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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 2023**

RESULTS HIGHLIGHT

The results of the Group for the six months ended 30 June 2023 are as follows:

1. The Group's revenue reached approximately RMB483 million, representing an increase of approximately 15.6% as compared with approximately RMB418 million for the corresponding period in 2022.
2. The following sets out the Group's revenue by business line:
 - (1) Revenue from property management services was approximately RMB360 million, accounting for approximately 74.5% of the total revenue and representing an increase of approximately 30.0% as compared with approximately RMB277 million for the corresponding period in 2022;
 - (2) Revenue from value-added services to non-property owners was approximately RMB70 million, accounting for approximately 14.5% of the total revenue and representing a decrease of approximately 35.2% as compared with approximately RMB108 million for the corresponding period in 2022;
 - (3) Revenue from community value-added services was approximately RMB40 million, accounting for approximately 8.3% of the total revenue and representing an increase of approximately 21.2% as compared with approximately RMB33 million for the corresponding period in 2022; and
 - (4) Revenue from apartment operation and management services was approximately RMB13 million, accounting for approximately 2.7% of total revenue.

3. Gross profit was approximately RMB87 million, representing a decrease of approximately 17.1% as compared with approximately RMB105 million for the corresponding period in 2022. Gross profit margin was approximately 18.0%, representing a decrease of approximately 7.1 percentage points as compared with approximately 25.1% for the corresponding period in 2022.
4. Profit for the period was approximately RMB14 million, representing a decrease of approximately 41.7% as compared with approximately RMB24 million for the corresponding period in 2022.
5. As at 30 June 2023, the Group's contracted GFA was approximately 38.69 million sq.m., of which approximately 30.64 million sq.m. were under management, representing an increase of approximately 5.0% as compared with that as at 31 December 2022.

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 2023, together with the comparative figures for the corresponding period in 2022. 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 2023

		For the six months ended 30 June	
		2023	2022
	<i>Note</i>	RMB’000	<i>RMB’000</i>
		(Unaudited)	(Unaudited)
Revenue	5	483,438	418,228
Cost of sales and services		(396,699)	(313,021)
Gross profit		86,739	105,207
Other income		3,299	4,082
Selling expenses		(9,618)	(9,361)
Administrative expenses		(57,732)	(45,360)
Impairment losses under expected credit loss model		(5,089)	(19,807)
Other losses — net	6	(2,400)	(4,435)
Operating profit		15,199	30,326
Finance income		893	1,512
Finance costs		(61)	(25)
Finance income — net		832	1,487
Share of gains of associates		1,865	525
Share of gains of joint ventures		516	—
Profit before income tax		18,412	32,338
Income tax expenses	7	(4,508)	(8,464)
Profit for the period		13,904	23,874

		For the six months ended 30 June	
		2023	2022
<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>(6,413)</u>	<u>(9,282)</u>
<i>Items that will not be reclassified to profit or loss:</i>			
	— Exchange difference on translation of foreign operations	<u>6,232</u>	<u>12,720</u>
Total comprehensive income for the period		<u><u>13,723</u></u>	<u><u>27,312</u></u>
Profit for the period attributable to:			
	— Equity owners of the Company	<u>13,458</u>	22,553
	— Non-controlling interests	<u>446</u>	<u>1,321</u>
		<u><u>13,904</u></u>	<u><u>23,874</u></u>
Total comprehensive income for the period attributable to:			
	— Equity owners of the Company	<u>13,277</u>	25,991
	— Non-controlling interests	<u>446</u>	<u>1,321</u>
		<u><u>13,723</u></u>	<u><u>27,312</u></u>
Earnings per share attributable to equity owners of the Company (expressed in RMB per share)			
	Basic earnings per share	<u><u>8</u></u> <u>0.03</u>	<u><u>0.06</u></u>
	Diluted earnings per share	<u><u>8</u></u> <u>0.03</u>	<u><u>0.06</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2023

		30 June 2023	31 December 2022
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Investment properties		718	750
Property, plant and equipment		16,128	16,931
Right-of-use assets		2,319	1,291
Intangible assets	9	133,756	48,718
Goodwill	10	181,041	60,750
Interests in associates	11	4,442	2,377
Interests in joint ventures		1,367	851
Deferred income tax assets		38,304	32,102
		<u>378,075</u>	<u>163,770</u>
Current assets			
Trade receivables	12	378,752	309,095
Inventories		1,124	1,049
Prepayments and other receivables		213,080	228,117
Restricted cash		874	780
Cash and cash equivalents		162,045	358,166
		<u>755,875</u>	<u>897,207</u>
Total assets		<u><u>1,133,950</u></u>	<u><u>1,060,977</u></u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,003	502
Deferred income tax liabilities		21,667	10,228
		<u>22,670</u>	<u>10,730</u>

		30 June 2023	31 December 2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	13	456,630	411,824
Contract liabilities		207,836	207,293
Lease liabilities		1,066	570
Current income tax liabilities		32,167	31,532
		<u>697,699</u>	<u>651,219</u>
Total liabilities		<u>720,369</u>	<u>661,949</u>
EQUITY			
Capital and reserves attributable to equity owners of the Company			
Share capital	14	3,421	3,421
Reserves		402,461	388,344
		<u>405,882</u>	<u>391,765</u>
Non-controlling interests		<u>7,699</u>	<u>7,263</u>
Total equity		<u>413,581</u>	<u>399,028</u>
Total liabilities and equity		<u><u>1,133,950</u></u>	<u><u>1,060,977</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 (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, a company incorporated under the laws of British Virgin Islands, and Mr. Tian Ming, the non-executive director of the Group.

The interim condensed consolidated balance sheet as of 30 June 2023, and 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 (collectively defined as the "Interim Financial Information") of the Group have been approved for issue by the Board on 25 August 2023. The Interim Financial Information is presented in thousands of Renminbi ("RMB"), unless otherwise stated.

The Interim Financial Information has been reviewed by the Audit Committee.

