, especially in Shanghai, our basic-level employees remembered well their missions, bravely fought against the pandemic at the frontline, and resolutely protected the lives and safety of property owners. In addition, the service team of Dongyang Chengtuo Landsea Property (東陽城投朗詩物業) in Zhejiang went out of the community and stationed in the quarantine facilities to participate in the local epidemic prevention and control.

On 28 April 2022, the Group officially released the 2021 Environmental, Social and Governance (“ESG”) Report. The report was also the first ESG report after the listing of the Company, systematically elaborating our efforts and achievements in helping to build sustainable communities and cities and contributing to carbon neutrality. Besides, the Group’s ESG development strategies and goals were officially disclosed in the report, which focuses on three major areas, namely “warm and inclusive”, “safe and healthy” and “green and low-carbon”, aiming at actively creating “sustainable low-carbon communities”, promoting the ecological emission reduction in all scenarios of residents’ urban community life and making continuous efforts to achieve China’s “30 • 60” dual carbon goals.

Outlook for the Second Half of the Year

Looking forward to the second half of the year, although the economic situation remains to be severe, there will still be broad room for development under the active support from national policies for the property management industry as an important livelihood service industry. As an important subject of community governance, property management companies have been continuously encouraged by the policies to develop diversified life services. The demand for life services of “full life cycle + full life scenario” is huge, and thus the business development potential is sufficient with high potential value and long-term room for sustainable development.

Under this trend, the Group will continue to accelerate the transformation and upgrading of enterprises to become a life service platform in the second half of the year. Therefore, we will adhere to the customer-oriented principle, continue to consolidate our regular property management, improve operational management and service quality, and maintain our leading position in the industry in terms of customer satisfaction; continue to develop community life services, innovate business models, expand service scopes, increase the proportion of revenue from community value-added services, and make value-added services an important growth point for us to generate revenue and profit; continue to promote quality scalability on the basis of innovation, and integrate internal and external resources to vigorously expand the residential, office and urban service areas. We will continue to strengthen and accelerate digital establishment, improve customer service experience, optimize corporate operation efficiency, and facilitate the business development in diversified service scenarios. We will embrace our dreams and ambition aiming high, adhere to the long-term development, do difficult but right things, and further promote the healthy operation and sustainable development of the enterprise in the process of strategic transformation.

ACKNOWLEDGEMENT

Finally, on behalf of the Board, I would like to express my sincere gratitude to all our employees, investors, customers and partners. Thank you for working with us on the path of development and transformation of Landsea Green Life. We will continue to create diversified value for customers, shareholders, employees, partners and other stakeholders, and contribute to the realisation of green and wonderful life for the people.

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 23rd among the “2022 Top 100 Property Management Companies in the PRC” (2022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 30 June 2022, our property management services covered 35 cities, including 26 cities in the Yangtze River Delta and 9 other cities in the PRC. Our gross floor area (“GFA”) under management amounted to approximately 27.63 million sq.m., with a total of 193 managed properties, including 159 residential properties, 25 commercial and office buildings and 9 urban services projects, serving over 230,000 households as at 30 June 2022.

