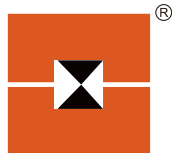


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Kaisa Prosperity Holdings Limited

佳兆業美好集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2168)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2020 increased by approximately 32.7% to approximately RMB741.0 million from approximately RMB558.4 million for the six months ended 30 June 2019.
- Gross profit for the six months ended 30 June 2020 increased by approximately 30.9% to approximately RMB250.5 million from approximately RMB191.3 million for the six months ended 30 June 2019.
- Profit for the six months ended 30 June 2020 amounted to approximately RMB123.2 million (six months ended 30 June 2019: approximately RMB91.6 million). The adjusted profit (excluding share-based compensation) increased by approximately 48.8% to approximately RMB136.3 million from approximately RMB91.6 million for the six months ended 30 June 2019.
- As of 30 June 2020, cash and cash equivalents increased by approximately RMB441.0 million to RMB1,194.9 million primarily due to the proceeds received arising from the placing of shares.

The board (the “**Board**”) of directors (the “**Directors**”) of Kaisa Prosperity Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		(Unaudited)	
		Six months ended 30 June	
		2020	2019
	Notes	RMB'000	RMB'000
Revenue	4	740,998	558,390
Direct operating expenses		<u>(490,495)</u>	<u>(367,104)</u>
Gross profit		250,503	191,286
Other gains and (losses), net	5	812	(6,109)
Selling and marketing expenses		(3,317)	(3,563)
Administrative expenses		<u>(90,393)</u>	<u>(63,706)</u>
Operating profit		157,605	117,908
Fair value gain on financial assets at fair value through profit or loss		–	578
Gain on disposal of financial assets at fair value through profit or loss		1,202	–
Gain on deemed disposal of a subsidiary		1,192	–
Share of results of an associate		634	–
Finance costs		(188)	(27)
Finance income		<u>868</u>	<u>309</u>
Profit before income tax	6	161,313	118,768
Income tax expenses	7	<u>(38,129)</u>	<u>(27,187)</u>
Profit and total comprehensive income for the period		<u>123,184</u>	<u>91,581</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		119,093	90,663
Non-controlling interests		<u>4,091</u>	<u>918</u>
		<u>123,184</u>	<u>91,581</u>
Earnings per share attributable to owners of the Company (expressed in RMB)			
Basic	8(a)	0.8469	0.6476
Diluted	8(b)	<u>0.8292</u>	<u>0.6476</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		(Unaudited) As at 30 June 2020 RMB'000	(Audited) As at 31 December 2019 RMB'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		17,588	18,746
Intangible assets	10	22,987	29,514
Goodwill	10	42,844	48,378
Right-of-use assets		4,814	4,242
Financial assets at fair value through profit or loss		–	34,404
Investment in an associate	11	4,216	–
Other receivables		173	135
Deferred tax assets		7,102	5,298
		<u>99,724</u>	<u>140,717</u>
Current assets			
Trade receivables	12	294,060	257,850
Other receivables	12	91,032	51,412
Payments on behalf of residents		31,830	31,151
Contract assets		69,303	55,991
Amounts due from related parties		1,393	1,008
Restricted cash		1,479	1,510
Cash and cash equivalents		1,194,853	753,945
		<u>1,683,950</u>	<u>1,152,867</u>
Current liabilities			
Trade payables	13	156,971	181,562
Other payables	13	244,421	269,033
Contract liabilities		74,423	74,004
Amounts due to related parties		3,002	1,277
Dividend payable		73,145	–
Lease liabilities		2,425	3,004
Income tax payable		41,639	49,966
		<u>596,026</u>	<u>578,846</u>
Net current assets		<u>1,087,924</u>	<u>574,021</u>
Total assets less current liabilities		<u>1,187,648</u>	<u>714,738</u>

		(Unaudited) As at 30 June 2020 <i>RMB'000</i>	(Audited) As at 31 December 2019 <i>RMB'000</i>
	<i>Notes</i>		
Non-current liabilities			
Other payables	13	10,040	13,274
Lease liabilities		2,549	1,238
Deferred tax liabilities		9,747	11,378
		<u>22,336</u>	<u>25,890</u>
Net assets		<u>1,165,312</u>	<u>688,848</u>
EQUITY			
Share capital		1,360	1,232
Reserves		1,134,875	663,234
		<u>1,136,235</u>	<u>664,466</u>
Equity attributable to owners of the Company		<u>1,136,235</u>	<u>664,466</u>
Non-controlling interests		29,077	24,382
		<u>1,165,312</u>	<u>688,848</u>
Total equity		<u>1,165,312</u>	<u>688,848</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

Kaisa Prosperity Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 October 2017 as an exempted company with limited liability under the Companies Law. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 507, Block A, Kaisa Center, 66 Nanyuan Road, Futian, Shenzhen, the People’s Republic of China (the “**PRC**”). The Company’s share were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company’s immediate holding company is Ye Chang Investment Company Limited (“**Ye Chang Investment**”), an investment company incorporated in the British Virgin Islands (“**BVI**”), whereas the directors of the Company regard Kaisa Group Holdings Ltd. (“**Kaisa Holdings**”) as the Company’s ultimate holding company, a company incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange.

The Company and its subsidiaries (together, the “**Group**”) engage mainly in the provision of property management services, which includes management of properties, maintenance and repair of buildings and ancillary facilities, community security management, car-park management, equipment installation, and property consulting services.

The unaudited condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated, and was authorised for issue by the Board of Directors on 20 August 2020.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard (“**HKAS**”) 34, “**Interim Financial Reporting**” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

3. ADOPTION OF NEW OR AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following new and amended HKFRSs effective as of 1 January 2020. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

4. REVENUE AND SEGMENT INFORMATION

4.1 Revenue

- (a) Revenue mainly comprises of proceeds from provision of property management services, pre-delivery and consulting services, community value-added services and smart solution services. An analysis of the Group's revenue for the six months ended 30 June 2020 and 2019 is as follows:

	(Unaudited)			
	Six months ended 30 June		2019	
	2020		2019	
	Revenue	Direct operating expenses	Revenue	Direct operating expenses
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from customer and recognised over time				
Property management services	364,848	251,205	233,623	153,986
Pre-delivery and consulting services	243,899	160,536	216,796	143,912
Community value-added services	59,266	29,775	56,441	31,858
Smart solution services	72,985	48,979	51,530	37,348
	740,998	490,495	558,390	367,104

For the six months ended 30 June 2020, revenue from Kaisa Holdings and its subsidiaries (the "Kaisa Group") contributed 40.5% (2019: 45.5%) of the Group's revenue. Other than the transactions with Kaisa Group, none of the other transactions contributed 10% or more of the Group's revenue for the six months ended 30 June 2020 and 2019.

(b) *Unsatisfied performance obligations*

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 30 June 2020 and 31 December 2019 are as follows:

	(Unaudited) As at 30 June 2020 RMB'000	(Audited) As at 31 December 2019 RMB'000
Within one year	82,358	90,449
More than one year	71,926	46,322
	<u>154,284</u>	<u>136,771</u>

These amounts disclosed above do not include transaction price allocated to performance obligations which have been satisfied but not yet recognised due to variable consideration constraints.

4.2 Segment information

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

For the six months ended 30 June 2020 and 2019, the Group engaged mainly in the provision of property management services, pre-delivery and consulting services, community value-added services and smart solution services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocations. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. Accordingly, all the Group’s revenue were derived in the PRC for the six months ended 30 June 2020 and 2019.

As at 30 June 2020 and 31 December 2019, except for financial assets at fair value through profit or loss, most of the non-current assets were located in the PRC.

