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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 2021**

#### **INTERIM RESULTS HIGHLIGHTS**

- Total revenue for the six months ended 30 June 2021 increased by approximately 78.8% to approximately RMB1,325.0 million from approximately RMB741.0 million for the six months ended 30 June 2020.
- Gross profit for the six months ended 30 June 2021 increased by approximately 72.6% to approximately RMB432.3 million from approximately RMB250.5 million for the six months ended 30 June 2020.
- Profit for the six months ended 30 June 2021 increased by approximately 75.7% to approximately RMB216.5 million from approximately RMB123.2 million for the six months ended 30 June 2020.
- Profit attributable to owners of the Company for the six months ended 30 June 2021 increased by approximately 75.6% to approximately RMB209.1 million from approximately RMB119.1 million for the six months ended 30 June 2020.
- As at 30 June 2021, the total contracted GFA of property management and the total GFA under management amounted to approximately 120.9 million sq.m. and 86.3 million sq.m., representing an increase of approximately 56.4% and 50.1%, respectively, as compared to approximately 77.3 million sq.m. and 57.5 million sq.m. as at 31 December 2020.

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 2021, together with the comparative figures for the corresponding period in 2020.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		(Unaudited)	
		Six months ended 30 June	
		2021	2020
	Notes	RMB'000	RMB'000
<b>Revenue</b>	4	<b>1,324,969</b>	740,998
Direct operating expenses		<b>(892,696)</b>	(490,495)
<b>Gross profit</b>		<b>432,273</b>	250,503
Selling and marketing expenses		<b>(4,857)</b>	(3,317)
Administrative expenses		<b>(113,068)</b>	(90,393)
Provision for loss allowance on financial assets		<b>(4,015)</b>	(7,217)
Other gains, net	5	<b>3,448</b>	8,029
<b>Operating profit</b>		<b>313,781</b>	157,605
Fair value loss on financial assets at fair value through profit or loss		<b>(25,208)</b>	–
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 associates		<b>2,889</b>	634
Finance income, net		<b>703</b>	680
<b>Profit before income tax</b>	6	<b>292,165</b>	161,313
Income tax expenses	7	<b>(75,703)</b>	(38,129)
<b>Profit and total comprehensive income for the period</b>		<b>216,462</b>	123,184
<b>Profit and total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>209,115</b>	119,093
Non-controlling interests		<b>7,347</b>	4,091
		<b>216,462</b>	123,184
<b>Earnings per share attributable to owners of the Company (expressed in RMB)</b>			
Basic	8(a)	<b>1.36</b>	0.85
Diluted	8(b)	<b>1.34</b>	0.83

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		(Unaudited) As at 30 June 2021 RMB'000	(Audited) As at 31 December 2020 RMB'000
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	25,812	18,888
Intangible assets		39,686	24,429
Goodwill		160,828	67,222
Right-of-use assets		15,533	5,938
Financial assets at fair value through profit or loss	11	64,601	–
Investment in associates		21,846	18,957
Other receivables	12	392	1,626
Deferred tax assets		9,936	8,177
		<u>338,634</u>	<u>145,237</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	11	232,956	216,531
Trade receivables	12	584,364	401,415
Other receivables	12	64,485	58,618
Payments on behalf of residents		42,792	37,019
Contract assets		101,241	95,270
Amounts due from related parties		957	820
Restricted cash		1,512	1,515
Cash and cash equivalents		970,265	1,018,807
		<u>1,998,572</u>	<u>1,829,995</u>
<b>Current liabilities</b>			
Trade payables	13	191,858	215,317
Other payables	13	337,286	279,850
Contract liabilities		145,150	89,108
Amounts due to related parties		2,553	1,664
Dividend payable		88,423	–
Lease liabilities		6,670	3,273
Income tax payable		79,327	70,209
		<u>851,267</u>	<u>659,421</u>
<b>Net current assets</b>		<u>1,147,305</u>	<u>1,170,574</u>
<b>Total assets less current liabilities</b>		<u>1,485,939</u>	<u>1,315,811</u>

		(Unaudited) As at 30 June 2021 <i>RMB'000</i>	(Audited) As at 31 December 2020 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Other payables	13	32,585	19,768
Lease liabilities		9,853	2,768
Deferred tax liabilities		13,921	10,107
		<u>56,359</u>	<u>32,643</u>
<b>Net assets</b>		<u>1,429,580</u>	<u>1,283,168</u>
<b>EQUITY</b>			
Share capital		1,361	1,360
Reserves		1,378,563	1,250,099
<b>Equity attributable to owners of the Company</b>		<u>1,379,924</u>	<u>1,251,459</u>
Non-controlling interests		49,656	31,709
<b>Total equity</b>		<u>1,429,580</u>	<u>1,283,168</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 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**”) on 6 December 2018.