Benefiting from the Landsea Group’s “Green Differentiation Strategy”, we have built up extensive experience, strength and competitiveness in providing property services for green buildings. Green building management will embrace new growth opportunities as the Ministry of Housing and Construction and other departments of the PRC require that the percentage of “green building” areas in new buildings shall be at least 70% in 2022. As of 31 December 2021, green projects under management accounted for approximately 28.9% of our total GFA under management, which was far higher than the average of 4.2% of the top 100 property companies. In terms of the percentage of two-star or above certified green buildings to the GFA under management, we ranked the third among the top 100 property companies in China. As at 31 December 2021, in terms of green building GFA under management, we ranked the sixth among the top 100 property companies in the PRC. As of 30 June 2022, there were 51 green projects under management, representing an increase of five as compared to that as at 31 December 2021, and approximately 7.39 million sq.m. was GFA under management, representing an increase of approximately 620,000 sq.m. as compared to that 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 nearly 20 years, Landsea Green Life focuses on green development of sustainability and soundness 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 highquality 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 30 June 2022, we received the “China Leading Property Management Companies in terms of Service Quality 2022 (2022中國物業服務百強服務質量領先企業)” from CIA for five consecutive years, and have been bestowed honours of the “China Leading Property Management Companies in terms of Customer Satisfaction 2022 (2022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 2022 (2022中國物業管理行業市場化運營領先企業)”, the “China Featured Property Management Companies in terms of Social Responsibility for 2022 (2022中國特色物業服務年度社會責任感企業)” and the “China Outstanding Enterprise in terms of ESG Development in 2022 (2022中國物業服務ESG發展優秀企業)”. Meanwhile, we were awarded the “TOP 5 Leading Listed Property Companies with Development Potentials 2022” (2022 物業上市公司領先企業發展潛力TOP5) jointly by CRIC Property Management (克而瑞物管) and Shanghai E-house Real Estate Research Institute (上海易居房地產研究院) and the title of “the ‘Most Valuable Property Company’ at the 6th Annual Awards Ceremony for Golden Hong Kong Stocks (第六屆金港股年度頒獎盛典『最具價値物業公司』)” jointly by Zhitongcaijing (智通財經) and Hithink RoyalFlush Information Network Co.,Ltd. (同花順財經).

BUSINESS SEGMENT

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 includes residential, commercial and office buildings as well as urban service project, among which, the commercial and office building projects covered office buildings and rental apartments; the urban service project covered urban civil service and services as regards public facilities, industry parks and banking branches.

The Group has been putting our profound efforts in the Yangtze River Delta by adhering to multi-channel expansion for sustainable scale growth by increasing our types of project management business by actively entering the undeveloped regional markets. As of 30 June 2022, the contracted GFA of the Group was approximately 36.49 million sq.m. For the first half of 2022, the new contracted GFA were approximately 9.16 million sq.m., of which, in terms of customer type, the new contracted GFA from independent third parties were approximately 9.10 million sq.m., accounting for approximately 99.3% of the total new contracted GFA for the first half of 2022. In terms of property type, the new contracted GFA from the commercial and office building projects were approximately 330,000 sq.m., accounting for approximately 3.6% of the total new contracted GFA for the first half of 2022.

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

	For the first half of 2022			For the first half of 2021			Year-on-year growth rate of revenue
	GFA under management <i>Ten thousand sq.m.</i>	Revenue <i>Ten thousand RMB</i>	% of revenue	GFA under management <i>Ten thousand sq.m.</i>	Revenue <i>Ten thousand RMB</i>	% of revenue	
Residential properties	2,625.3	24,130.0	87.0%	1,708.2	20,214.2	87.8%	19.4%
Commercial and office buildings	138.0	3,301.2	11.9%	48.3	2,260.3	9.8%	46.1%
Urban services	N/A	317.3	1.1%	N/A	547.6	2.4%	-42.1%
Total	<u>2,763.3</u>	<u>27,748.5</u>	<u>100.0%</u>	<u>1,756.5</u>	<u>23,022.1</u>	<u>100.0%</u>	20.4%

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. As of 30 June 2022, the GFA under management of commercial and office buildings was approximately 1.38 million sq.m. When the proportion of project scale further increased, the revenue increased by approximately 46.1% as compared to the corresponding period of 2021.

Urban services represent a new breakthrough in the property industry. In the first half of this year, the Company successful bid for the sanitation and cleaning project in Qinlan Town (秦欄鎮), a key breakthrough for the Group in the field of urban services. For the first half of 2022, the income generated from urban service projects amounted to approximately RMB3.17 million, which contributes to the construction of urban life service concept of the Group and to the further enrichment of our business portfolio.

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

	For the first half of 2022			For the first half of 2021			Year-on-year growth rate of revenue
	GFA under management <i>Ten thousand sq.m.</i>	Revenue <i>Ten thousand RMB</i>	% of revenue	GFA under management <i>Ten thousand sq.m.</i>	Revenue <i>Ten thousand RMB</i>	% of revenue	
Properties developed by Landsea Green Management Limited (Formerly as “Landsea Green Properties Co., Ltd.”) (“ Landsea Green Management ”)	813.6	11,081.6	39.9%	788.9	10,662.6	46.3%	3.9%
Properties developed by joint ventures and associates of Landsea Green Management	396.4	4,622.5	16.7%	245.6	3,373.5	14.7%	37.0%
Properties receiving project management services from Landsea Green Management	169.7	1,810.8	6.5%	145.2	1,655.9	7.2%	9.4%
Properties developed by independent third party	1,383.6	10,233.6	36.9%	576.8	7,330.1	31.8%	39.6%
Total	<u>2,763.3</u>	<u>27,748.5</u>	<u>100.0%</u>	<u>1,756.5</u>	<u>23,022.1</u>	<u>100.0%</u>	20.4%