5. OTHER GAINS AND (LOSSES), NET

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Unconditional government subsidy income (<i>note</i>)	5,089	1,253
Net losses on disposal of property, plant and equipment	(111)	(52)
Provision for loss allowance	(7,217)	(5,334)
Recovery of written-off/(Write-off of) uncollectible receivables	267	(573)
Exchange gains/(losses), net	2,409	(1,410)
Others	375	7
	<u>812</u>	<u>(6,109)</u>

Note: The amount represented the subsidy received from the local government bureau in the PRC. There was no unfulfilled conditions and other contingencies attached to the receipt of subsidy.

6. PROFIT BEFORE INCOME TAX

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit before income tax has been arrived at after charging/(crediting):		
Staff costs - including directors' emoluments		
– Included in direct operating expenses	220,567	181,071
– Included in administrative expenses	73,135	53,261
Cost in relation to smart solution services	48,660	37,093
Lease charges		
– Short term leases and leases with lease term shorter than 12 months	23,065	23,622
Other taxes	3,237	2,757
Business entertainment expenses	1,962	1,214
Depreciation		
– Property, plant and equipment	2,750	2,439
– Right-of-use assets	2,281	1,152
Amortisation of intangible assets	1,484	863
Advertising and promotion expenses	3,317	3,563
Auditor's remuneration	525	291
Legal and professional fees	3,361	2,744
Office expenses	6,129	2,336
Provision for loss allowance		
– Trade receivables	3,601	2,480
– Deposits, other receivables and payments on behalf of residents (excluding prepayments)	3,616	2,854
(Recovery of written-off)/Write-off of uncollectible receivables	(267)	573
Travelling expenses	1,616	1,781

7. INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current income tax		
– PRC Corporate Income Tax	40,304	28,736
Deferred tax		
– PRC Corporate Income Tax	(2,175)	(1,549)
	<u>38,129</u>	<u>27,187</u>

8. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the six months ended 30 June 2020 and 2019.

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
Total profit attributable to owners of the Company (<i>in RMB'000</i>)	119,093	90,663
Weighted average number of ordinary share in issue	<u>140,615,000</u>	<u>140,000,000</u>
Basic earnings per share (<i>in RMB</i>)	<u>0.8469</u>	<u>0.6476</u>

During the six months ended 30 June 2020, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the issue of shares in June 2020.

(b) Diluted earnings per share

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
Weighted average number of ordinary share in issue	140,615,000	140,000,000
Effect of issue of shares under adjustment for share option scheme (note)	<u>3,011,815</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>143,626,815</u>	<u>140,000,000</u>
Basic earnings per share (<i>in RMB</i>)	<u>0.8292</u>	<u>0.6476</u>

Note: The computation of diluted earnings per share for the six months ended 30 June 2020 assumes the conversion of the Company's outstanding share options granted on 19 July 2019 because the average market price of the shares is higher than the adjusted exercise price of those share options for the six months ended 30 June 2020.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: nil).

A final dividend in respect of the year ended 31 December 2019 of RMB73,145,000 was declared from share premium by the Company at the Board Meeting held on 26 March 2020 and approved by the shareholders at the Annual General Meeting held in June 2020. The dividend was settled in July 2020.

10. INTANGIBLE ASSET/GOODWILL

During the six months ended 30 June 2020, intangible assets of approximately RMB5,045,000 and goodwill of approximately RMB5,534,000 were derecognised upon the deemed disposal of a subsidiary.

During the six months ended 30 June 2019, the Group acquired a company and its subsidiary, both engaged in the business of property management. Total identifiable net assets of these entities acquired as at the acquisition date was amounted to RMB29,333,000 (audited), including identified customer relationships of RMB12,287,000 (audited) recognised by the Group. The excess of the consideration transferred and the amount of the non-controlling interests in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

11. INVESTMENT IN AN ASSOCIATE

	(Unaudited) As at 30 June 2020 RMB'000	(Audited) As at 31 December 2019 RMB'000
Cost of investment in an associate	3,582	–
Share of post-acquisition profit and other comprehensive income, net of dividends received	634	–
	<u>4,216</u>	<u>–</u>

Movements of investment in an associate during the six months ended 30 June 2020 are as follows:

	(Unaudited) 30 June 2020 RMB'000
At 1 January	–
Transfer from a subsidiary	3,582
Share of results of an associate	634
	<u>4,216</u>
At 30 June	<u>4,216</u>

12. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 30 June 2020 RMB'000	(Audited) As at 31 December 2019 RMB'000
Trade receivables		
– from third parties	171,918	127,968
– from related parties	140,037	144,176
	311,955	272,144
Less: loss allowance for trade receivables	(17,895)	(14,294)
	294,060	257,850
Other receivables		
Other deposits	13,783	12,178
Amount due from a third party (<i>note (c)</i>)	33,336	–
Prepayments	8,464	6,594
Loan to a third party (<i>note (d)</i>)	16,342	15,193
Payments on behalf of staff	8,493	7,781
Payments on behalf of residents under lump-sum basis	15,250	10,236
Others	1,304	2,335
	96,972	54,317
Less: loss allowance for other receivables	(5,767)	(2,770)
	91,205	51,547
Less: other receivables under non-current portion	(173)	(135)
	91,032	51,412

Note:

- (a) All of the Group's trade and other receivables are denominated in RMB except for loan to a third party. The directors consider that the fair values of trade and other receivables under current portion are not materially different from their carrying amounts because these balances have short maturity periods on their inception.
- (b) Property management services income is received in accordance with the terms of the relevant service agreements and due for payment upon the issuance of demand note. Pre-delivery and consulting services and smart solution services are received in accordance with the terms of the relevant service agreements, and the Group normally allows an average credit period ranged from 15 days to 90 days to its customers.
- (c) As at 30 June 2020, amount due from a third party is unsecured, interest-free and has no fixed repayment term.
- (d) As at 30 June 2020, loan to a third party is unsecured and interest-bearing at 12% per annum, with the repayment date being extended from 26 June 2020 to 26 June 2021.

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

	(Unaudited) As at 30 June 2020 RMB'000	(Audited) As at 31 December 2019 RMB'000
Within 180 days	237,608	221,160
181-365 days	35,346	21,642
1-2 years	25,272	17,587
2-3 years	6,071	5,146
Over 3 years	7,658	6,609
	<u>311,955</u>	<u>272,144</u>

The Group applies the simplified approach to provide for ECL for trade receivables prescribed by HKFRS 9. As at 30 June 2020, a provision of RMB17,895,000 (31 December 2019: RMB14,294,000) was made against the gross amount of trade receivables and a provision of RMB5,767,000 (31 December 2019: RMB2,770,000) was made against the gross amount of other receivables.