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 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 19 August 2021.

## 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 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 2020, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

Certain comparative figures in the financial statements have been reclassified to conform to current year’s presentation.

### 3. ADOPTION OF NEW OR AMENDED HKFRSs

#### Amended HKFRSs that are effective for annual periods beginning or after 1 January 2021

The condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of the following amended HKFRSs which are effective as of 1 January 2021. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The adoption of the amended HKFRSs had no material impact on how the results and financial position of the Group 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 2021 and 2020 are as follows:

	(Unaudited)			
	Six months ended 30 June		2020	
	2021		2020	
	Revenue	Direct	Revenue	Direct
	RMB'000	operating	RMB'000	operating
		expenses		expenses
		RMB'000		RMB'000
Type of services				
Property management services	565,223	396,874	364,848	251,205
Pre-delivery and consulting services	552,530	380,899	243,899	160,536
Community value-added services	97,582	39,087	59,266	29,775
Smart solution services	109,634	75,836	72,985	48,979
	<u>1,324,969</u>	<u>892,696</u>	<u>740,998</u>	<u>490,495</u>

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Timing of revenue recognition		
Over time	1,295,671	731,304
A point in time	<u>29,298</u>	<u>9,694</u>
	<u>1,324,969</u>	<u>740,998</u>

For the six months ended 30 June 2021, revenue from Kaisa Holdings and its subsidiaries (the “**Kaisa Group**”) and its associates and joint ventures contributed 46.8% (2020: 40.5%) of the Group’s revenue. Other than the transactions with Kaisa Group and its associates and joint ventures, the Group had a large number of customers and none of whom contributed 10% or more of the Group’s revenue for the six months ended 30 June 2021 and 2020.

(b) *Unsatisfied performance obligations*

For property management services and pre-delivery and consulting services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group’s performance to date. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

For community value-added services, they are rendered in a short period of time and there is no unsatisfied performance obligation at the end of the year.

For smart solution services, the transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 30 June 2021 and 31 December 2020 are as follows:

	(Unaudited) As at 30 June 2021 RMB’000	(Audited) As at 31 December 2020 RMB’000
Within one year	111,208	120,759
More than one year	114,813	78,873
	<u>226,021</u>	<u>199,632</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 2021 and 2020, 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 2021 and 2020.

As at 30 June 2021 and 31 December 2020, 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, NET

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Unconditional government subsidy income ( <i>note</i> )	3,487	5,089
Net losses on disposal of property, plant and equipment	(53)	(111)
(Write-off of)/Recovery of written-off uncollectible receivables	(350)	267
Exchange (losses)/gains, net	(1,331)	2,409
Others	1,695	375
	<u>3,448</u>	<u>8,029</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	
	2021	2020
	RMB'000	RMB'000
Profit before income tax has been arrived at after charging/(crediting):		
Amortisation of intangible assets	2,743	1,484
Auditor's remuneration	745	525
Depreciation		
– Property, plant and equipment	3,362	2,750
– Right-of-use assets	3,328	2,281
Lease charges on short term leases	19,070	23,065
Provision for/(Reversal of provision for) loss allowance		
– Trade receivables	5,758	3,601
– Deposits, other receivables and payments on behalf of residents (excluding prepayments)	(1,743)	3,616
Staff costs – including directors' emoluments		
– Wages, salaries, bonus and other benefits	412,086	262,957
– Contributions to retirement benefit scheme	54,701	17,085
– Equity-settled share-based payment expenses	6,336	13,660
	<u>473,123</u>	<u>293,702</u>
Write-off of/(Recovery of written-off) uncollectible receivables	<u>350</u>	<u>(267)</u>



## 7. INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<b>Current income tax</b>		
PRC Corporate Income Tax	77,393	40,304
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(1,690)	(2,175)
	<u>75,703</u>	<u>38,129</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 2021 and 2020.