The growth of results performance of the Group for the first half of 2022 was also benefitted from expansion and acquisition by fairly balancing both quality and scale. The Group has 18 new projects through bidding in the market with a new contracted GFA of approximately 2.13 million sq.m. and a new GFA under management of approximately 2.84 million sq.m. The Group has 30 new projects through acquisition with a new contracted GFA of approximately 7.03 million sq.m. and a new GFA under management of approximately 5.98 million sq.m.

	Additional contracts signed	Year-on-year growth (addition in the first half of 2022 as compared to that of the first half of 2021)	Addition under management	Year-on-year growth (addition in the first half of 2022 as compared to that of the first half of 2021)
Residential properties				
Number of projects	37	Increased by 27	36	Increased by 28
GFA (in ten thousand sq.m.)	883	600.8%	821	1,224.2%
Number of households	69,333	884.1%	70,327	1,878.3%
Commercial and office buildings				
Number of projects	5	Increased by 3	7	Increased by 4
GFA (in ten thousand sq.m.)	33	560.0%	61	454.5%
Urban services				
Number of projects	<u>6</u>	<u>Increased by 4</u>	<u>6</u>	<u>Increased by 5</u>

Adhering to a flexible and open market-oriented cooperative approach, the Group has reached strategic cooperation with state-owned enterprises, 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 30 June 2022, a total of 14 partner companies have been established, among which 6 were consolidated into the Group, namely (1) Landsea Property Management (Xuzhou) Co., Ltd.* (朗詩寶物業管理(徐州)有限公司); (2) Anju Landsea Property Management Service (Yangzhou) Co.,Ltd.* (安居朗詩物業服務(揚州)有限公司); (3) Jiangsu Landsea Sea Lake Property Management Co.,Ltd.* (江蘇朗詩海湖物業有限公司); (4) Sichuan Langshang Property Management Co.,

Ltd.*(四川朗商物業管理有限公司); (5) Xi'an Langze Property Management Co., Ltd.* (西安朗澤物業管理有限公司); and (6) Anhui Xindi Zhihui City Technology Services Co., Ltd.* (安徽新地智慧城市科技服務有限公司) while the accounts of 8 partner companies were not consolidated into that of the Group where investment gains would be shared, namely (1) Chengdu Fulang Property Services Co., Ltd.* (成都福朗物業服務有限公司); (2) Huizhou Landsea Dezhou Property Management Co., Ltd.* (惠州朗詩德州物業管理有限公司); (3) Zhejiang Langheng Property Management Co., Ltd.* (浙江朗恒物業管理有限公司); (4) 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); (5) Dongyang City Investment Landsea Property Service Co., Ltd.* (東陽市城投朗詩物業服務有限公司); (6) Suzhou Langtong Green Elevator Service Co., Ltd.* (蘇州朗通綠色電梯服務有限公司); (7) Suzhou Gaolang Green Life Services Co., Ltd.* (蘇州高朗綠色生活服務有限公司); and (8) Nanjing Landsea Nanfang Property Management Co., Ltd.* (南京朗詩南房物業管理有限公司). For the first half of 2022, the Group has 2 new off-balance-sheet management projects with new off-balance-sheet GFA under management amounting to approximately 60,000 sq.m.. The number of off-balance-sheet management projects was 18 with off-balance-sheet GFA under management amounting to approximately 2.27 million sq.m. by the end of June 2022.