2 BASIS OF PREPARATION

The Interim Financial Information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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 2022 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 2023. The adoption of these standards and amendments does not have significant impact to the Interim Financial Information of the Group.

- HKFRS 17 Insurance Contracts
- Disclosure of Accounting Policies — Amendments to HKAS 1 and HKFRS Practice Statement 2
- Definition of Accounting Estimates — Amendments to HKAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to HKAS 12
- International Tax Reform — Pillar Two Model Rules — Amendments to HKAS 12

3.2 Amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group

Standards, amendments and interpretations		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in sale and leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	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 Group has already commenced an assessment of the impact of these interpretation and amendments, certain of which are relevant to the Group's operations.

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 2023 and 30 June 2022, the Group is principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services and apartment operation and management 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 2023 and 30 June 2022.

As at 30 June 2023 and 31 December 2022, 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, community value-added services and apartment operation and management services. An analysis of the Group’s revenue for the six months ended 30 June 2023 and 2022 is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue from customers and recognised over time		
— Property management services	359,861	277,485
— Value-added services to non-property owners	32,247	58,483
— Community value-added services	10,923	7,717
— Apartment operation and management services	12,843	—
	415,874	343,685
Revenue from customers and recognised at point in time		
— Value-added services to non-property owners	38,152	49,047
— Community value-added services	29,412	25,496
	67,564	74,543
	483,438	418,228

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contract liabilities related to		
— Property management services	199,492	201,469
— Value-added services to non-property owners	133	413
— Community value-added services	<u>8,211</u>	<u>5,411</u>
	<u>207,836</u>	<u>207,293</u>
6 OTHER LOSSES — NET		
	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss on termination of leases	(64)	—
Net gains/(losses) on disposal of property, plant and equipment	86	(26)
Net exchange gains/(losses)	2	(4,350)
Loss on disposal of investment property	—	(584)
Others	<u>(2,424)</u>	<u>525</u>
	<u>(2,400)</u>	<u>(4,435)</u>
7 INCOME TAX EXPENSES		
	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax		
— PRC corporate income tax (c)	10,523	15,098
— Land appreciation tax (c)	687	—
Deferred income tax		
— PRC corporate income tax (c)	<u>(6,702)</u>	<u>(6,634)</u>
	<u>4,508</u>	<u>8,464</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 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 six months ended 30 June 2023, based on the existing legislation, interpretations and practices in respect thereof.

The provision for land appreciation tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. Land appreciation tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to equity owners of the Company	13,458	22,553
Number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	385,489	386,758
Basic earnings per share (expressed in RMB per share)	0.03	0.06

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's share-based payment is of dilutive potential.

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company used in the diluted earnings per share calculation	13,458	22,553
Number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	385,489	386,758
Adjustment for:		
— Assumed distribution of shares under share award scheme (thousands)	226	—
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	385,715	386,758
Diluted earnings per share (expressed in RMB per share)	0.03	0.06

9 INTANGIBLE ASSETS

	Computer software <i>RMB'000</i>	Customer Relationship <i>RMB'000</i>	Total <i>RMB'000</i>
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	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>
At 1 January 2023 (Audited)			
Cost	10,117	43,445	53,562
Accumulated amortisation	(2,310)	(2,534)	(4,844)
Net carrying amount	<u>7,807</u>	<u>40,911</u>	<u>48,718</u>
Six months ended 30 June 2023 (Unaudited)			
Opening net carrying amount	7,807	40,911	48,718
Additions	1,280	—	1,280
Acquisition of subsidiaries (a)	2,128	86,379	88,507
Amortisation charge	(637)	(4,112)	(4,749)
Closing net carrying amount	<u>10,578</u>	<u>123,178</u>	<u>133,756</u>
At 30 June 2023 (Unaudited)			
Cost	13,525	129,824	143,349
Accumulated amortisation	(2,947)	(6,646)	(9,593)
Net carrying amount	<u>10,578</u>	<u>123,178</u>	<u>133,756</u>

Amortisation expenses were charged to the following categories in the interim condensed consolidated statements of comprehensive income during the periods:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of sales	20	—
Administrative expenses	617	760
Selling expenses	4,112	—
	<u>4,749</u>	<u>760</u>

- (a) A valuation was performed by an independent valuer to determine the fair value of the customer relationships when the Group acquired Beihai Langrun Commercial Management Limited (北海朗潤商業管理有限公司) (“**Beihai Langrun**”) in March 2023. The valuation method used is income approach.

10 GOODWILL

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Cost at 1 January, net of accumulated impairment	<u>60,750</u>	—
Acquisition of subsidiaries (<i>note 16</i>)	<u>120,291</u>	60,750
Net carrying amount at 30 June	<u>181,041</u>	<u>60,750</u>
At 30 June (Unaudited)		
Cost	181,041	60,750
Accumulated impairment	<u>—</u>	<u>—</u>
Net carrying amount	<u>181,041</u>	<u>60,750</u>

Based on management’s assessment on the recoverable amounts of the subsidiaries acquired, no impairment provision was considered necessary as at 30 June 2023.

11 INTERESTS IN ASSOCIATES

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
At 1 January (Audited)	<u>2,377</u>	<u>1,611</u>
Additions:		
— Additional investments in associates	200	—
Share of gains of associates	<u>1,865</u>	<u>525</u>
At 30 June (Unaudited)	<u><u>4,442</u></u>	<u><u>2,136</u></u>

12 TRADE RECEIVABLES

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables (a)		
— Related parties	192,401	181,811
— Third parties	<u>245,415</u>	<u>175,671</u>
	<u>437,816</u>	<u>357,482</u>
Less: provision for bad debt	<u>(59,064)</u>	<u>(48,387)</u>
	<u><u>378,752</u></u>	<u><u>309,095</u></u>

- (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 date of demand note is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Related parties		
— Less than 1 year	108,414	107,896
— 1 to 2 years	66,203	72,061
— 2 to 3 years	17,784	1,027
— 3 to 4 years	—	827
	192,401	181,811
Third parties		
— Less than 1 year	178,354	122,441
— 1 to 2 years	39,321	30,143
— 2 to 3 years	15,546	13,723
— 3 to 4 years	7,386	5,795
— 4 to 5 years	2,475	1,357
— Over 5 years	2,333	2,212
	245,415	175,671
	437,816	357,482

As at 30 June 2023 and 31 December 2022, the fair values of trade receivables approximate their carrying amounts.