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
Total profit attributable to owners of the Company ( <i>in RMB'000</i> )	209,115	119,093
Weighted average number of ordinary share in issue	<u>154,039,166</u>	<u>140,615,000</u>
Basic earnings per share ( <i>in RMB</i> )	<u>1.36</u>	<u>0.85</u>

During the six months ended 30 June 2021 and 2020, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the issue of shares under share option scheme and issue of shares upon the placement in June 2020 respectively.

### (b) Diluted earnings per share

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
Weighted average number of ordinary share in issue	154,039,166	140,615,000
Effect of issue of shares under adjustment for share option scheme (note)	<u>2,304,501</u>	<u>3,011,815</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>156,343,667</u>	<u>143,626,815</u>
Basic earnings per share ( <i>in RMB</i> )	<u>1.34</u>	<u>0.83</u>

*Note:* For the six months ended 30 June 2021 and 2020, the computation of diluted earnings per share for the year assume 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.

## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (30 June 2020: nil).

A final dividend in respect of the year ended 31 December 2020 of HKD69.00 cents (equivalent to approximately RMB57.41 cents) per share, totalling approximately HKD106,336,000 (equivalent to approximately RMB88,423,000), which was declared from share premium by the Company at the Board Meeting held on 18 March 2021 and approved by the shareholders at the Annual General Meeting held in 16 June 2021. The dividend was settled in 16 July 2021.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group has an addition of items of property, plant and equipment with a cost of RMB3,989,000 (30 June 2020: RMB1,935,000) and addition of RMB6,708,000 (30 June 2020: nil) by the acquisition of a subsidiary (note 14).

Items of property, plant and equipment with a net book value of RMB411,000 (30 June 2020: RMB132,000) were disposed of during the six months ended 30 June 2021, resulting in a loss on disposal of RMB53,000 (30 June 2020: RMB111,000). During the six months ended 30 June 2020, items of property, plant and equipment with a net book value of RMB232,000 were derecognised upon the deemed disposal of a subsidiary.

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include the following:

	(Unaudited) As at 30 June 2021 RMB'000	(Audited) As at 31 December 2020 RMB'000
<b>Non-current</b>		
Investments in preference shares ( <i>note</i> )	64,601	–
<b>Current</b>		
Listed debt securities in overseas	31,317	216,531
Listed equity securities in overseas	69,076	–
Unlisted managed funds	132,563	–
	<u>232,956</u>	<u>216,531</u>
	<u>297,557</u>	<u>216,531</u>

*Note:* The amount represents investments in preference shares in an unlisted entity established in the Cayman Island, which is mainly engaged in development of artificial intelligence chips.

## 12. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 30 June 2021 RMB'000	(Audited) As at 31 December 2020 RMB'000
<b>Trade receivables</b>		
– Third parties	285,876	170,366
– Related parties	327,830	251,855
	<u>613,706</u>	<u>422,221</u>
Less: loss allowance for trade receivables	(29,342)	(20,806)
	<u>584,364</u>	<u>401,415</u>
<b>Other receivables</b>		
Other deposits	29,546	24,605
Prepayments	9,564	2,969
Loan to a third party ( <i>note (b)</i> )	–	15,941
Payments on behalf of staff	11,210	8,577
Payments on behalf of residents under lump-sum basis	16,923	14,139
Others	1,843	90
	<u>69,086</u>	<u>66,321</u>
Less: loss allowance for other receivables	(4,209)	(6,077)
	<u>64,877</u>	<u>60,244</u>
Total other receivables		
	<u>64,877</u>	<u>60,244</u>
Less: other receivables under non-current portion	(392)	(1,626)
	<u>64,485</u>	<u>58,618</u>
Current portion	<u>64,485</u>	<u>58,618</u>

### Notes:

- (a) 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.
- (b) During the six months ended 30 June 2021, the loan to a third party was settled. As at 31 December 2020, loan to a third party is unsecured and interest-bearing at 12% per annum with the repayment date on 26 June 2021.