At the end of 2021, Southern Land International Company Limited (a wholly owned subsidiary of the Group) (“**Southern Land**”), Lucky Front Investments Limited (“**Lucky Front**”), Dream Seeker and Anhui Xindi Ruiyi Property Services Co., Ltd.* (安徽新地銳意物業服務有限公司) (“**Xindi Ruiyi**”) entered into a share transfer agreement to purchase 100% equity interest in Dream Seeker, the target company, where projects under management of Xindi Ruiyi, a subsidiary of the target company, included Xindi Center, a super high-rise office building of 240 metres in height, which is a landmark building in Anhui Province. This acquisition assisted the Group in exploring into the Anhui regional market, and formed effective synergy with the existing areas under the Group’s management, thereby achieving the construction of a multi-level brand system. Through the period of half-year exchange and integration of corporate culture and management concepts, both parties have achieved improvement in both market and quality by further strengthening the influence of Landsea Green Life in the Anhui market. The completion of the acquisition took place on 30 May 2022 and the Group’s contracted GFA increased by approximately 7.03 million sq.m. and the GFA under management increased by approximately 5.98 million sq.m.

The Group adheres to the standardization of service quality while enhancing the diversification of services, resulting in a steady increase in the average property management fee. In February and March 2022, the Group passed the first-year supervision audits of the ISO50001 energy management system and ISO27001 information security management system respectively, ensuring the stable and orderly operation of the Company’s energy management and information security management. In July 2022, the Company passed the first-year supervision audits for the re-certification

of ISO90001 Quality Management System, ISO14001 Environmental Management System and ISO45001 Occupational Health and Safety Management System, which ensured the orderly operation of the company in the field of quality, environmental and occupational health and safety management. In January and May 2022, the Company passed the certification of GB/T31950 Corporate Integrity Management System and SA8000 Corporate Social Responsibility Management System respectively, which provided systematic support for the standardisation of corporate integrity management and fulfilment of social responsibility. With the expansion of the scale of property management and the enhancement of brand effect and quality standardisation, the average property management fee (per sq.m. per month) as of 30 June 2022 approximately reached RMB2.15. In particular, the overall average property management fee per sq.m. per month for residential properties was approximately RMB2, while the overall property management fee per sq.m. per month for commercial and office buildings was approximately RMB6.40.

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

The Group offers value-added services to non-property owners for property developers to address their various needs on property management, including (i) sales assistance services, which mainly include visitors reception, onsite 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 a little of repair and maintenances services after delivery; 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 service types for the first half of 2022:

	For the first half of 2022		For the first half of 2021		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	3,012.8	28.0%	2,973.8	42.1%	1.3%
Property consultancy services	2,835.5	26.4%	2,364.2	33.4%	19.9%
Property agency services	4,904.7	45.6%	1,733.2	24.5%	183.0%
Total	<u>10,753.0</u>	<u>100.0%</u>	<u>7,071.2</u>	<u>100.0%</u>	52.1%

The Group is engaged in providing perfect first impression to customers by building professional sales assistance services teams. As of 30 June 2022, the Group provided sales assistance services to 47 sales offices accumulatively for Landsea Green Management, its partners and property companies which were independent third parties, representing an increase in income from sales assistance services of approximately 1.3% as compared to the corresponding period in 2021.

Leveraging on its experience in operating green buildings for years, the Group managed to secure more business on property consultancy services, and the revenue from those services increased by approximately 19.9% as compared with the corresponding period in 2021.

We provided property agency services to developers 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. We established a professional team for property agency services assisting community management service providers in enhancing service quality based on analysis on customers' needs. As to remaining properties, we have facilitated 5 residential property transactions, 19 shop transactions and 600 car parking space transactions. We have also identified potential property buyers and assisted property developers in entering into property sale and purchase agreements with buyers. In the first half of the year, we assisted property developers in selling 53 new properties. During the period, revenue from property agency services amounted to approximately RMB49 million, representing an increase of approximately 183.0% as compared with approximately RMB17 million for the corresponding period in the previous year. During the period, the Group founded the car parking marketing and development brand "Ideal Home with Premium Car Park" (優家優位), based on the car parking sales business, and through building up the operation and sales team and carrying out online and offline marketing. We continue to improve the profitability of the car parking sales business segment, and strive to lay out a broader deployment on urban area and provide professional car parking sales services to more projects.

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. In the first half of the year, our revenue from community value-added services increased by approximately 50.0% as compared to corresponding period of 2021.