13. TRADE AND OTHER PAYABLES

	(Unaudited) As at 30 June 2020 RMB'000	(Audited) As at 31 December 2019 RMB'000
Trade payables		
– to third parties	125,407	140,712
– to related parties	31,564	40,850
	<u>156,971</u>	<u>181,562</u>
Other payables		
Consideration payables for acquisition of a subsidiary	20,496	27,328
Accrued staff costs	77,586	93,471
Other tax payables	4,801	1,324
Deposits received	57,596	54,116
Receipt on behalf of residents	62,379	68,032
Other payables and accruals	31,603	38,036
	<u>254,461</u>	<u>282,307</u>
Total other payables		
	<u>254,461</u>	<u>282,307</u>
Less: non-current portion		
Other payables	(4,916)	(3,026)
Consideration payables for acquisition of a subsidiary	(5,124)	(10,248)
	<u>(10,040)</u>	<u>(13,274)</u>
Total other payables under non-current portion	<u>(10,040)</u>	<u>(13,274)</u>
Current portion	<u>244,421</u>	<u>269,033</u>

Included in trade payables were amounts due to the Group's suppliers. The outstanding balances were trading in nature and credit periods ranging from 30-180 days were granted. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Within 90 days	92,946	124,092
91-180 days	28,558	22,316
181-270 days	17,597	11,015
271-365 days	3,859	7,370
Over 365 days	14,011	16,769
	<u>156,971</u>	<u>181,562</u>

14. DEEMED DISPOSAL OF A SUBSIDIARY

Deemed disposal of the Kaisa Technology Group Co., Ltd

During the six months ended 30 June 2020, the Group entered into a capital injection agreement with Shenzhen Chunyu Information Consulting Co., Ltd* (深圳市春榆信息諮詢有限公司) (“**Chunyu Information**”), a wholly owned subsidiary of Kaisa Holdings, for the capital injection to Kaisa Technology Group Co., Ltd* (深圳佳兆業科技集團有限公司) (formerly known as 深圳市齊家互聯網科技有限公司) (“**Kaisa Technology**”). Upon the capital injection, the Group's equity interests in Kaisa Technology has been diluted from 92.26% to 45.20%. Kaisa Technology is principally engaged in the provision of the software development services. Upon the completion of the deemed disposal, it ceased to be the subsidiary of the Group and was then accounted for as an associate of the Group using equity method. The fair value of the retained interests in Kaisa Technology at the date on which the control was lost is regarded as the cost on initial recognition of the investment in an associate.

* The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

BUSINESS REVIEW AND PROSPECTS

In 2020, global risks and uncertainties continued to affect the economy, coupled with the volatility brought by the epidemic, prospects of almost all industries are posed with great challenges. As an enterprise striving to be a leader in our industry, Kaisa Prosperity made critical assessment, broadened its horizon, and continued its perseverance in exploring foreseeable strategies, in order to lay a solid foundation for its long-term development and operation.

While making use of its strengths in providing full-scale services, the Group promoted sustainable development through innovative thinking and mutually beneficial cooperation with partners. With high-standard and normalized property management services in view of the epidemic and the wide application of smart products as the core strategy, the Group deepened its development in the Guangdong-Hong Kong-Macau Bay Area, focusing on the Yangtze River Delta Economic Rim, the Bohai Economic Rim and the Chengdu and Chongqing Economic Rim, and developed brand advantage with effective use of resources to achieve business expansion and fruitful results.

Financial Summary

Benefited from the long-term cooperation between the Group and its controlling shareholder, Kaisa Group Holdings Ltd. and its subsidiaries (collectively referred to as the “**Kaisa Group**”), as well as the acquisitions in relation to the property management portfolio in the Yangtze River Delta Economic Zone, the Group’s revenue increased by approximately RMB182.6 million to RMB741.0 million for the six months ended 30 June 2020, representing an increase of approximately 32.7% in revenue as compared to the corresponding period in 2019. In particular, income from property management services amounted to RMB364.8 million; income from pre-delivery and consulting services amounted to RMB243.9 million; income from community value-added services amounted to RMB59.3 million; and income from smart solution services amounted to RMB73.0 million.

Driven by the increase in revenue, the adjusted net profit (excluding share-based compensation) for the six months ended 30 June 2020 increased by approximately RMB44.7 million to RMB136.3 million, representing an increase of approximately 48.8% as compared to the adjusted net profit (excluding share-based compensation) for the corresponding period in 2019. Basic earnings per share amounted to RMB0.85.

Diversified Business Portfolios and Deepened Strategic Cooperation on Urban Services

Under the principles of developing comprehensive strengths, improving service standard and maintaining satisfaction by property owners, through reasonable adjustment of the proportion of residential and non-residential properties, the Group further developed its strengths in operating diversified business portfolios, in order to support the sustainable development of our business performance. Having diversified portfolios of properties and a high level of participation in the upgrade of urban public ancillary services have been the core pillars supporting the Group's business development and the direction of strategic development in the future.

In May 2020, the Group established an integrated service platform in the Fengfeng Mining District in Handan, and entered into an overall strategic cooperation with Handan Fengfeng Mining District Rongxin Property Co., Ltd.* (邯鄲市峰峰礦區融信物業有限公司) (“**Handan Rongxin**”) to introduce urban services. Through this pilot program, the Group materialized its strategy of providing urban services in the Bohai Economic Rim. The platform will contribute to various service sectors including municipal administration, buildings, parks, schools, hospitals and industrial parks, and further realize the transformation and upgrading of urban public services through a multi-dimensional business layout with strong growth momentum. The Group firmly captured the emerging market of “urban services”, where property management companies are well-positioned to achieve growth. Through actively seizing market opportunities, the Group strived to become an industry benchmark by making rapid breakthroughs through strategic upgrades and brand building and expanding the business layout of urban services.

The Group adhered to its long-term development strategy of selective footprints in developed coastal areas and further broadened its coverage in the Yangtze River Delta Region during the six months ended 30 June 2020. In June 2020, the Group entered into the agreement in relation to the acquisition of a 60% equity interest in Ningbo Langtong Property Service Company Limited* (寧波朗通物業服務有限公司), increasing the GFA under management by more than 4.0 million sq. m. upon completion after the interim period. The acquisition supported the Group's strategic expansion in Hangzhou Bay New Zone and established a new pillar for the upgrade of our public ancillary services in the Yangtze River Delta Region.

Promoting Multi-Channel Smart Application and Becoming a Pioneer in Smart City Solutions

Shenzhen Jiake Intelligent Engineering Co., Ltd.* (深圳市佳科智能工程有限公司), a smart solution service provider under the Group, was transformed from an internal functional unit to an established market player. It is a qualified supplier to more than 200 real estate developers. This does not only diversify the Group's income streams, but also lay a good foundation and reputation for us to provide smart city solutions in more cities in the future to create shared value with business partners.

In addition to the effective use of resources, leveraging on our strengths in the long-term exploration and development of smart solutions, the Group integrated five core resident living needs areas, including urban infrastructure, resources and environment, people's livelihood, economic industries, and municipal administration, into a one-stop service platform accommodating emerging technologies such as the Internet of Things and 5G, to provide the fastest and most convenient services for addressing issues of urban operations such as lack of resources and slow efficiency.

Meanwhile, we also provided smart solutions to various buildings of different functions, such as schools, biomedical premises, smart communities, and municipal services buildings, through multiple channels in the smart solutions market to achieve breakthroughs and increase our overall revenue and profit. The Group introduced suitable smart products based on residents' needs, and created smart homes with perception, interconnection, processing and coordination through integrated technological means of internet and cloud computing. The Group believes that a forward-looking application of intelligent technologies will create greater value and business opportunities for the Group in the future.

Outlook

Under the continuing impacts of the epidemic, the Group actively pays attention to the social needs, adopts effective, scientific and technological means to reduce costs and improve the efficiency of epidemic prevention in a timely manner.

To strengthen our competitiveness and enhance our market value, the Group is constantly exploring new development trend of the industry and government policy. We aim to enhance our brand value and make important contribution to the sustainable development of the property management industry. Looking forward, the Group will continue to maintain a sound and healthy development mode as always, and gradually push ahead with third-party business diversification and equity cooperation based on our core development needs and plan. Backed by a spectacular performance of the industry, we have confidence in assuming corporate responsibilities, giving back to the society through different means, and bringing a fruitful return to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As one of the leading comprehensive property management service providers in China, the Group focuses on mid- to high-end properties, particularly the quality projects in the Guangdong-Hong Kong-Macau Bay Area and Yangtze River Delta with enormous potential for economic growth. The Group has been providing property management services for more than 20 years since 1999, and since then has established a strong footprint in the Guangdong-Hong Kong-Macau Bay Area, covering a wide range of properties and providing property owners and residents with tailored quality services through the one-stop service platform to enhance their quality of life and satisfaction.