13 TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	188,638	148,201
Other payables		
— Amounts due to related parties	1,151	1,201
— Amounts collected on behalf of property owners	113,928	110,837
— Deposits received	17,750	12,662
— Consideration payables	4,700	—
— Others	3,525	4,323
Accruals for staff costs	100,916	103,050
VAT and other tax payables	26,022	31,550
	456,630	411,824

As at 30 June 2023 and 31 December 2022, the carrying amounts of trade and other payables approximate their fair values.

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Less than 1 year	179,627	144,857
1 to 2 years	8,925	3,344
2 to 3 years	86	—
	<u>188,638</u>	<u>148,201</u>

14 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 2023 and 30 June 2023	<u>2,000,000,000</u>	<u>20,000,000</u>	<u>—</u>
Issued:			
As at 1 January 2023 and 30 June 2023	<u>410,765,000</u>	<u>4,107,650</u>	<u>3,421</u>

15 DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2023. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2023.

16 ACQUISITION OF SUBSIDIARIES

Business combination

In March 2023, the Group acquired 100% equity interest of Beihai Langrun at a total consideration of RMB201,700,000. After the acquisition, Beihai Langrun became a wholly-owned subsidiary of the Company.

Purchase consideration	Beihai Langrun <i>RMB'000</i>
— Cash consideration	201,700
Total consideration	<u>201,700</u>

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

	Beihai Langrun <i>RMB'000</i>
Intangible assets (<i>note 9</i>)	88,507
Deferred income tax assets	506
Trade receivables	16,333
Prepayments and other receivables	846
Cash and cash equivalents	84
Deferred tax liabilities	(12,243)
Trade and other payables	(11,345)
Contract liabilities	(320)
Current income tax liabilities	(969)
Total net identifiable assets acquired at fair value	81,399
Less: non-controlling interests	10
Add: goodwill (<i>note 10</i>)	120,291
Total acquired net assets at fair value	<u>201,700</u>
Cash outflow on acquisition:	
Total consideration settled by cash	201,700
Consideration payables	(4,700)
Cash in the subsidiary acquired	(84)
	<u>196,916</u>

The goodwill is attributable to Beihai Langrun's profitability in the apartment operation and management service and synergies expected to arise after the Company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes. See note 10 above for the changes in goodwill as a result of the acquisition.

CHAIRMAN’S REPORT

Dear Shareholders,

I am pleased to present to you the unaudited consolidated interim results of Landsea Green Life Service Company Limited and its subsidiaries for the six months ended 30 June 2023.

Quality-oriented

The Group always adheres to the customer-oriented approach and regards high-quality service as the foundation for development. The Group pays attention to the satisfaction of service results and pays more attention to the standardisation of service delivery process. Since its establishment in 2005, Landsea Green Life has been committed to forging ahead for 18 years, carefully summarising the service standards of more than 200 projects, strictly formulating the service standardisation product system, and launching the arsenals of the 18th anniversary “Extreme Case” to gather the classic case studies of Landsea’s characteristic sustainable and friendly communities, middle and high rigid demand community life, commercial and enterprise space and urban public services with high standards, systematisation and multi-scenarios. With 18 years of experience, we are winning the trust of customers and moving forward on the right path of corporate development.

The Group actively responded to the national “dual-carbon strategy”, conducted in-depth research on the construction of green and low-carbon communities, and published the 2022 Landsea Green Life Environmental, Social and Governance Report. As a social citizen, the Group actively carried out energy-saving transformation and continued to cooperate with the Research Institute of Ecology and Environment of Nanjing University (Lishui) to carry out scientific research on the “Landsea Model for Low-carbon Community”. The Group is committed to continuously investing the research results of green operation into community environmental governance, so that the residents of Landsea’s community can enjoy a higher quality, healthier and sustainable environment living experience.

Service-oriented

Only when the roots are deep can the leaves flourish, only when the roots are strong can the branches flourish. Offering quality services to every customer is the root of the Group in market competition. In the first half of the year, on the basis of continuous improvement to various service quality assurance systems, the Group strengthened risk prevention and control awareness among front-line employees, and cooperated with Red Cross to carry out first-aid skills training. So far, nearly 400 people have obtained the first-aid qualification certificate to ensure that they can provide more comprehensive and professional services anytime and anywhere.

The Group, as always, adheres to the service concept of “creating a warm community”, continues to build the customer-community brand of “Landsea Friends”, gathers, operates and maintains 154 customer-themed societies across the country, and stimulates community vitality. Through 14 internal training sessions, we continued to penetrate the core culture of “warm community” among front-line employees. The official launch of the online “Landsea Friends” APP led to the successful launch of 325 events across the country, and a traffic breakthrough of over 270,000 visits was made. The value of the online three-in-one tool of the “headquarters-housekeepers-customers” for community building is beginning to be realized.

In terms of commercial services to community property owners, the Group’s revenue from community value-added services amounted to approximately RMB40 million, representing an increase of approximately 21.2% as compared to the first half of 2022. In addition to constantly enhanced operation capacity, the variety of community life services is also increasingly diversified. In particular, we recorded an aggregate of 52,900 sales orders for online retail business from the first half of 2023, representing a year-on-year increase of approximately 54.3%, providing customers with a more convenient service experience.