The following table sets out a breakdown of the revenue of community value-added services by service types for the first half of 2022:

	For the first half of 2022		For the first half of 2021		Year-on-Year growth rate of revenue
	Revenue <i>Ten thousand RMB</i>	% of revenue	Revenue <i>Ten thousand RMB</i>	% of revenue	
Home-living services	1,449.1	43.6%	980.1	44.2%	47.9%
Public resource management services	771.7	23.2%	707.7	31.9%	9.0%
Asset management services	1,100.5	33.2%	528.9	23.9%	108.1%
Total	<u>3,321.3</u>	<u>100.0%</u>	<u>2,216.7</u>	<u>100.0%</u>	50.0%

Home-living services are provided in terms of household maintenance, housekeeping and cleaning and partial house renovation. We cooperate with professional housekeeping service providers to provide housekeeping services, including interior cleaning, exterior cleaning, carpet cleaning and disinfection and hourly home services. Property owners and residents can obtain information about our products such as agricultural products and cleaning services online and submit orders to the property service center. This service fosters interaction between our customers and us, allowing us to well understand their needs. Despite the impact of the pandemic, total revenue from this business recorded an increase of approximately 47.9% as compared with the corresponding period in 2021.

The public resource management services mainly focus on the lease of both advertisement spots and community space. We lease certain public areas to third parties on behalf of the property owners for advertising and other uses, such as advertising space inside and outside elevators and in public spaces in the community. We determine the lease price with the lessee, generally taking into account the advertising theme, target location and lease term and other factors. Revenue from leasing public areas will be primarily used to fund public repairs and maintenance, and could also be used to pay for smart community upgrades. We collect rent on behalf of the property owners and recognise it as income based on a defined percentage of the rent. The total revenue of this service recorded an increase of approximately 9.0% as compared with the corresponding period in 2021.

Regarding our asset management business, in the first half of 2022, we started 483 transactions for our trading business and 927 transactions for our lease business with the transaction amount of approximately RMB406 million. We continued to focus on the needs of the customers so as to be closer to the lives of the property owners. Through long-term, high-quality services, we will continue to develop the stock market, broaden the boundaries of life services, and strive to bring more beautiful life experiences to the property owners' families. The total revenue of this business recorded an increase of approximately 108.1% as compared to the corresponding period in 2021.

With the Landsea Friends (詩友公社) as the medium, the Group has encouraged neighborhood relationship through the buildup of community culture so as to satisfy the spiritual and cultural needs of customers. In the first half of 2022, the Landsea Friends released three sets of standard guidelines for fully closed-loop cultural marketing and a toolkit of activities in line with Landsea Green Life's community culture, including Cultural Grading Standards for Residential Communities (住宅社區文化分級標準), Instructions of Cultural Products by the Landsea Friends (詩友公社文化產品說明書), Guidelines for the Development of Community Associations (社區社團發展指引手冊) and activity toolkits for year-round cultural activities of the Landsea Friends and community festivals activities, providing more professional hands-on guidance for community building. We deeply explore the strengths of customers, stimulate their love, connect customers with the same interests and hobbies, cultivate KOLs among the property owners, incubate community groups and lead customers to jointly create and build a harmonious home. As of 30 June 2022, a total of 11 national and city-level interest groups were established, and 146 community-level groups were connected, including 27 newly incubated community running groups, and a unique Landsea association Intellectual Property — Hundred Groups Overflowing with Color (百團溢彩) was created. A total of 106 activities for the community brand activities, city community activities and online activities were held, of which 30 were independently organized by the customers, covering more than 170,000 customers, with 8,193 families of customers participated. "Landsea Friends mini-programs" was formally launched in June 2022 to connect the cultural life of residents online.

INFORMATISATION ESTABLISHMENT

The Group continues to promote the digital establishment of project services and internal operation and management to further improve customer service experience and corporate operational efficiency. As of 30 June 2022, our corporate service account covered all projects under management, and the WeChat accounts of our project managers and our WeCom (管家企業) basically achieved full cover of families, when customer service mini-program was also fully launched, basically realising the function of property management services including online payment, repair request, complaint, announcement and inquiry.