The Group's four main business lines, namely, property management services, pre-delivery and consulting services, community value-added services and smart solution services, form an integrated service spectrum encompassing the upstream and downstream segments and covering the entire value chain of property management.

PROPERTY MANAGEMENT SERVICES

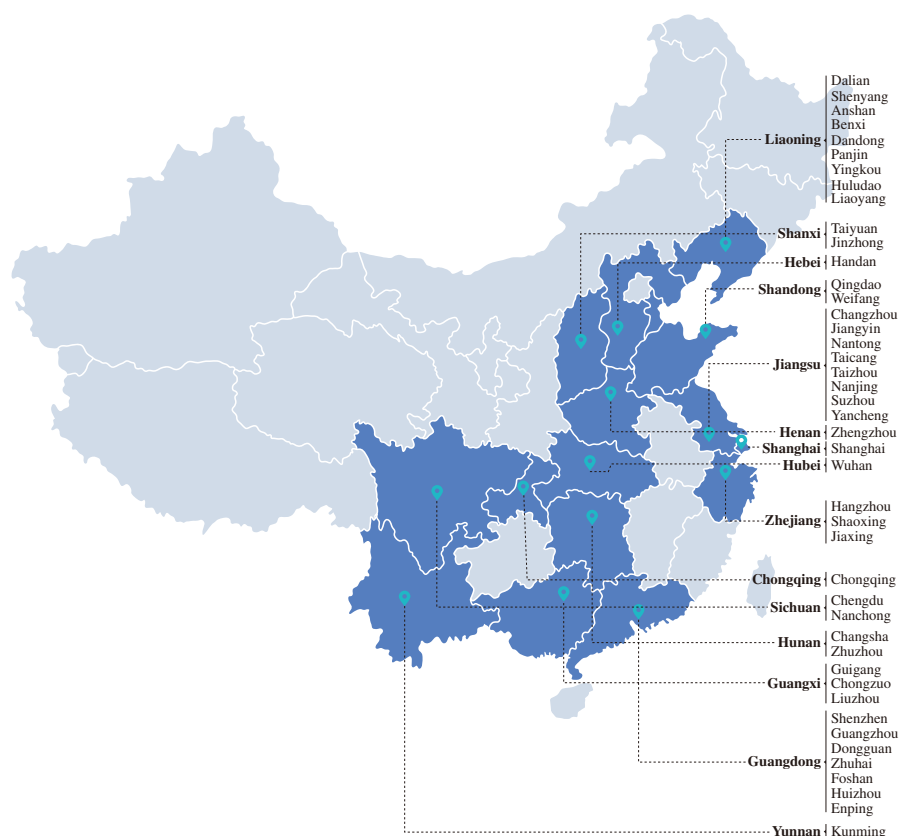
As of 30 June 2020, the Group's property management services covered 44 cities across 15 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 48.8 million sq.m. and a total of 323 managed properties, comprising 170 residential communities and 153 non-residential properties.

The table below sets forth (i) the contracted GFA, (ii) the GFA under management, and (iii) the number of managed properties, as of the dates indicated:

	As of 30 June 2020	As of 31 December 2019
Contracted GFA ('000 sq.m.)	59,233	53,800
GFA under management ('000 sq.m.)	48,767	46,207
Number of managed properties	<u>323</u>	<u>304</u>

Geographic Coverage

The map below illustrates the geographic coverage of our managed properties as of 30 June 2020:



The table below sets forth the breakdowns of (i) the total GFA under management, and (ii) the number of managed properties by geographic region as of the dates indicated:

	As of 30 June 2020		As of 31 December 2019	
	GFA under management (<i>'000 sq.m.</i>)	Number of properties	GFA under management (<i>'000 sq.m.</i>)	Number of properties
Guangdong-Hong Kong-Macau Bay Area	13,311	69	12,391	63
Yangtze River Delta	21,303	196	20,940	190
Bohai Economic Rim	4,043	25	3,776	22
Western China	6,706	21	5,978	18
Central China	3,404	12	3,122	11
Total	48,767	323	46,207	304

The Group continued to expand its business through obtaining new service engagements, setting up joint venture platforms with partners and undertaking their projects and acquiring other property management companies. In May 2020, the Group built an urban integrated service strategic cooperation with Handan Rongxin and established an integrated service platform in Fengfeng Mining District, Handan.

Set out below are the changes in (i) the total GFA under management and (ii) the number of managed properties as of the indicated date:

	As of 30 June 2020		As of 31 December 2019	
	GFA under management (’000 sq.m.)	Number of properties	GFA under management (’000 sq.m.)	Number of properties
As of 1 January	46,207	304	26,869	132
New engagement	2,823	25	3,790	30
Acquisition	–	–	16,300	153
Termination	(263)	(6)	(752)	(11)
Total	48,767	323	46,207	304

In June 2020, the Group entered into the agreement in relation to the acquisition of Ningbo Langtong Property Service Company Limited* (寧波朗通物業服務有限公司) (“**Ningbo Langtong**”). As of 30 June 2020, Ningbo Langtong had a total of 48 projects under management, amounting to GFA under management of approximately 4.0 million sq.m., which will be consolidated into the Group’s property portfolio upon completion subsequent to 30 June 2020.

Types of Properties Managed

The Group managed a diversified portfolio of properties covering mid- to high-end residential communities and non-residential properties, including commercial properties, office buildings, arenas and stadiums, government buildings, public facilities and industrial parks. Regarding the property management services, the Group adopted two revenue models under which property management fees are charged on either a lump-sum basis or commission basis. Under a lump-sum basis, the Group recorded all the fees as revenue and all the expenses incurred in connection with providing the property management services as cost of services. Under a commission basis, the Group essentially acted as the agent of the property owners and therefore records only a pre-determined percentage of the property management fees or cost of services as set out in the property management service contracts as revenue. Under these two revenue models, the Group covered the expenses incurred in connection with providing property management services.

* For identification purpose only

The table below sets forth the breakdown of (i) the total GFA under management, and (ii) the number of managed properties by type of properties as of the dates indicated:

	As of 30 June 2020			As of 31 December 2019		
	GFA under management (<i>'000 sq.m.</i>)	Percentage %	Number of properties	GFA under management (<i>'000 sq.m.</i>)	Percentage %	Number of properties
Residential communities	36,258	74.3	170	33,785	73.1	164
Non-residential properties	12,509	25.7	153	12,422	26.9	140
Total	48,767	100.0	323	46,207	100.0	304

The table below sets forth the breakdown of (i) the total GFA under management; and (ii) the number of managed properties by revenue mode as of the dates indicated:

	As of 30 June 2020			As of 31 December 2019		
	GFA under management (<i>'000 sq.m.</i>)	Percentage %	Number of properties	GFA under management (<i>'000 sq.m.</i>)	Percentage %	Number of properties
Property management services (lump-sum basis)	28,226	57.9	215	27,195	58.9	202
Property management services (commission basis)	20,541	42.1	108	19,012	41.1	102
Total	48,767	100.0	323	46,207	100.0	304

It is important to note that under a commission basis, the Group recorded only a pre-determined percentage, typically 10%, of the property management fees or cost of services as set out in the property management service contracts as revenue, while all the property management fees are recorded as revenue under lump-sum basis.

The properties under the Group's management comprise of properties developed by Kaisa Group and independent third-party property developers. During the six months ended 30 June 2020, the Group won all the public tenders with respect to properties developed by the Kaisa Group for which the Group bid, and further increased our cooperation with independent third-party property developers. As we have achieved a more reasonable business structure across property nature and project sourcing, the overall development prospect of the Group is promising.