- (c) The ageing analysis of the trade receivables before loss allowances based on the invoice date is as follows:

	(Unaudited) As at 30 June 2021 RMB'000	(Audited) As at 31 December 2020 RMB'000
Within 180 days	472,915	341,615
181-365 days	80,970	34,519
1-2 years	33,355	25,459
2-3 years	13,460	10,267
Over 3 years	13,006	10,361
	<u>613,706</u>	<u>422,221</u>

### 13. TRADE AND OTHER PAYABLES

	(Unaudited) As at 30 June 2021 RMB'000	(Audited) As at 31 December 2020 RMB'000
<b>Trade payables</b>		
– Third parties	180,968	192,648
– Related parties	10,890	22,669
	<u>191,858</u>	<u>215,317</u>
<b>Other payables</b>		
Consideration payables for acquisition of subsidiaries	67,077	22,398
Accrued staff costs	109,030	112,632
Other tax payables	12,847	2,987
Deposits received	69,543	54,011
Receipt on behalf of residents	61,562	66,655
Others payables and accruals	49,812	40,935
	<u>369,871</u>	<u>299,618</u>
Total other payables		
Less: non-current portion		
Other payables	(5,644)	(6,544)
Consideration payables for acquisition of subsidiaries	(26,941)	(13,224)
	<u>(32,585)</u>	<u>(19,768)</u>
<b>Total other payables under non-current portion</b>		
	<u>337,286</u>	<u>279,850</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 is as follows:

	(Unaudited) As at 30 June 2021 RMB'000	(Audited) As at 31 December 2020 RMB'000
Within 90 days	123,576	172,197
91-180 days	40,880	20,088
181-270 days	19,474	7,593
271-365 days	2,330	4,273
Over 365 days	5,598	11,166
	<u>191,858</u>	<u>215,317</u>

#### 14. ACQUISITION OF A SUBSIDIARY

On 27 December 2020, the Group entered into a sales and purchase agreement with independent third parties for the acquisition of 60% of equity interests in Zhejiang Ruiyuan Property Management Co., Ltd.\* (“浙江瑞源物業管理有限公司”) (“**Zhejiang Ruiyuan**”), a company whose principal activity is provision of property management services for residential properties, commercial properties and other non-residential properties. The acquisition has been completed in January 2021.

By execution of the sales and purchase agreement in January 2021, all of the strategic financial and operating decisions required approval by simple majority of the board of directors, of which two directors and one director are nominated by the Group and the other shareholder, respectively. Since the Group obtained effective control of voting power to govern the relevant activities of the entity, Zhejiang Ruiyuan is regarded as a subsidiary of the Group.

The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence and has been accounted for as acquisition of business using the acquisition method.

The fair value of assets and liabilities acquired as at the date of acquisition was as follows:

	<i><b>RMB'000</b></i>
Property, plant and equipment	<b>6,708</b>
Intangible assets – customers relationship	<b>18,000</b>
Right-of-use assets	<b>1,145</b>
Deferred tax assets	<b>755</b>
Trade receivables	<b>27,905</b>
Other receivables	<b>24,904</b>
Cash and bank balances	<b>16,771</b>
Trade payables	<b>(5,447)</b>
Other payables	<b>(42,834)</b>
Contract liabilities	<b>(16,475)</b>
Lease liabilities	<b>(1,315)</b>
Deferred tax liabilities	<b>(4,500)</b>
Income tax payables	<b>(2,117)</b>
	<hr/>
Total identifiable net assets at fair value	<b>23,500</b>
Less: non-controlling interests	<b>(9,400)</b>
	<hr/>
<b>Identifiable net assets acquired</b>	<b>14,100</b>
Goodwill arising on acquisition	<b>93,606</b>
	<hr/>
<b>Settled by cash</b>	<b>107,706</b>
	<hr/>

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisition is as follows:

Cash consideration	<b>107,706</b>
Consideration to be paid subsequent to current period	<b>(53,854)</b>
Cash and bank balances acquired	<b>(16,771)</b>
	<hr/>
Cash outflow on acquisition of a subsidiary	<b>37,081</b>
	<hr/>

The consideration of Zhejiang Ruiyuan is subject to adjustment of profit guarantee granted by the seller. The management believes that the fair value of the above profit guarantee is insignificant on the acquisition date and as at 30 June 2021.

The trade receivables and other receivables acquired with a fair value of RMB52,809,000 as at the date of acquisition had gross contractual amounts of RMB55,829,000. The best estimate at acquisition date of contractual cash flows not expected to be collected amounted to RMB3,020,000.

Goodwill arose from the acquisition of above subsidiary because the acquisition included the assembled workforce and some potential contracts which do not meet the criteria for identifiable intangible assets as at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising from the acquisition is expected to be deductible for tax purposes.