The intelligent inspection of internal equipment and facilities of the Group covers all projects under management, realising platform-based management from maintenance and repair to warehousing and settlement. We further upgraded the intelligent management systems for community visitors and parking, in which the visitor management system has achieved full project coverage, the smart car parking management system was further promoted, and the coverage of its own projects exceeds 80%. At the same time, we also commenced a regional pilot of the smart work permit management system during the first half of 2022 to realise the online management of cleaning staff's operation process, improve the quality of service and better adapt to the needs of epidemic prevention and management, further improving the operational efficiency of projects. In respect of value-added service business, the operating spot management system for online space was optimized and the community group purchase management system, housing rental and sales management system and express home delivery service system were launched, facilitating the development of value-added service business. Apart from continuously promoting the construction and optimization of the human resource and financial sharing system and platform, the Group also initiated the construction of customer management platform during the first half of 2022 to further improve management efficiency and optimize customers' experience.

SOCIAL RESPONSIBILITY

In the first half of 2022, the Group published its first ESG report after the Listing. In an effort to achieve the United Nations Sustainable Development Goals (SDGs) and with reference to the BREEAM In-Use of the Building Research Establishment (BRE), the Company formulated a leading and scientific ESG development strategy for 2025, focusing on the three major areas of being “warm and inclusive”, “safe and healthy” and “green and low-carbon”. We continued to deepen our management on the basis of the original eight dimensions of operation and maintenance, build differentiated operation and maintenance capabilities, and expand our presence to the fields of commerce and public buildings, in efforts to provide a sustainable management mode for more green buildings and offer support for the construction of lowcarbon cities.

As a green and low-carbon community life service provider and city operator, Landsea Green Life actively builds the “Low-carbon Living Community” model, and is committed to reducing carbon emission in the full scenario of residents’ urban community life, including community domestic energy, domestic water, residents’ travel, and harmless waste. Landsea Green Life participated in the establishment of the Sustainable Development (Carbon peaking and carbon neutrality) Professional Committee of Shanghai Property Management Association, and also published a carbon neutrality roadmap, clarifying the Company’s timeline and path to carbon neutrality, making the promotion of reduction of carbon emissions in all scenarios of urban community life for residents as the important goal of the corporate’s future development.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased by approximately 29.4% from approximately RMB323 million for the six months ended 30 June 2021 to approximately RMB418 million for the six months ended 30 June 2022, due to (i) the increase in number of projects and GFA under management of the Group, resulting in an increase in revenue from property management services; (ii) the expansion of scope 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 six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	277,485	66.3	230,221	71.2
Value-added services to non-property owners	107,530	25.8	70,712	21.9
Community value-added services	33,213	7.9	22,167	6.9
Total	<u>418,228</u>	<u>100</u>	<u>323,100</u>	<u>100</u>

Revenue from property management services increased by approximately 20.4% from approximately RMB230 million for the six months ended 30 June 2021 to approximately RMB277 million for the six months ended 30 June 2022. 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 52.1% from approximately RMB71 million for the six months ended 30 June 2021 to approximately RMB108 million for the six months ended 30 June 2022. Such increase was due to (i) an increase in revenue from sales assistance services of the Group as a result of the increase in number of sales assistance services projects; and (ii) the orderly commencement of sales business.

Revenue from community value-added services increased by approximately 50.0% from approximately RMB22 million for the six months ended 30 June 2021 to approximately RMB33 million for the six months ended 30 June 2022. Such increase was primarily due to (i) the orderly commencement of lease and sales 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 26.7% from approximately RMB247 million for the six months ended 30 June 2021 to approximately RMB313 million for the six months ended 30 June 2022. Such increase was primarily due to the increase in staff headcount and subcontracting costs therein as a result of the expansion of the Group's business.

Gross Profit and Gross Profit Margin

As aforementioned above, the Group's gross profit increased by approximately 38.2% from approximately RMB76 million for the six months ended 30 June 2021 to approximately RMB105 million for the six months ended 30 June 2022. The gross profit margin increased from approximately 23.7% for the six months ended 30 June 2021 to approximately 25.1% for the six months ended 30 June 2022 which is relatively steady.

Other Income

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

The Group's other income increased from approximately RMB2.50 million for the six months ended 30 June 2021 to approximately RMB4.08 million for the six months ended 30 June 2022, mainly due to the continuous enhancement of business expansion by the Group.