Quality of scale

The Group attaches great importance to scale expansion and even more to its quality and future potential. In March 2023, the Group successfully acquired the asset-light business of Landsea Apartment (朗詩寓), and managed more than 10,000 asset-light entrusted management apartments, covering 13 first-and second-tier cities. In the field of long-term leasing, the Company will accelerate the layout of integrated living platforms such as properties, rental and sales and long-term rental apartments, deepen the development of the Yangtze River Delta region, and improve the regional concentration. In terms of market expansion, we successfully acquired 16 new projects during the period, with a scale of 1.93 million sq.m. under management, while proactively withdrawing from projects with operational efficiency that did not meet expectations. The Group keeps operation sustainability in mind as its strategic adjustment goes, takes the in-depth cooperation with strategic customers as a long-term fulcrum, and adheres to the expansion of all business types. As of 30 June 2023, contracted gross floor area (“GFA”) of the Group was approximately 38.69 million sq.m., of which GFA under management was approximately 30.64 million sq.m., representing a net increase of approximately 5.0% as compared to that of 31 December 2022, while expansion of solely third parties accounted for approximately 57.9% of the GFA under management. It is worth mentioning that after experiencing a long period of brutal market competition, the Group is deeply learning from experience, quickly reviewing and updating the competitive strategy, so as to achieve outstanding performance in the non-residential sector in 2023. As of 30 June 2023, the number of non-residential projects bid in the market accounted for approximately 58.3% of the total market expansion in the first half of 2023. Among them, the public infrastructure track set benchmarks for projects such as Suzhou Yangtze River Delta Robotics and Artificial Intelligence Research Institute* (蘇州長三角機器人與人工智能研究院), Jingdong Kunshan Huaqiao Industrial Park (Phase II)* (京東昆山花橋產業園(二期)), opening up the highlight of non-residential growth.

Orderly management

The Group emphasises on refined operation, further strengthened the integration of business and finance, connected the underlying data, and coordinated operations with the project as the smallest granular unit. We will integrate data resources, deeply explore data value, promote data flow and improve management efficiency.

The Group advocates a “people-oriented” corporate culture, respects the development of employees and stimulates their potential. On the basis of the structure of “headquarters-city-region”, we strove to improve organisational efficiency, assist business development and reduce management costs by streamlining personnel, optimising functions and integrating resources.

In addition, the Group strictly promoted measures such as rigid assessment, matching of personnel and positions, and optimisation of incentives. In terms of talent echelon construction, through the establishment of various talent standards and refined management mechanisms, the promotion and development paths of employees are opened up through rank evaluation and internal competition. The Group attaches great importance to the continuous training and quality reserve of frontline customer service positions, especially the implementation and optimisation of growth staircase systems such as star rating certification for front-line housekeepers, so as to ensure that the front-line team serves customers with full enthusiasm and high efficiency.

The Group will continue to adhere to the corporate motto of “down-to-earth and long-term ambition”, serve customers with dedication and sincerely give back to the society. We will continue to build a “warm community”, be a trustworthy life partner and a trustworthy social citizen. We will embrace unpretentiousness, stay steadfast, and achieve long-lasting success.

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, we ranked 23rd among the “2023 Top 100 Property Management Companies in the PRC” (2023 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 2023, our property management services covered 35 cities, including 25 cities in the Yangtze River Delta and 10 other cities in the PRC. As of 30 June 2023, our GFA under management was approximately 30.64 million sq.m., with a total of 205 properties under management, including 170 residential properties, 25 commercial and office buildings and 10 urban services projects, serving over 250,000 households.

BUSINESS SEGMENTS

The Group provides diversified property management services to property owners and residents, primarily 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 residential properties under our management. Our community value-added services complement our property management services and contribute to enhancing the satisfaction and loyalty of property owners and residents. We also provide apartment operation and management services to meet the needs of customers in the full cycle of leasing life and derivative scenarios, which mainly include white-collar apartments, youth apartments, light luxury serviced apartments, staff accommodation, co-working space, ancillary commercial, hotels and bed and breakfasts, and other products and services, with an aim to enrich the Company’s diversified income and help to enhance brand value and customer satisfaction.

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 projects, among which, the commercial and office building projects covered office buildings and rental apartments, and the urban service projects covered urban civil services and the services of public facilities, industrial parks and branches of bank.

The Group continued to put 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 30 June 2023, the contracted GFA of the Group was approximately 38.69 million sq.m.. The new contracted GFA in the first half of 2023 amounted to approximately 2.27 million sq.m., of which, in terms of customer type, the new contracted GFA from independent third parties amounted to approximately 2.10 million sq.m., accounting for approximately 92.5% of the total new contracted GFA in the first half of 2023. In terms of property type, the new contracted GFA from our commercial and office buildings projects were approximately 250,000 sq.m., accounting for approximately 11.0% of the total new contracted GFA in the first half of 2023.

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

	For the first half of 2023			For the first half of 2022			Year-on-year growth rate of revenue
	GFA under management	Revenue	% of revenue	GFA under management	Revenue	% of revenue	
	<i>Ten thousand sq.m.</i>	<i>Ten thousand RMB</i>		<i>Ten thousand sq.m.</i>	<i>Ten thousand RMB</i>		
Residential properties	2,924.6	31,142.3	86.5%	2,625.3	24,130.0	87.0%	29.1%
Commercial and office buildings	138.9	3,817.4	10.6%	138.0	3,301.2	11.9%	15.6%
Urban services	N/A	1,026.4	2.9%	N/A	317.3	1.1%	223.5%
Total	<u>3,063.5</u>	<u>35,986.1</u>	<u>100.0%</u>	<u>2,763.3</u>	<u>27,748.5</u>	<u>100.0%</u>	30.0%

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 2023, the GFA under management of commercial and office buildings was approximately 1.39 million sq.m.. The revenue increased by approximately 15.6% as compared to the corresponding period in 2022.