## BUSINESS REVIEW AND PROSPECTS

In 2021, the continued prevalence of the pandemic brought impacts to the business conditions of various industries. As the global economy forming a new dynamic balance during the post-pandemic era, business operations have been facing new challenges under a more complicated and evolving environment. Meanwhile, 2021 is also a year with continuously intensifying development in the property service industry. In the first half of 2021, relevant departments of the Central government gradually put forward a number of policies to continue promoting the development of the industry. A consensus has been reached amongst the Central government and local governments on supporting and encouraging the development of property service industry. This gave support to the “property services + living services (「物業服務+生活服務」) business model”, and promoted the offering of preferential policies in terms of financing and taxation to the industry players.

Under the continued favorable policies, property service enterprises were developing rapidly with more extensive business portfolios. The development potential of the industry also kept attracting attention from the capital markets. In the first half of 2021, there was, again, a peak of listing in the property management businesses. At the same time, property service enterprises also formulated their respective mid-to-long term development goals, demonstrating their high confidence in the potential and direction for the future business development.

Against this backdrop, the Group made swift decisions to adapt to the industry situation and explored practical strategies to seize the industry’s favourable and changing market opportunities. While taking advantages of the full range of business opportunities, it promoted sustainable development through innovative thinking and cooperation for mutual success with its partners. Through integrating the Group’s advantages, it developed diversified business models including residential, commercial and office buildings, cultural and sports stadiums, urban services, etc., so as to realize multi-path development and mutual benefits with stakeholders. By leveraging the high-quality and high-efficiency management approached of the Group accumulated over the years and integrating companies acquired through mergers and acquisitions systematically, the dual-brand development has enabled our group companies to explore and share development potentials.

With high-standard property management services becoming a normal in view of the epidemic environment and the wide application of smart products as the core strategy, the Group deepened its development in the Guangdong-Hong Kong-Macau Bay Area, focused on opportunities in 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. Meanwhile, it has completed brand upgrade for its value-added business during the six months ended 30 June 2021 and created the K Series Living system (小K生活服務體系), providing professional living services, as well as a complete experience for a better living.

Facing a new development landscape in the property management industry in the future, we are well-prepared to embrace future opportunities and challenges, and realise the idea of “happiness starts from Kaisa Prosperity”.

## **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 gradual enhancement of expansion capabilities of all subsidiaries, the Group’s revenue increased by approximately RMB584.0 million to RMB1,325.0 million for the six months ended 30 June 2021, representing an increase of approximately 78.8% in revenue as compared to the corresponding period in 2020. In particular, income from property management services amounted to RMB565.2 million; income from pre-delivery and consulting services amounted to RMB552.5 million; income from community value-added services amounted to RMB97.6 million; and income from smart solution services amounted to RMB109.6 million.

Driven by the increase in revenue, the consolidated net profit for the six months ended 30 June 2021 increased by approximately RMB93.3 million to RMB216.5 million, representing an increase of approximately 75.7% as compared to the consolidated net profit for the corresponding period in 2020; the profit attributable to the owners of the Company for the six months ended 30 June 2021 increased by approximated RMB90.0 million to RMB209.1 million, representing an increase of approximately 75.6% as compared to the profit attributable to the owners of the Company for the corresponding period in 2020.

## **Diversified Business Portfolios and Exploration of Cross-industry Innovation Models**

Under the principles of developing comprehensive strengths, improving service standard and maintaining satisfaction level by property owners, through reasonable adjustment of the proportion of residential and non-residential properties under management, the Group further developed its strengths in operating diversified business portfolios, in order to support the sustainable development of our business performance. Managing 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.

The Group’s property services currently cover mid-to-high end residential communities, commercial complexes, office buildings, cultural and sports stadiums, industrial parks and urban facilities as well as public services. In particular, in the area of urban services, the Group has explored solutions including urban space management, ecological and environment services, collaborative governance of old villages and community renewal operations. By developing jointly with the government a new “three in one” management approach, we formed a new model of public service management based on the public service principle led by the government and implemented by the Group through active participation in serving the community. We lead and drive the innovation of social governance, industry transformation and upgrade reflecting governance system and the depth of service, resulting in the enhancement of efficiency and management standards of urban facilities and public services.