The table below sets forth the breakdowns of (i) the total GFA under management, and (ii) the number of managed properties by type of property developers as of the dates indicated:

	As of 30 June 2020			As of 31 December 2019		
	GFA under management (<i>'000 sq.m.</i>)	Percentage %	Number of properties	GFA under management (<i>'000 sq.m.</i>)	Percentage %	Number of properties
Properties developed by the Kaisa Group	26,265	53.9	107	24,754	53.6	100
Properties developed by independent third-party property developers	22,502	46.1	216	21,453	46.4	204
Total	48,767	100.0	323	46,207	100.0	304

PRE-DELIVERY AND CONSULTING SERVICES

Leveraging on the Group's property management expertise, the Group offered a wide range of pre-delivery and consulting services to address issues that arise during each major stage of property development projects. The Group deployed onsite staff to provide security, cleaning, concierge and maintenance services to property developers in property construction sites, pre-sale display units and property sales venues during the early stages of property development projects. It also provided consulting services to other property management companies with respect to property management.

For the six months ended 30 June 2020, revenue generated from providing pre-delivery and consulting services amounted to approximately RMB243.9 million, accounting for approximately 33.0% of the Group's total revenue and representing an increase of approximately 12.5% as compared to approximately RMB216.8 million for the six months ended 30 June 2019. In particular, approximately RMB215.3 million was generated from the Kaisa Group, accounting for approximately 88.3% of the total pre-delivery and consulting services revenue for the six months ended 30 June 2020, representing an increase of approximately 11.0% as compared to approximately RMB193.9 million for the six months ended 30 June 2019. Due to the market reputation and business influence accumulated by the Group over the years, the number of projects from independent third-party property developers for pre-delivery and consulting services increased from 38 as of 30 June 2019 to 46 as of 30 June 2020.

Pre-delivery Services

Pre-delivery services include the following categories:

- **Construction sites management services.** The Group provided primarily security services and to a less extent management services, such as cleaning and maintenance services, for the construction sites of property development projects. During the early stages of projects, the Group deployed security staff to the construction sites to guard and maintain order at the sites and assigned cleaning staff to clean and maintain the environment of the construction sites. The Group charged a fixed fee which is payable by the property developers in installments over the course of the service contracts; and
- **Display units and property sales venues management services.** The Group deployed personnel onsite to assist property developers with their property marketing and selling activities. When property developers market their property development projects, they typically set up display units to showcase their properties to potential buyers. Given the high foot traffic at the display units and the need to secure, manage and maintain the display units, the property developers usually engage property management service providers to provide these specialised services. The Group also assisted property developers with responding to general enquiries at front desks and maintaining order at property sales venues. The Group assigned dedicated and experienced teams to these work sites to address customers' needs and is paid for a fixed service fee in return.

Consulting Services

As an experienced property management company, the Group provided general daily property management consulting services to other property management companies. Consulting services are a cooperation model through which the Group assists other property management companies in achieving growth and building their reputations by implementing the Group's management philosophy and successful operation models in their businesses. Through providing consulting services, the Group is able to expand into new markets and demonstrate its service quality and capabilities to wider audience.

COMMUNITY VALUE-ADDED SERVICES

The Group's community value-added services adhere to the positioning of "expert of asset operation and butler for better life", and in-depth exploration has been made in five business segments, including housing rental and sale, decoration of homes, space leasing and parking, community finance, community new retail and integrated living services. The Group builds a service brand and business framework namely 'Three plus Seven', which is the three major incubation projects – Kaisa Decoration* (佳美居), Kaisa Real Estate* (佳居不動產) and Kaisa Classroom* (佳學堂) and seven items of K Series (小K)" auxiliary support services, to jointly provide owners and residents with convenient and comfortable community value-added services, so as to add beauty to their lives.

* For identification purpose only

For the six months ended 30 June 2020, revenue from community value-added services was approximately RMB59.3 million, accounting for approximately 8.0% of the Group's total revenue in the same period, representing an increase of approximately 5.1% as compared to approximately RMB56.4 million for the six months ended 30 June 2019.

Kaisa Decoration* (佳美居) – Home Decoration Business

Services of Kaisa Decoration mainly include 'ready-to-move-in' services to new tenants with renovation and face-lifting services of residential projects. Currently Kaisa Decoration is mainly about 'ready-to-move-in' services. Face-lifting works are carried out at intended testing stage.

Despite the delay of housing purchases as affected by the epidemic for the six months ended 30 June 2020, the 'ready-to-move-in' business generated a profit of approximately RMB1.27 million, representing a significant increase of 182% compared to the same period in 2019. In the second half of the year, we expect there will be higher average household gain and more high-quality projects taken up by new tenants, bringing better business opportunities.

Kaisa Real Estate* (佳居不動產) – Housing Rental and Sale Business

Kaisa Real Estate mainly includes first-hand and second-hand housing agency sales, long-term and short-term rentals, and parking lot sales business.

For the six months ended 30 June 2020, Kaisa Real Estate's commission income was approximately RMB7.9 million, representing an increase of 15.4% from that in 2019. During the period, 2 new stores were opened in Nanchong. In the second half of the year, we would continue to promote the growth of rental and sale business in various regions through active promotion, open new stores in high-quality projects newly acquired, and make full use of the market opportunities brought by the recovery of the real estate industry and the development of the parent company to increase business expansion intensity.

Kaisa Classroom* (佳學堂) – Community Training Education

Kaisa Classroom business will be mainly in form of community custodian service and extracurricular training, supplemented by study tours, thematic tourism and vocational training education. In the first half of 2020, Kaisa Classroom business is still under trial and requires continuous business expansion and corresponding management devotion. At the same time, the new coronavirus disease pandemic has delayed the progress of the pilot. Kaisa Classroom is expected to contribute profits within two years with a good business prospect.

* For identification purpose only

K Series Assets* (小K資產) – Space Leasing

Although adversely affected by the epidemic, thanks to the expansion of the Group's GFA under management and the effective management and control of the business, revenue from the K Series Assets (i.e. space leasing) business for the six months ended 30 June 2020 was approximately RMB16.5 million, representing an increase of 60.7% over the same period in 2019.

K Series Car Fondness* (小K愛車) – Parking and Car Services

K Series Car Fondness mainly provides services on car parking currently. At the same time, the Group is also conducting pilot operations such as parking lot modifications and rental as well as autocare services. For the six months ended 30 June 2020, revenue from parking business was approximately RMB24.7 million and gross profit was RMB5.6 million, representing a decrease of 2.7% and an increase of 9.6% respectively compared to the same period in 2019 due to 1) the impacts of the epidemic; and 2) less parking lots available for lease and higher utilization rate.

K Series Wealth* (小K財富) – Community Finance

K Series Wealth is mainly about the offering of wealth products to residents. In the first half of 2020, it was greatly affected by the epidemic, but it strongly rebounded in May and June. It realized the promotion of wealth products of annualized RMB570 million, and the commission income generated was approximately RMB1.78 million, representing an increase of 229.1% compared to the same period in 2019. In the second half of 2020, insurance, loans and other wealth management products will be launched to minimize the business impact caused by the epidemic and achieve the set goals for the year.

K Series Commercial and Office Building* (小K商寫) and K Series Home Delivery* (小K到家) – Integrated Services

Services such as housekeeping, cleaning, disinfection, maintenance, water delivery, and vegetable delivery are effectively combined as integrated services under K Series Commercial and Office Building for commercial and office building projects, and K Series Home Delivery for residential projects. During the epidemic outbreak, the service usage frequency and popularity of K Series Commercial and Office Building and K Series Home Delivery have been growing significantly with good results under the pilot program. The pilot programs of these two services were only offered at certain projects in the first half of the year, and created a gross profit of approximately RMB400,000. It demonstrated good social effects and business prospects.