Urban services represent a new breakthrough in the property industry. In the first half of 2023, the Company successfully won the bid for the Siwei Energy Industrial Park Project* (四維能源產業園項目), Guoyang Yangguang Power Industrial Park Project* (渦陽陽光電源產業園項目), a key breakthrough for the Group in the field of urban services. For the first half of 2023, the total revenue from urban service projects under management amounted to approximately RMB10.26 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 the Group's revenue from property management services by customer type and GFA under management were as follows:

	For the first half of 2023			For the first half of 2022			Year-on-year growth rate of revenue
	GFA under management	Revenue	% of revenue	GFA under management	Revenue	% of revenue	
	<i>Ten thousand sq.m.</i>	<i>Ten thousand RMB</i>		<i>Ten thousand sq.m.</i>	<i>Ten thousand RMB</i>		
Properties developed by Landsea Green Management Limited ("Landsea Green Management")	834.0	11,414.1	31.7%	813.6	11,081.6	39.9%	3.0%
Properties developed by joint ventures and associates of Landsea Green Management	454.5	5,790.3	16.1%	396.4	4,622.5	16.7%	25.3%
Properties receiving project management services from Landsea Green Management	192.2	2,260.5	6.3%	169.7	1,810.8	6.5%	24.8%
Properties developed by independent third-party	1,582.8	16,521.2	45.9%	1,383.6	10,233.6	36.9%	61.4%
Total	<u>3,063.5</u>	<u>35,986.1</u>	<u>100.0%</u>	<u>2,763.3</u>	<u>27,748.5</u>	<u>100.0%</u>	30.0%

The growth of the results performance of the Group for the first half of 2023 was mainly benefitted from expansion by fairly balancing both quality and scale. The Group has 16 new projects through bidding in the market with a new contracted GFA of approximately 2.27 million sq.m. and a new GFA under management of approximately 1.93 million sq.m. during the first half of 2023:

		Year-on-year growth (addition in the first half of 2023 as compared to that of the first half of 2022)	Addition under management	Year-on-year growth (addition in the first half of 2023 as compared to that of the first half of 2022)
	New contracts			
Residential properties				
Number of projects	9	Decreased by 28	10	Decreased by 26
GFA (in ten thousand sq.m.)	202	-77.1%	175	-78.7%
Number of households	12,700	-81.7%	16,227	-76.9%
Commercial and office buildings				
Number of projects	7	Increased by 2	6	Decreased by 1
GFA (in ten thousand sq.m.)	25	-24.2%	18	-70.5%
Urban services				
Number of projects	<u>–</u>	<u>Decreased by 6</u>	<u>–</u>	<u>Decreased by 6</u>

Adhering to a flexible and open market-oriented cooperation approach, the Group has reached strategic cooperation with state-owned enterprises, regional property developers and established partner companies to handle the property 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 2023, a total of 17 partner companies have been established, among which 7 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); (6) Anhui Xindi Zhihui City Technology Service Co., Ltd. * (安徽新地智慧城市科技服務有限公司); and (7) Suzhou Langyiju Commercial Management Service Co., Ltd.*(蘇州朗頤居商業管理服務有限公司) while the accounts of 10 partner companies were not consolidated into that of the Group where investment gains would be shared, namely (1) Chengdu Fulang Property Service 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 Services Co., Ltd.* (東陽市城投朗詩物業服務有限公司); (6) Suzhou Langtong Green Elevator Services Co., Ltd.* (蘇州朗通綠色電梯服務有限公司); (7) Suzhou Gaolang Green Life Service Co., Ltd.*(蘇州高朗綠色生活服務有限公司); (8) Nanjing Landsea Nanfang Property Management Co., Ltd.* (南京朗詩南房物業管理有限公司); (9) Nanjing Langyue Property Management Co., Ltd.* (南京朗越物業管理有限公司); and (10) Suzhou Wanling Commercial Asset Management Co., Ltd.*(蘇州灣翎商業資產管理有限公司). As of the end of June 2023, the total number of off-balance-sheet management projects was 23 with off-balance-sheet GFA under management amounting to approximately 2.38 million sq.m.

The Group adheres to the standardization of service quality while enhancing the diversification of services, resulting in a steady increase in average property management fee. In February 2023, the Group passed the second 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 June 2023, the Company passed the second supervision audits for the re-certification of ISO90001 Quality Management System, ISO14001 Environmental Management System and ISO45001 Occupational Health and Safety Management System, which ensure the orderly operation of the Company in the fields 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 standardization of corporate integrity management and fulfillment of social responsibilities. With the expansion of 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 2023 reached approximately RMB2.07. In particular, the overall average property management fee per sq.m. per month for residential properties was approximately RMB1.85, while the overall property management fee per sq.m. per month for commercial and office buildings was approximately RMB6.84.

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 primarily 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 maintenance 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 revenue from value-added services to non-property owners by service type for the first half of 2023:

	For the first half of 2023		For the first half of 2022		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	2,430.8	34.5%	3,012.8	28.0%	-19.3%
Property consultancy services	793.9	11.3%	2,835.5	26.4%	-72.0%
Property agency services	<u>3,815.2</u>	<u>54.2%</u>	<u>4,904.7</u>	<u>45.6%</u>	-22.2%
Total	<u><u>7,039.9</u></u>	<u><u>100.0%</u></u>	<u><u>10,753.0</u></u>	<u><u>100.0%</u></u>	-35.2%

The Group is engaged in providing perfect first impression to customers by building professional sales assistance services teams. As of 30 June 2023, the Group provided sales assistance services to an aggregate of 59 sales offices for Landsea Green Management, its partners and companies which were independent third parties, representing a decrease in income from sales assistance services of approximately 19.3% as compared to the corresponding period in 2022.