By taking the past cooperation models and results as reference, we established a replicable cooperation mechanism and selected high quality partners for rapid project implementation. At the same time, by taking advantages of the current supportive policies, we increased cross-border cooperation with state-owned enterprises or private enterprises with a larger asset scale, starting from the Pearl River Delta region and gradually penetrating into the Yangtze River Delta and core cities such as Beijing-Tianjin-Hebei, Chengdu-Chongqing and Xiamen-Zhangzhou-Quanzhou.

For our merger and acquisition strategy, diversified investment, were made by selecting real estate companies with multi-property portfolios as the top priority targets for mergers and acquisitions and high-quality upstream and downstream companies along the industrial chain for business extensions in the form of equity investment. Meanwhile, we sorted out and cultivated high-potential peers and upstream and downstream targets in the industry, and carried out targeted equity cooperation. In response to our diversified business layout of basic property management, we also planned to invest in outstanding companies engaged in the community value-added services and intelligent engineering industries, exploring cross-border innovation and strengthening the existing business capabilities.

### **Intelligent Upgrade Continues To Empower the Third Party Markets for Rapid Expansion**

Shenzhen Jiake Intelligent Engineering Co., Ltd. (“**Jiake Intelligent**”) (深圳市佳科智能工程有限公司), a smart solution service provider under the Group, has been included in the qualified supplier database by 282 real estate developers. During the six months ended 30 June 2021, the Group continued to make efforts in the intelligent third-party market. In January 2021, Jiake Intelligent successfully gained a contract for the intelligent project of the bus station in western part of Chongqing, which serves a foundation for Jiake Intelligent’s future development in the field of intelligent transportation. In the same month, the commercial and office building project of the phase two of Wuxi Xiexin\* (無錫協信二期) was contracted to us with a project area of approximately 170,000 sq.m. and a contract value of RMB4.63 million. In March 2021, we cooperated with Foresea Life Insurance\* (前海人壽) again to construct the intelligent project of Shaoguan Hospital of Foresea Life Insurance\* (前海人壽韶關醫院), with the contracted amount reaching RMB14.54 million, which was a new record high in the field of intelligent medical care. In June 2021, we signed a contract for the intelligent construction project of the logistics city in Mianyang FG\* (綿陽FG), which is our first project in Mianyang, Sichuan and becomes a highlight in Jiake Intelligent’s business footprint.

\* for identification only

## **Upgrading the brand matrix comprehensively to provide a complete experience of prosperous life**

During the six months ended 30 June 2021, the Group released the newly upgraded community value-added service brand “K Series Living”\* (“小K生活”), which covers ten “K Series” services, encompassing all aspects of a quality life in the community. This will gradually evolve from a resource integration services platform to a professional services platform to support a quality life. After 22 years of business development, the brand-new “K Series Living” under the Group adheres to the value-added service concept of “fast and high quality, value-added and colorful life”, covering residential, commercial and office building, venues and public facilities, comprehensively connecting online and offline services. Our value-added service brands were upgraded to address the industry needs and seamlessly integrated to provide a complete experience of prosperous living.

## **OUTLOOK**

In 2021, through years of development and accumulation of experience in providing property services, we have continued to improve our own business system. With successive promulgation of favorable policies, we believe that the industry as a whole is still in the early stages of industrialization with considerable development potential, and it is foreseeable that the trend of scale expansion, price increment and industry diversification will continue for at least five years.

Focusing on the present, we will continue to expand and strengthen Kaisa Prosperity’s business as our core aspiration. We will continue to expand our business scale by synergizing the parent company’s resources to achieve project delivery, merger and acquisition of high-quality targets and enhancement of our own brand effect which are our three driving forces for external expansion. In particular, by tapping into the parent company’s resources for the old connectivity reforms, cultivating new business models and entering into new business tracks, we will further broaden our service boundaries and achieve differentiation from our competitors. At the same time, we will uphold the quality of services, balance services and development needs, achieve an in-depth understanding of the needs of customers and continuously develop new value-added service businesses. We will fully integrate online and offline services, providing users with a complete experience of good life quality, and at the same time, broaden our business thinking, innovate existing practices, and use “multidimensional” thinking to achieve high-speed growth.