K Series Group-buy* (小K團購) and K Series Customization*(小K定制) – Community New Retail

Through combining community group-buy and exclusive supply such as festival presents and consumption upgrade, fruit in the season, fresh food, groceries, seafood, etc. are sold and goods in high-quality but low-selling price are provided. The business focus on establishing a community consumption ecosystem to form consumption closed loop. The business is still in process of exploration and pilot testing, payment instruments, cross-selling, etc. will be combined later on to increase the purchasing frequency of property owners.

* For identification purpose only

SMART SOLUTION SERVICES

With the goal of building smart homes and smart communities for residents, the Group provided smart solution services to property developers through collaboration with qualified third-party contractors and Jiake Intelligent, which specialises in the provision of electronic smart solution services. The smart solution services provided by the Group primarily include automation equipment and other hardware installation services, and sales of automation products. During the six months ended 30 June 2020, the Group entered into smart solution services contracts with 69 residential communities and 18 non-residential properties, which realized a contract value of approximately RMB85.3 million in total. In particular, contracts of approximately RMB19.8 million in total were entered with third-party developers, while contracts RMB2.3 million in total were resulted from sales of intelligent products.

The Group provided smart solution services to third-party property developers in accordance with their requirements. Through providing smart solution services, the Group is able to diversify its revenue sources and develop business relationships with property developers who have engaged or may subsequently engage the Group to provide property management services when properties under development are delivered. Such services generally involve the procurement, design, installation and maintenance of devices such as building automation systems, passenger flow statistics systems, security monitoring systems, visual intercom systems, wireless intercommunication systems, intelligent parking systems and smart card application systems for use in high-end office buildings, commercial complexes, hotels and residential properties.

Achievement in the intelligent third-party market expansion

Jiake Intelligent has been endorsed as qualified suppliers by 211 real estate developers including Zhongliang Real Estate, Languang Real Estate, Galaxy Group, Jinhui Holdings, Junhua Group, etc. In February 2020, Jiake Intelligent successfully contracted with Huawei Technologies Co., Ltd. (hereinafter “**Huawei**”), one of the world’s top 100 enterprises, in respect of the low voltage electrical intelligence engineering work for the Huawei Bantian A2 Project in Shenzhen City. Such collaboration with Huawei signified that the comprehensive strength of Jiake Intelligent has advanced to a new level, laying sound credibility and reputation for its business undertaking capacity in the future. In May 2020, Jiake Intelligent successfully won a bidding in respect of Liuzhou Vincent Five-star International Hotel, with the total contracted amount for the project amounting to approximately RMB6.9 million. The successful completion of such project collaboration was another breakthrough of Jiake Intelligent in the field of smart hotel, which showed the owner’s affirmation to Jiake Intelligent in the areas of its professional standards, management philosophies, construction qualities, after-sales maintenance, etc.

Expansion into the sale of intelligent products

Since the establishment of the business segment of sales of intelligent products in early 2020, sales contracts of approximately RMB2.3 million in total were entered into in the first half of 2020, which has been utilized to expand the business of six intelligent products, which are the non-contact temperature measurement products for human body, smart door locks, car park systems, security alarm equipment, non-inductive passage equipment and all-inclusive household intelligence, respectively. During the outbreak of coronavirus epidemic in late January 2020, Jiake Intelligent promptly launched the non-contact temperature measurement products for human body, quickly solving the three major widespread problems of unreliable temperature measurement, delay in response time and manual-contact temperature measurement of the property projects faced by the industry.

FINANCIAL REVIEW

Revenue

The Group derived its revenue from the provision of: (i) property management services; (ii) pre-delivery and consulting services; (iii) community value-added services; and (iv) smart solution services.

Revenue increased by approximately 32.7% from approximately RMB558.4 million for the six months ended 30 June 2019 to approximately RMB741.0 million for the six months ended 30 June 2020.

The revenue contribution by each business segment for the periods indicated is set forth in the table below:

	Six months ended 30 June					
	2020		2019		Changes	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	364,848	49.2	233,623	41.9	131,225	56.2
Pre-delivery and consulting services	243,899	33.0	216,796	38.8	27,103	12.5
Community value-added services	59,266	8.0	56,441	10.1	2,825	5.0
Smart solution services	72,985	9.8	51,530	9.2	21,455	41.6
Total	<u>740,998</u>	<u>100.0</u>	<u>558,390</u>	<u>100.0</u>	<u>182,608</u>	<u>32.7</u>

- Revenue from property management services, which primarily include property management fees for providing security, cleaning and gardening and property repair and maintenance services to residential communities, commercial properties and public facilities, increased by approximately 56.2% from approximately RMB233.6 million for the six months ended 30 June 2019 to approximately RMB364.8 million for the six months ended 30 June 2020. Such increase was primarily attributable to the increase in the total GFA under management resulting from the business expansion through organic growth and acquisition of third-party property management companies.

- Revenue from pre-delivery and consulting services, which primarily include fees for construction sites management, display units and property sales venues management and consulting services, increased by approximately 12.5% from approximately RMB216.8 million for the six months ended 30 June 2019 to approximately RMB243.9 million for the six months ended 30 June 2020. Such increase was primarily attributable to the existing customers' continued rollout of new property projects and the Group's efforts to engage more with independent third-party property developers.
- Revenue from community value-added services, which primarily include fees generated from the car parking, space leasing and other value-added services through both offline and online channels, increased by approximately 5.0% from approximately RMB56.4 million for the six months ended 30 June 2019 to approximately RMB59.3 million for the six months ended 30 June 2020. Such increase was primarily due to the growth in revenue of the Group's spatial resources leasing, housing rental and sale services, decoration and renovation and community wealth management services, resulting from the increase in the number of the properties under management that in turn led to a larger customer base and business development potential.
- Revenue from smart solution services, which primarily include fees for installation and maintenance services, increased by approximately 41.6% from approximately RMB51.5 million for the six months ended 30 June 2019 to approximately RMB73.0 million for the six months ended 30 June 2020. Such increase was primarily due to an increase in the number of contracts, driven by the Group's continued efforts in exploring new customers.

Direct operating expenses

The direct operating expenses of the Group primarily comprises staff costs, subcontracting costs, construction costs, carpark leasing expenses, utility expenses, office expenses, community cultural expenses, other taxes and others. The direct operating expenses increased by approximately 33.6% from approximately RMB367.1 million for the six months ended 30 June 2019 to approximately RMB490.5 million for the six months ended 30 June 2020. Such increase was primarily attributable to our business expansion through organic growth and acquisition of third-party property management companies for the six months ended 30 June 2020.

Gross Profit and Gross Profit Margin

The overall gross profit of the Group increased by approximately 31.0% from approximately RMB191.3 million for the six months ended 30 June 2019 to approximately RMB250.5 million for the six months ended 30 June 2020. The overall gross profit margin of the Group decreased by approximately 0.5 percentage points from approximately 34.3% for the six months ended 30 June 2019 to approximately 33.8% for the six months ended 30 June 2020. The table below sets forth the Group's gross profit and gross profit margin by business segment for the periods indicated:

	Six months ended 30 June				Changes	
	2020	2019	2020	2019	Amount	%
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %	RMB'000	%
Property management services	113,643	31.1	79,637	34.1	34,006	42.7
– Lump-sum basis	89,958	26.4	59,650	27.9	30,308	50.8
– Commission basis	23,685	100.0	19,987	100.0	3,698	18.5
Pre-delivery and consulting services	83,363	34.2	72,884	33.6	10,479	14.4
Community value-added services	29,491	49.8	24,583	43.6	4,908	20.0
Smart solution services	24,006	32.9	14,182	27.5	9,824	69.3
Total	<u>250,503</u>	<u>33.8</u>	<u>191,286</u>	<u>34.3</u>	<u>59,217</u>	<u>31.0</u>

1) *Property management services*

Gross profit margin of the Group's property management services dropped by approximately 3.0 percentage points from approximately 34.1% for the six months ended 30 June 2019 to approximately 31.1% for the six months ended 30 June 2020. The decrease was primarily due to an increase in (i) the proportion of the property management service charged under lump-sum basis with a lower profit margin as compared to those charged under commission basis and (ii) the proportion of newly acquired projects developed by third-party developers with a relatively lower gross profit margin.