We provide property agency services to developers to facilitate the sales of new or remaining properties by developers and to meet the home purchase and car parking spaces purchase demand of more property owners. The Group has 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 48 industrial research property transactions, 18 residential property transactions and 178 car parking space transactions, respectively. During the period, the Group's revenue from property agency services amounted to approximately RMB38 million, representing a decrease of approximately 22.2% as compared with approximately RMB49 million for the corresponding period in 2022. During the period, the Group continued to improve its profitability in the car parking space marketing business segment by adjusting its operation structure and building up the capability of its sales team, and carrying out online and offline marketing. The Group also strived to lay out a broader deployment on urban areas and provide professional car parking space 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 meet the changing needs of its customers and improve their quality of life. Such services primarily include (i) home-living services, such as household maintenance, house renovation, housekeeping and cleaning, and new retail, etc.; (ii) public resources management services, which primarily include the leasing of advertising spots and community space; and (iii) property agency services in relation to the sale and leasing of properties, car parking spaces and use rights of car parking spaces. In the first half of 2023, revenue from community value-added services increased by approximately 21.2% as compared to the corresponding period in 2022.

The following table sets out a breakdown of revenue from community value-added services by service type for the first half of 2023:

	For the first half of 2023		For the first half of 2022		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	2,079.3	51.5%	1,449.1	43.6%	43.5%
Public resource management services	1,092.3	27.1%	771.7	23.2%	41.5%
Asset management services	861.9	21.4%	1,100.5	33.2%	-21.7%
Total	<u>4,033.5</u>	<u>100.0%</u>	<u>3,321.3</u>	<u>100.0%</u>	21.2%

Home-living services are provided in terms of household maintenance, house renovation, housekeeping and cleaning, new retail, etc. Our own engineering staff provides property owners with convenient, small-scale and paid home maintenance services at any time. We provide house renovation services in cooperation with professional decoration companies to meet the increasing needs of property owners. We provide property owners with free on-site room measurement, design and quotation services based on request forms on house renovation received by property management service providers, so that property owners can save time, effort and money. As of 30 June 2023, the total number of housing renovation transaction was 520. Meanwhile, we also provide housekeeping and cleaning services to property owners, including indoor cleaning, external wall cleaning, carpet cleaning and disinfection and hourly home services. Our new retail business is also in full swing, cooperating with high-quality suppliers, and combining online and offline operations to provide property owners with products of superior quality, affordable price, rich variety and guaranteed after-sales services. Property owners can purchase goods they want without leaving their home by placing orders online for our home delivery services. This service enhances our interaction with property owners, allowing us to well understand their needs and providing them with quality services in a timely manner. As of 30 June 2023, we recorded an aggregate 52,900 orders for new retail sales, representing a year-on-year increase of 54.3% as compared to that of 2022, and the transaction amount amounted to approximately RMB3.30 million.

Our public resources management services primarily focus on leasing of both advertising spots and community space. We lease certain public areas to third parties on behalf of property owners for advertising and other uses, such as advertising spaces 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 generated from leasing of public areas will be mainly used to fund public repairs and maintenance, and could be used to pay for smart community upgrade. We collect rent on behalf of the property owners and recognize it as income based on a defined percentage of the rent. The total revenue of the business increased by approximately 41.5% as compared with the corresponding period in 2022.

Regarding our asset management business, in the first half of 2023, we carried out 147 transactions for our trading business and 500 transactions of our leasing business with transaction amount of approximately RMB266 million. We continued to focus on customers' needs so as to be closer to the lives of property owners. Through long-term and high-quality services, we will continue to develop the inventory market, broaden the boundaries of life services, and strive to bring more beautiful life experience to property owners' families. The total revenue of the business recorded a decrease of approximately 21.7% as compared to the corresponding period in 2022.

As always, the Group adheres to the service concept of “creating a warm community” and continues to build the customer community brand of Landsea Friends (詩友公社). As of 30 June 2023, we held 14 internal training sessions for more than 1,500 participants for continuous penetration of the core culture of “warm community” and establishment of a standardized system for community building to front-line employees. In order to better gather the strength of communities and connecting customers with the same interests, goals and values, the online Landsea Friends APP was officially launched with 27,845 registered users and 274,106 cumulative visits. Besides, 220 interest groups were established and in operation across the country to stimulate the community life. 325 activities were held successfully, of which 84 were organized by residents on their own, gaining a total of 26,000 customers participating in various community cultural activities with nearly 380,000 customers visits, and therefore realizing the goal of building a community with online 3-in-1 tool for the “headquarters, property management services providers and customers”.

APARTMENT OPERATION AND MANAGEMENT SERVICES

At the end of 2022, Langhong (Nanjing) Enterprise Management Co., Ltd.*(朗鴻(南京)企業管理有限公司), a wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Nanjing Langjun Commercial Management Limited*(南京朗郡商業管理有限公司), Huge Wealth Group Limited and Beihai Langrun Commercial Management Limited*(北海朗潤商業管理有限公司)(“**Beihai Langrun**”) to acquire the entire equity interest in Beihai Langrun. Beihai Langrun and its subsidiaries provide apartment operation and management services, managing more than 10,000 asset-light entrusted management apartments, covering 13 first-and second-tier cities. The transaction was completed on 31 March 2023, and the Group realised revenue of approximately RMB12.84 million from apartment operation and management services.

INFORMATISATION ESTABLISHMENT

The Group continues to promote the digital establishment of project service and internal operation and management to further improve customer service experience and corporate operational efficiency. As of 30 June 2023, our corporate service account covered all projects under management, and the WeChat accounts of our project managers and our WeCom (管家企業) have basically achieved full coverage of families, and the customer service mini-program was also fully launched. At present, under further optimisation and upgrading, the function of property management service including online payment, repair request, complaint, announcement and inquiry have been basically realised.

The Group's intelligent inspection of internal equipment and facilities covers all projects under management, realising platform-based management from maintenance and repair to warehousing and settlement. The Group further upgraded the intelligent management system for community visitors and parking, in which the visitor management system has achieved full project coverage, and the intelligent car parking management system was further promoted, covering more than 90% of its own projects. Meanwhile, in the first half of 2023, in order to facilitate the development of value-added services business, the Group continued to optimise the operating spot management system, community group purchase management system, housing rental and sales management system, home delivery service system and vehicle charging system. Regarding internal operation and management, in addition to continuously promoting the construction and optimisation of human resources and financial sharing system and platform, the Group also initiated the construction of income and expenditure management platform and taxation management platform in the first half of 2023 to further improve management efficiency and help achieve refined management.