In the future, we will continue to operate solidly and steadily. In a continuously changing environment, we are confident that we can perform our corporate responsibilities, benefit the community in different ways and return to our shareholders with better performance.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

As one of the leading comprehensive property management service providers in China, the Group specializes in providing comprehensive urban integrated services to mid- to high-end properties and focuses on the metropolitan cluster regions that are supported by the national macro-strategic policies and have high economic development vitality. The Group has been providing property management services for 21 years since 1999, and since then has established a strong footprint in the Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta, Bohai Economic Rim, Western and Central China with enormous potential for economic growth, 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

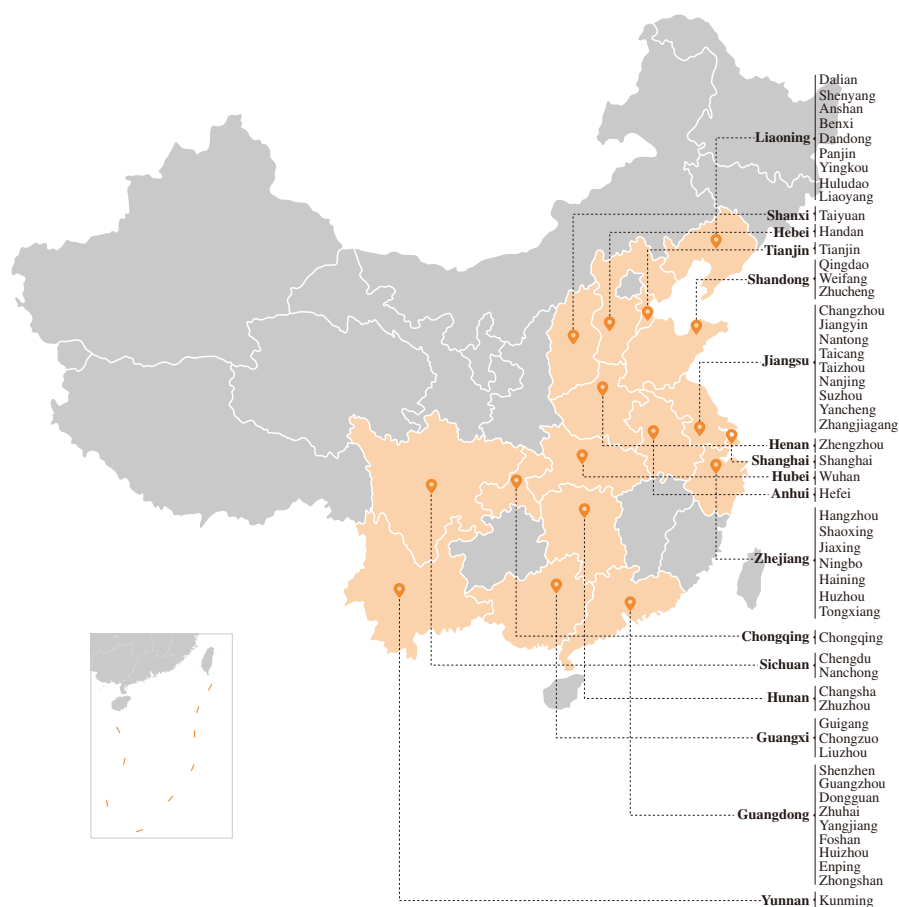
As of 30 June 2021, the Group's property management services covered 53 cities across 17 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 86.3 million sq.m. and a total of 649 managed properties, comprising 278 residential communities and 371 non-residential properties, showing strong momentum in market expansion and diversified property portfolio. We focused on public urban services and moved towards holistic management services.

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:

	<b>As of 30 June 2021</b>	<b>As of 31 December 2020</b>
Contracted GFA ('000 sq.m.)	120,934	77,290
GFA under management ('000 sq.m.)	86,264	57,494
Number of managed properties	<u>649</u>	<u>435</u>

## Geographic Coverage

The map below illustrates the geographic coverage of our managed properties as of 30 June 2021:



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 2021		As of 31 December 2020	
	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	16,302	90	14,563	78
Yangtze River Delta	53,798	480	27,536	285
Bohai Economic Rim	4,841	40	4,508	35
Western China	7,766	24	7,407	22
Central China	3,557	15	3,480	15
<b>Total</b>	<b>86,264</b>	<b>649</b>	<b>57,494</b>	<b>435</b>

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:

	2021		2020	
	GFA under management ( <i>'000 sq.m.</i> )	Number of properties	GFA under management ( <i>'000 sq.m.</i> )	Number of properties
As of 1 January	57,494	435	46,207	304
New engagement	18,959	148	8,540	111
Acquisition	10,925	84	4,015	48
Termination	(1,114)	(18)	(1,268)	(28)
<b>Total</b>	<b>86,264</b>	<b>649</b>	<b>57,494</b>	<b>435</b>

In January 2021, the Group completed the acquisition of Zhejiang Ruiyuan, which had a total of 84 projects under management, amounting to contracted GFA of approximately 11 million sq.m..