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 96.6% from approximately RMB4.76 million for the six months ended 30 June 2021 to approximately RMB9.36 million for the six months ended 30 June 2022, 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 decreased by approximately 6.3% from approximately RMB48 million for the six months ended 30 June 2021 to approximately RMB45 million for the six months ended 30 June 2022, primarily due to the decrease in listing expenses.

Finance Income — Net

The Group's net finance income comprises of various interest expenses and interest income from bank deposits.

The Group's net finance income increased from net income of approximately RMB156,000 for the six months ended 30 June 2021 to net income of approximately RMB1.49 million for the six months ended 30 June 2022, primarily due to the increase in interest income.

Share of Gains of Associates

The Group recorded a share of gains of associates of approximately RMB525,000 for the six months ended 30 June 2022.

Income Tax Expenses

The Group's income tax expenses refers to PRC enterprises income tax at a tax rate of 25% on taxable profits for our subsidiaries incorporated in the PRC. Some subsidiaries of the Group are qualified as small and micro businesses which can enjoy preferential tax rate of 10% for the six months ended 30 June 2022.

The Group's income tax expenses increased by approximately 14.5% from approximately RMB7.39 million for the six months ended 30 June 2021 to approximately RMB8.46 million for the six months ended 30 June 2022, mainly due to the increase in profit before income tax during the period.

Profit for the Corresponding Period

As aforementioned above, the Group's profit increased by approximately 71.4% from approximately RMB14 million for the six months ended 30 June 2021 to approximately RMB24 million for the six months ended 30 June 2022. For the six months ended 30 June 2022, the net profit margin was approximately 5.7%, representing an increase of 1.2 percentage points as compared with approximately 4.5% for the corresponding period in 2021.

Liquidity, Reserves and Capital Structure

As at 30 June 2022, the Group's current assets amounted to approximately RMB803 million, which remained steady as compared with approximately RMB810 million as at 31 December 2021.

As at 30 June 2022, the Group's cash and cash equivalents, denominated in Renminbi and Hong Kong dollar, amounted to approximately RMB240 million, representing a decrease of approximately 45.9% as compared with approximately RMB444 million as at 31 December 2021, mainly due to (i) the net cash outflow used in operating activities of approximately RMB122 million, representing an increase of approximately 32.6% as compared to the net cash outflow of approximately RMB92 million for the corresponding period last year, (ii) the net cash outflow from financing activities of approximately RMB1.86 million; and (iii) the net cash outflow from investment activities of

approximately RMB79 million. As at 30 June 2022, the Group's total equity was approximately RMB395 million, representing an increase of approximately 7.9% as compared to approximately RMB366 million as at 31 December 2021. Such increase was mainly attributable to the profit for the period.

Trade Receivables

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

As at 30 June 2022, the Group's trade receivables amounted to approximately RMB365 million, representing an increase of approximately 69.8% as compared with approximately RMB215 million as at 31 December 2021. Such increase was due to (i) the increase in the Group's revenue for the period; and (ii) the receivables subject to seasonal fluctuations as customers tend to have their payment preference of settling their balances at the end of the year instead of during the year.

Prepayments and Other Receivables

As at 30 June 2022, the Group's prepayments and other receivables amounted to approximately RMB196 million, representing an increase of approximately 31.5% as compared with approximately RMB149 million as at 31 December 2021. It was due to the continuous enhancement of business expansion by the Group.

Trade and Other Payables

As at 30 June 2022, the Group's trade and other payables amounted to approximately RMB336 million, representing an increase of 11.3% as compared with approximately RMB302 million as at 31 December 2021. It was primarily due to the continuous enhancement of business expansion by the Group.

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 30 June 2022, the Group's contract liabilities amounted to approximately RMB197 million, representing an increase of approximately 23.1% as compared with approximately RMB160 million as at 31 December 2021. Such increase was primarily due to the continuous enhancement of business expansion by the Group.

Borrowings

As at 30 June 2022, 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 six months ended 30 June 2022.

Material Acquisitions and Disposals

As at 30 December 2021, Southern Land, Lucky Front, 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 a final cash consideration of RMB108,414,000. The two parties completed the share delivery on 30 May 2022. Save as disclosed in this announcement, the Company did not conduct any material acquisitions or disposals of assets, subsidiaries and affiliated companies for the six months ended 30 June 2022.