2) *Pre-delivery and consulting services*

Gross profit margin of the Group's pre-delivery and consulting services remained relatively stable at approximately 34.2% for the six months ended 30 June 2020, as compared to approximately 33.6% for the six months ended 30 June 2019.

3) *Community value-added services*

Gross profit margin of the Group's community value-added services rose slightly by approximately 6.2 percentage points from approximately 43.6% for the six months ended 30 June 2019 to approximately 49.8% for the six months ended 30 June 2020. The increase was primarily due to an increase in the proportion of our spatial resources leasing, housing rental and sales, decoration and renovation and community wealth, which have higher gross profit margins than the other community value-added services.

4) *Smart solution services*

Gross profit margin of the Group's smart solution services increased by approximately 5.4 percentage points from approximately 27.5% for the six months ended 30 June 2019 to approximately 32.9% for the six months ended 30 June 2020. The increase was primarily due to the increase in number of contracts which carry different gross profit margins and marginal utility.

Selling and Marketing Expenses

Selling and marketing expenses of the Group decreased by approximately 8.3% from approximately RMB3.6 million for the six months ended 30 June 2019 to approximately RMB3.3 million for the six months ended 30 June 2020, and the decrease was primarily due to the impact of Coronavirus Disease 2019, where marketing activities have been reduced.

Administrative Expenses

Administrative expenses of the Group increased by approximately 41.9% from approximately RMB63.7 million for the six months ended 30 June 2019 to approximately RMB90.4 million for the six months ended 30 June 2020, primarily due to (i) the recognition of a share option expense of approximately RMB13.1 million arising from the grant of share option on 19 July 2019 and (ii) the Group's expansion in business scale and the increase in total GFA under management.

Income Tax Expenses

Income tax expenses of the Group increased by approximately 40.1% from approximately RMB27.2 million for the six months ended 30 June 2019 to approximately RMB38.1 million for the six months ended 30 June 2020, primarily due to the increment of profit before income tax for the six months ended 30 June 2020.

Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income for the period of the Group increased by approximately 34.5% from approximately RMB91.6 million for the six months ended 30 June 2019 to approximately RMB123.2 million for the six months ended 30 June 2020, primarily due to the business expansion for the six months ended 30 June 2020.

Adjusted Profit for the Period

Adjusted profit is defined as profit and total comprehensive income for the period before the cost of the Group's share-based compensation charged to the statement of profit or loss. The Company believes that separate analysis excluding the impact of the cost item adds clarity to the constituent parts of the Group's results of operations and provides additional useful information for investors to assess the operating performance of the Group's business. This is an unaudited non-HKFRS financial measure which may be defined differently from similar terms used by other companies.

The adjusted profit for the period increased by 48.8% to approximately RMB136.3 million from approximately RMB91.6 million for the six months ended 30 June 2019. The reconciliation of the adjusted profit for the period are set out as below:

	Six months ended 30 June		Change %
	2020 RMB'000	2019 RMB'000	
Profit and total comprehensive income for the six months ended 30 June	123,184	91,581	34.5%
Share option expense	13,130	—	
Adjusted profit for the six months ended 30 June	136,314	91,581	48.8%

Liquidity, Capital Structure and Financial Resources

As of 30 June 2020, the Group's cash and bank balances were approximately RMB1,194.9 million, represented an increase of approximately RMB441.0 million from approximately RMB753.9 million as of 31 December 2019, primarily due to the proceeds received from the placing of shares as detailed in the section headed "Proceeds from the placing of shares" of this announcement.

The Group maintained a sound financial position. The net current assets of the Group increased by approximately RMB513.9 million from approximately RMB574.0 million as of 31 December 2019 to approximately RMB1,087.9 million as of 30 June 2020, the significant increase is mainly attributable to the proceeds received arising from the share placement. As of 30 June 2020, the Group's current ratio (current assets/current liabilities) was approximately 2.83 (31 December 2019: approximately 1.99).

Goodwill

As of 30 June 2020, the Group recorded goodwill of approximately RMB42.8 million, as a result of the acquisition of Jiaxing Dashu and Jiangsu Hengyuan on 30 April 2019 and 31 October 2019, respectively. According to the impairment assessment made by the management of the Company, there was no indication of any impairment of goodwill and hence no impairment provision is required for the six months ended 30 June 2020.

Trade and Other Receivables

Trade receivables mainly arise from property management fees, pre-delivery and consulting service fees and smart solution service fees. Trade receivables of the Group increased by approximately RMB36.2 million from approximately RMB257.9 million as of 31 December 2019 to approximately RMB294.1 million as of 30 June 2020, primarily due to (i) the increase in trade receivables from property management services as a result of the increase in the total GFA under management; (ii) the increase in trade receivables from pre-delivery and consulting service fees primarily due to an increase in the number of projects under management; and (iii) the increase in trade receivables from smart solution services resulting from its engineering business expansion.

Other receivables mainly consist of other deposits, amount due from a third party, prepayments, loan to a third party, payments on behalf of staff and payments on behalf of residents under lump-sum basis. Total other receivables of the Group increased by approximately RMB39.6 million from approximately RMB51.4 million as of 31 December 2019 to approximately RMB91.0 million as of 30 June 2020, primarily due to the increases in amount due from a third party.

Payments on behalf of Residents

The Group made payments on behalf of residents of the managed residential communities under commission basis. Payments on behalf of residents represent working capital expenditures paid by the Group on behalf of the residential communities. The Group's payments on behalf of residents remained at a stable level of approximately RMB31.8 million as compared to approximately RMB31.2 million as of 31 December 2019.

Trade and Other Payables

Trade payables mainly represent the obligations to pay suppliers for procurements in the ordinary course of business. The balances of trade payables of the Group decreased by approximately RMB24.6 million from approximately RMB181.6 million as of 31 December 2019 to approximately RMB157.0 million as of 30 June 2020, primarily due to the accelerated payment to certain suppliers by the Group during the period.

Other payables mainly consist of accrued staff costs, deposits received and receipt on behalf of residents. The accrued staff costs relate to the employees' salary and related expenditure. The deposits received primarily relate to the deposits the Group received from property owners in the managed properties charged on a lump-sum basis for any additional repairs and maintenance expense the Group might incur due to their property decoration. Receipt on behalf of residents relates to the remaining property management fees the Group received in the managed properties and the Group managed such fees collectively in its headquarters. The remaining balances of other payables of the Group decreased by approximately RMB24.6 million from approximately RMB269.0 million as of 31 December 2019 to approximately RMB244.4 million as of 30 June 2020, primarily due to payment of the 2019 year-end bonus and the instalment of consideration payable for the acquisition of Jiangsu Hengyuan.