SOCIAL RESPONSIBILITY

The Group actively promoted environmental, social and governance work and published the 2022 Environmental, Social and Governance (ESG) Report during the period. As a fast-growing green life-cycle service provider, we always focus on “sustainable cities and communities” as an important global sustainable development goal. 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), we have formulated a leading and scientific ESG development strategy for 2025, focusing on three major areas, namely “warm and inclusive”, “safe and healthy” and “green and low-carbon”. The Company continuously improves its ESG performance every year and contributes to the achievement of global sustainable development goals.

In the first half of 2023, we continued to conduct in-depth research on the construction of green and low-carbon communities. We cooperated with the Institute of Ecology and Environment of Nanjing University (Lishui) to carry out research on the topic of “carbon reduction and green operation and maintenance in communities”, and built a new system for carbon reduction and green operation and maintenance in communities from various aspects including carbon emission management, energy management, water resource management and waste management. In the same period, the cooperative research project focused on the construction of low-carbon community management platform and the pilot community composting projects. We have always adhered to the mission of “leading life services and creating a better future”, and will continue to explore ways of carbon neutrality for sustainable communities and contribute to the “30•60” goal of carbon peaking and carbon neutrality.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 15.6% from approximately RMB418 million for the six months ended 30 June 2022 to approximately RMB483 million for the six months ended 30 June 2023, which was due to (i) the increase in revenue from property management services as a result of the increase in the number of projects and GFA under management of the Group; (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 additional revenue from apartment operation and management services.

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			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	359,861	74.5	277,485	66.3
Value-added services to non-property owners	70,399	14.5	107,530	25.8
Community value-added services	40,335	8.3	33,213	7.9
Apartment operation and management services	12,843	2.7	–	–
Total	<u>483,438</u>	<u>100</u>	<u>418,228</u>	<u>100</u>

Revenue from the property management services increased by approximately 30.0% from approximately RMB277 million for the six months ended 30 June 2022 to approximately RMB360 million for the six months ended 30 June 2023. 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 decreased by approximately 35.2% from approximately RMB108 million for the six months ended 30 June 2022 to approximately RMB70 million for the six months ended 30 June 2023. The decrease was due to the decrease in revenue from sales assistance services, property consulting services and property agency services as affected by the fluctuation of the real estate market.

Revenue from community value-added services increased by approximately 21.2% from approximately RMB33 million for the six months ended 30 June 2022 to approximately RMB40 million for the six months ended 30 June 2023. Such increase was mainly due to the increase in revenue from home-living services and public resources management services as a result of the increase in the number of projects and GFA under management of the Group.

For the six months ended 30 June 2023, the revenue from apartment operation and management services was approximately RMB13 million, which was derived from the provision of early consultation services, renovation project management services, daily operation and management services, marketing, planning and promotion services, commercial business promotion services, special consultation services and other services to long-term apartment leasing projects.

Cost of Sales and Services

The Group's cost of sales consists of 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 26.8% from approximately RMB313 million for the six months ended 30 June 2022 to approximately RMB397 million for the six months ended 30 June 2023. The increase was mainly due to the increase in labour costs and subcontracting costs as a result of the expansion of the Group's business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit decreased by approximately 17.1% from approximately RMB105 million for the six months ended 30 June 2022 to approximately RMB87 million for the six months ended 30 June 2023. The gross profit margin decreased from approximately 25.1% for the six months ended 30 June 2022 to approximately 18.0% for the six months ended 30 June 2023. The decrease in gross profit margin was due to (i) the increase in labour cost of property management services and (ii) the decrease in gross profit margin of sales assistance services, property agency services and property consulting services as a result of the cyclical impact of the property industry.

Other Income

The Group's other income mainly represents government grants, additional value-added tax ("VAT") deductibles and other income.

The Group's other income decreased from approximately RMB4.08 million for the six months ended 30 June 2022 to approximately RMB3.30 million for the six months ended 30 June 2023, which was mainly due to the decrease of additional VAT deductibles by 5 percentage points as compared to the corresponding period in 2022.

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 2.8% from approximately RMB9.36 million for the six months ended 30 June 2022 to approximately RMB9.62 million for the six months ended 30 June 2023, 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 28.9% from approximately RMB45 million for the six months ended 30 June 2022 to approximately RMB58 million for the six months ended 30 June 2023, primarily due to the continuous expansion of the Group's business.

Finance Income — Net

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

The Group's net finance income decreased from a net income of approximately RMB1.49 million for the six months ended 30 June 2022 to a net income of approximately RMB830,000 for the six months ended 30 June 2023, primarily due to the decrease in interest income.

Share of Gains of Associates

The Group's share of gains of associates increased from approximately RMB525,000 for the six months ended 30 June 2022 to approximately RMB1.87 million for the six months ended 30 June 2023.

Income Tax Expense

The Group's income tax represents PRC corporate income tax at a rate of 25% on the assessable profits of subsidiaries incorporated in the PRC and land appreciation tax as stipulated in the relevant tax laws and regulations in the PRC. Certain subsidiaries of the Group are qualified as small and micro businesses and therefore enjoyed a preferential tax rate of 10% during the period.

The Group's income tax expense decreased by approximately 46.7% from approximately RMB8.46 million for the six months ended 30 June 2022 to approximately RMB4.51 million for the six months ended 30 June 2023, primarily due to the decrease in profit before income tax for the period.

Profit for the Period

As a result of the foregoing, the Group's profit decreased by approximately 41.7% from approximately RMB24 million for the six months ended 30 June 2022 to approximately RMB14 million for the six months ended 30 June 2023. The net profit margin for the six months ended 30 June 2023 was approximately 2.9%, representing a decrease of 2.8 percentage points as compared with approximately 5.7% for the corresponding period in 2022.

Liquidity, Reserves and Capital Structure

As at 30 June 2023, the Group's current assets amounted to approximately RMB756 million, representing a decrease of 15.7% from approximately RMB897 million as at 31 December 2022.