Employees and Remuneration Policies

As at 30 June 2022, the Group had a total of 4,035 employees (as at 31 December 2021: 3,568). 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 also 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 30 June 2022, 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 approximately 0.91% as at 30 June 2022.

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 30 June 2022 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 as at 30 June 2022	Unutilised net proceeds as at 30 June 2022	Expected timeline
	% of	HK\$ Million			
	total amount	HK\$ Million			
Strategic acquisitions and investments	56.8%	164.1	130.5	33.6	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	5.5	38.7	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	7.4	22.1	2024/12/31
Continuing to incentivise, retain and recruit talents in order to better our human resources management	7.7%	22.2	18.4	3.8	2022/12/31
Working capital and other general corporate purposes	10.0%	28.9	0	28.9	2024/12/31

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 30 June 2022, 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 30 June 2022, 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 six months ended 30 June 2022 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 30 June 2022, 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 30 June 2022, 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 30 June 2022, our liabilities to assets ratio was 59.0% (as at 31 December 2021: approximately 56.9%).

OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

The Company has adopted and applied the Corporate Governance Code (the “**CG Code**”) as 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. The Directors consider that the Company has complied with all applicable code provisions under the CG Code for the six months ended 30 June 2022.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as the code of conduct and rules for securities transactions by directors. After specific enquiries with all the Directors, it is confirmed that all the Directors have complied with the requirements as set out in the Model Code for the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2022, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of its listed securities, except for the listed securities of the Company purchased by the trustee in connection with the share incentive scheme adopted on 8 June 2022.

COMPETING INTERESTS

The Directors have confirmed that neither the Directors nor the controlling shareholders of the Company nor their respective close associates (as defined in the Listing Rules) are interested in a business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the Group’s business, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules for the six months ended 30 June 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company maintained the minimum public float required by the Listing Rules during the six months ended 30 June 2022 and up to the date of this announcement.

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

After 30 June 2022 and up to the date of this announcement, the Company announced on 5 July 2022 that, under the share incentive scheme adopted on 18 March 2022 (the “**Share Incentive Scheme**”), a total of 4,960,000 awarded shares were granted to three grantees (including two Directors). In addition, as at 5 July 2022, a total of 6,476,600 share options were offered to the option grantees in accordance with the terms of the share option scheme to recognize and acknowledge their contributions to the Group. The grant of share options will enable the option grantees to subscribe for a total of 6,476,600 new shares.

A summary of the principal terms and conditions of the Share Incentive Scheme and details of the grant of share options are set out in the announcement of the Company dated 5 July 2022. During the six months ended 30 June 2022, no awarded shares or share options were granted.

Green Sailing (PTC) Limited holding unvested shares under the Share Incentive Scheme, whether directly or indirectly, will abstain from voting on matters that require shareholders’ approval under the Listing Rules.

Save as disclosed above, there are no significant events since the end of the reporting period and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established the audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and provision C.3 (which have been re-numbered as provision D3 since 1 January 2022) 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 Ms. Lu Mei, Dr. Chen Kevin Chien-wen and Ms. Katherine Rong Xin, 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.

REVIEW OF INTERIM FINANCIAL PERFORMANCE

The unaudited interim condensed consolidated financial performance of the Group for the six months ended 30 June 2022 are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of the results complied with the applicable accounting standards and requirements as well as the Listing Rules, and adequate disclosures have been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.landseawy.com). The Company's interim report for the six months ended 30 June 2022 containing all appropriate information required by the Listing Rules will be dispatched to the shareholders and will be published on the respective websites of the Company and the Stock Exchange in due course.

APPRECIATION

The Group would like to express our wholehearted appreciation to the management team and our staff for their diligence, dedication, loyalty and integrity. The Group would also like to take this opportunity to thank all our shareholders, customers, bankers and other business partners for their trust and support.

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

Hong Kong, 19 August 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 (the Chairman) and Mr. Liu Yong as non-executive Directors, and Ms. Lu Mei, Dr. Chen Kevin Chien-wen and Ms. Katherine Rong Xin as independent non-executive Directors.

* *For identification purposes only*