Proceeds from the Listing

The Company was listed on the Main Board of the Stock Exchange on 6 December 2018 (the “**Listing Date**”) and issued 35,000,000 new shares. After deducting the underwriting fees and relevant expenses, net proceeds from the listing (the “**Net Proceeds**”) amounted to approximately HK\$262.1 million (equivalent to approximately RMB230.7 million). As of 30 June 2020, the Group utilised approximately RMB110.1 million of the Net Proceeds from the Listing in accordance with the purposes set out in the prospectus dated 26 November 2018 (the “**Prospectus**”). The Directors expect that the unused Net Proceeds will be applied in the manner consistent with that detailed in the Prospectus and as set forth below:

During the period from 1 January 2020 to 30 June 2020, the Net Proceeds had been utilised as follows:

Intended use of Net Proceeds as stated in the Prospectus	Planned use of proceeds <i>RMB in million</i>	Unutilised Net Proceeds as at 1 January 2020 <i>RMB in million</i>	Actual use of proceeds during the period <i>RMB in million</i>	Unutilised amount as at 30 June 2020 <i>RMB in million</i>
(1) Acquire or invest in other property management companies	115.3	71.9	6.8	65.1
(2) Acquire or invest in companies engaged in property management related business	46.1	46.1	–	46.1
(3) Promote the K Life mobile APP and the community value-added products and services	23.1	4.8	3.7	1.1
(4) Develop management digitalization service specialization	23.1	11.0	2.7	8.3
(5) General working capital	23.1	–	–	–
	<u>230.7</u>	<u>133.8</u>	<u>13.2</u>	<u>120.6</u>

With respect to the Net Proceeds for the usage set out in items (3) and (4) above, it is expected that the Net Proceeds will be utilised on or before 31 December 2021. With respect to the Net Proceeds for the usage set out in items (1) and (2) above, it is expected that the Net Proceeds will be utilised before 31 December 2022. Given the impacts of the COVID-19 on the global economy and trade environment, the Company will continue to seek suitable targets for acquisitions and investments or cooperation. It will adopt a prudent and flexible approach for utilizing the Net Proceeds effectively and efficiently for the long term benefit and development of the Group.

The unutilised Net Proceeds have been placed as bank balances with licensed banks in Hong Kong as at the date of this announcement.

Proceeds from the placing of shares

On 23 June 2020, the Company issued 14,000,000 ordinary shares (the “**Placing Shares**”) at an issue price of HK\$32.55 per share. The nominal value of the Placing Shares is HK\$140,000. The net price per Placing Share after deduction of commission and other expenses is HK\$32.21 per share. The placees of the Placing Shares were independent of the directors, chief executive or substantial shareholders of the Company or any of their respective associates. On 9 June 2020, being the date of the placing agreement, the closing price per share was HK\$33.65. The Company raised net proceeds of approximately HK\$451,542,000 from the placing. The Company intends to invest in businesses or targets that are related to its core businesses with such proceeds. As at the date of this announcement, the net proceeds remain unutilized, the Company has not identified any specific investment or acquisition targets; no agreement has been entered in respect of any such investments or acquisitions. Given the impacts of the COVID-19 on the global economy and trade environment, the Company will continue to seek suitable targets for acquisitions and investments or cooperation, it will adopt a prudent and flexible approach for utilizing the net proceeds effectively and efficiently for the long term benefit and development of the Group.

The net proceeds have been placed as bank balances with licensed banks in Hong Kong as at the date of this announcement.

Asset Charges

As of 30 June 2020, none of the assets of the Group were pledged (31 December 2019: nil).

Material Acquisitions and Disposals of Assets

Acquisition of the equity interest in Ningbo Langtong

On 30 June 2020, Kaisa Property (Shenzhen) acquired 60% equity interest in Ningbo Langtong at a maximum cash consideration of RMB27.0 million. Ningbo Langtong is principally engaged in the provision of property management services including industry parks and commercial properties and other non-residential projects. After the completion of such acquisition, Ningbo Langtong will become a subsidiary of the Company. Details of the acquisition are set out in the announcement of the Company dated 30 June 2020.

Deemed disposal of Kaisa Technology

On 6 March 2020, Shenzhen Chunyu Information Consulting Co., Ltd.* (深圳市春榆信息諮詢有限公司) (“**Chunyu Information**”) entered into the Agreement with Kaisa Technology Group Co., Ltd* (深圳佳兆業科技集團有限公司) (formerly known as 深圳市齊家互聯網科技有限公司) (“**Kaisa Technology**”) in relation to the capital injection of approximately RMB8.3 million to Kaisa Technology by Chunyu Information. Upon completion, Kaisa Technology ceased to be a subsidiary of the Company and its results were no longer consolidated into the consolidated financial statements of the Group.

Save as the acquisition and deemed disposal mentioned above, the Group did not have any other material acquisitions or disposals of assets for the six months ended 30 June 2020.

Significant Investment Held and Future Plans for Material Investment and Capital Assets

For the six months ended 30 June 2020, the Group did not have any significant investment, and there is no plan for other material investments or additions of capital assets as at the date of this announcement.

Gearing Ratio

Gearing ratio is calculated by dividing the total interest-bearing borrowings by total equity at the end of the respective year. The gearing ratio of the Group was nil as of 30 June 2020 (31 December 2019: nil).

Contingent Liabilities

As of 30 June 2020, the Group did not have any contingent liabilities (31 December 2019: nil).

Foreign Exchange Risk

The Group primarily conducts its business in the PRC and in Renminbi. As of 30 June 2020, cash and bank balances denominated in Hong Kong dollar (“**HKD**”) and United States Dollar (“**USD**”) were approximately RMB535.3 million; loan to a third party and amount due from a third party denominated in HKD were approximately RMB16.3 million and RMB33.3 million, respectively, which are subject to foreign currency exposure.

The Group currently does not hedge its foreign exchange risk, but continues to monitor its foreign exchange exposure. The management will consider hedging the foreign exchange exposure where there is a material impact on the Group.

Employees and Benefits Policies

As of 30 June 2020, the Group had 8,131 employees (31 December 2019: 8,137 employees). Employee’s remuneration is determined based on the employee’s performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programs, and will make necessary adjustments in order to be in line with remuneration levels in the industry norm. In addition to basic salaries, employees may be granted with discretionary bonus and cash awards based on individual performance. The Group offers training to its employees so as to enable them to acquire basic skills to perform their duties and to upgrade or improve their production techniques. Furthermore, the Company adopted a share option scheme on 18 June 2019 (the “**Share Option Scheme**”) to incentivize the performance of employees. Details of the Share Option Scheme are set out in the circular of the Company dated 29 April 2019.

Subsequent events

Save as mentioned in Material Acquisitions and Disposals of Assets, there were no other significant events up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders of the Company (the “**Shareholders**”), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and complied with the applicable code provisions during the review period except for the below deviation:

Pursuant to code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the role of the chairman and chief executive officer of the Company should be separate and should not be performed by the same individual.

Mr. Liao Chuanqiang is the chairman of the Board. Under the leadership of Mr. Liao, our Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committee, and there are three independent non-executive Directors on the Board offering independent perspective, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the Group’s interim report 2020. In addition, the independent auditor of the Company, Grant Thornton Hong Kong Limited, has reviewed the unaudited interim results for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2020.

The Company has also established written guidelines on no less exacting terms than the Model Code for the relevant employees of the Group, who are likely to be in possession of inside information of the Company.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except for the share placement completed on 23 June 2020.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2020 (30 June 2019: nil).

PUBLICATION OF THE 2020 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's interim report for the six months ended 30 June 2020 will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.jzywy.com in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business partners for their trust and support.

By Order of the Board
Kaisa Prosperity Holdings Limited
Liao Chuanqiang
Chairman

Hong Kong, 20 August 2020

As at the date of this announcement, the executive Directors are Mr. Liao Chuanqiang, Ms. Guo Li, Ms. Kwok Hiu Ting, Mr. Li Haiming and Mr. Wu Jianxin; and the independent non-executive Directors are Mr. Liu Hongbai, Ms. Ma Xiumin and Mr. Chen Bin.