As at 30 June 2023, the Group's cash and cash equivalents (denominated in Renminbi, Hong Kong dollar and US dollar) amounted to approximately RMB162 million, representing a decrease of approximately 54.7% as compared to approximately RMB358 million as at 31 December 2022, which was mainly due to (i) the net cash used in operating activities of approximately RMB24 million, representing a decrease in net outflow of approximately RMB98 million as compared to the net cash outflow of approximately RMB122 million for the corresponding period in 2022; (ii) the net cash outflow from financing activities of approximately RMB1.88 million, representing an increase in net outflow of approximately RMB0.02 million as compared to the net outflow of approximately RMB1.86 million for the corresponding period in 2022; and (iii) the net cash outflow from investing activities of approximately RMB170 million, representing an increase in net outflow of approximately RMB91 million as compared to the net outflow of approximately RMB79 million for the corresponding period in 2022. As at 30 June 2023, the Group's total equity amounted to approximately RMB414 million, representing an increase of approximately 3.8% from approximately RMB399 million as at 31 December 2022. The increase was mainly due 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.

The Group's trade receivables amounted to approximately RMB379 million as at 30 June 2023, representing an increase of approximately 22.7% from approximately RMB309 million as at 31 December 2022. The increase in trade receivables was due to (i) the increase in the Group's revenue during the period; and (ii) the receivables subject to seasonal fluctuations as customers tend to settle their balances at the end of the year instead of during the year due to their payment preference.

Prepayments and Other Receivables

The Group's prepayments and other receivables as at 30 June 2023 amounted to approximately RMB213 million, representing a decrease of approximately 6.6% from approximately RMB228 million as at 31 December 2022, which remained steady.

Trade and Other Payables

The Group's trade and other payables as at 30 June 2023 amounted to approximately RMB457 million, representing an increase of approximately 10.9% from approximately RMB412 million as at 31 December 2022. This was mainly due to the continuous expansion of the Group's business.

Contract Liabilities

Our 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.

The Group's contract liabilities as at 30 June 2023 amounted to approximately RMB208 million, representing an increase of approximately 0.5% as compared to approximately RMB207 million as at 31 December 2022, which remained steady.

Borrowings

As at 30 June 2023, 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 2023.

Employees and Remuneration Policy

As at 30 June 2023, the Group had a total of 3,561 employees (as at 31 December 2022: 3,891). The Group offers employees competitive remuneration packages that include fees, salaries, allowances and benefits in kind, bonuses and pension scheme contributions 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 on Assets

As at 30 June 2023, 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, as defined as bank and other borrowings, lease liabilities and amounts due to related parties divided by total equity and multiplied by 100%, was approximately 0.78% as at 30 June 2023.

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 a total of 110,765,000 shares were issued upon the partial exercise of the over-allotment options, raising the total net proceeds (after deducting underwriting commissions and other related listing expenses) of approximately HK\$288.9 million.

The analysis of the utilisation of the net proceeds from the Listing Date to 30 June 2023 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 2023	Unutilised net proceeds as at 30 June 2023	Expected timetable
	<i>% of total amount</i>	<i>HK\$ million</i>			
Strategic acquisitions and investments	56.8%	164.1	164.1	–	Completed
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	10.2	34.0	2024/12/31
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	15.6	13.9	2024/12/31
Continuing to incentivise, retain and recruit talents in order to better our human resources management	7.7%	22.2	22.2	–	Completed
Working capital and other general corporate purposes	10.0%	28.9	–	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 2023, 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 2023, 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 2023 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 denominated in Hong Kong dollars. As at 30 June 2023, the Group did not have significant foreign currency exposure from its operations. The Group has not used 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 2023, 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 2023, our liabilities to assets ratio was approximately 63.5% (31 December 2022: approximately 62.4%).

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 2023.

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 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2023, 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 2023.

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 2023 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 2023 (for the six months ended 30 June 2022: Nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

On 16 December 2022, Langhong (Nanjing) Enterprise Management Co., LTD* (朗鴻(南京)企業管理有限公司) (the “**Purchaser**”), a wholly-owned subsidiary of the Company, Nanjing Langjun Commercial Management Limited* (南京朗郡商業管理有限公司) (the “**First Vendor**”) and Huge Wealth Group Limited (濠旺集團有限公司) (collectively the “**Vendors**”) and Beihai Langrun Commercial Management Limited* (北海朗潤商業管理有限公司) (the “**Target Company**”) entered into an equity transfer agreement (the “**Equity Transfer Agreement**”), pursuant to which the Purchaser agreed to acquire, and the Vendors agreed to sell, the entire equity interests in the Target Company at a consideration of RMB201,700,000 (the “**Acquisition**”).

On 24 February 2023, the Purchaser, the Vendors and the Target Company entered into a supplemental agreement to the Equity Transfer Agreement (the “**Supplemental Agreement**”) to amend certain terms of the Equity Transfer Agreement.

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 5% and all of such ratios are less than 25%, the Acquisition contemplated thereunder constitute a discloseable transaction of the Company under the Listing Rules. Mr. Tian is a non-executive Director and the controlling shareholder of the Company and thus a connected person of the Company. The First Vendor is ultimately owned as to 50% by Mr. Tian. Accordingly, the First Vendor is an associate of Mr. Tian and thus a connected person of the Company. Therefore, the Acquisition contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Acquisition was completed on 31 March 2023. For further information, please refer to the announcements of the Company dated 16 December 2022 and 24 February 2023 and the circular of the Company dated 3 March 2023.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurring after the end of the reporting period and up to the date of this announcement.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3.3 of the CG Code as at 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, Ms. Katherine Rong Xin 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.

REVIEW OF INTERIM FINANCIAL PERFORMANCE

The unaudited interim condensed consolidated financial performance of the Group for the six months ended 30 June 2023 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.landseaway.com). The Company's interim report for the six months ended 30 June 2023 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, 25 August 2023

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*