### 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. Starting from Guangxi, Handan, Yancheng, Yangzhou and Jiaxing, we expanded the cooperation between government platforms and our comprehensive urban service business. 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 recovered the expenses incurred in connection with providing property management services.

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 2021			As of 31 December 2020		
	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	50,394	58.4	278	42,502	73.9	195
Non-residential properties	35,870	41.6	371	14,992	26.1	240
<b>Total</b>	<b>86,264</b>	<b>100.0</b>	<b>649</b>	<b>57,494</b>	<b>100.0</b>	<b>435</b>

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 2021			As of 31 December 2020		
	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)	61,802	71.6	497	34,869	60.6	296
Property management services (commission basis)	24,462	28.4	152	22,625	39.4	139
<b>Total</b>	<b>86,264</b>	<b>100.0</b>	<b>649</b>	<b>57,494</b>	<b>100.0</b>	<b>435</b>

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 2021, 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 channels, 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 2021			As of 31 December 2020		
	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	31,319	36.3	135	28,820	50.1	118
Properties developed by independent third-party property developers	54,945	63.7	514	28,674	49.9	317
<b>Total</b>	<b>86,264</b>	<b>100.0</b>	<b>649</b>	<b>57,494</b>	<b>100.0</b>	<b>435</b>

## 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 the needs 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 2021, revenue generated from providing pre-delivery and consulting services amounted to approximately RMB552.5 million, accounting for approximately 41.6% of the Group's total revenue and representing an increase of approximately 126.5% as compared to approximately RMB243.9 million for the six months ended 30 June 2020. In particular, approximately RMB523.9 million was generated from the Kaisa Group and its associates and joint ventures, accounting for approximately 94.8% of the total pre-delivery and consulting services revenue for the six months ended 30 June 2021, representing an increase of approximately 143.3% as compared to approximately RMB215.3 million for the six months ended 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 focused on "home living services", aiming at improving service capabilities and profitability of our major business segments at key service locations. In the first half of this year, the brand integration and upgrade of community value-added services were carried out, which enriched the system of K Series living services (小K生活服務), resulting in a more professional service quality and enhanced profitability. During the reporting period, various types of community value-added services achieved rapid development.

In terms of financial services, the Group has reached strategic cooperation with the People's Insurance Company (Group) of China Limited ("PICC") and other institutions to carry out community securities account opening services and achieved rapid development. In terms of rental and sale business, we have expanded new businesses such as parking lot rental and sales, and strengthened the construction of platform and stores in order to cover potential customer business needs more comprehensively. In term of home decoration business, we focused on strengthening the professional competence of the team, undertook more businesses in first-tier cities, and achieved significant revenue growth.

During the reporting period, the total revenue of community value-added services recorded a growth of 64.7%, reaching approximately RMB97.6 million. After excluding car parking and software development, revenue from community service businesses increased by 125.0% to approximately RMB67.7 million. The professional service level and profitability of community service businesses have improved significantly.

## **SMART SOLUTION SERVICES**

Jiake Intelligent has always adhered to the development concepts of "customer first, quality first and innovation", and focusing on deepening exploration of the third-party market to make the Group's revenue sources more diversified. This lays a solid foundation of brand reputation for us to provide smart city solutions in more cities in the future, thereby creating shared values with our business partners.



## **Achievement in the intelligent third-party market expansion • Intelligent Upgrade Continues To Empower**

Jiake Intelligent, a smart solution service provider under the Group, has been included in the qualified supplier database by 282 real estate developers, including Jinke Property (金科地產), Zoina Land (中南置地), Helenbergh Real Estate (海倫堡地產), Jiahua Real Estate (佳華地產) and Baoneng Group (寶能集團). During the reporting period, the Group continued to make efforts in the intelligent third-party market. Jiake Intelligent actively embraces the Internet of Things (“**IOT**”), big data and other intelligent technologies to empower its development, and is striving to become “an intelligent city’s overall solutions and services provider” and will continue to develop with a strong business focus and concerted efforts by the Group members.

As the scope of IOT and 5G application becomes more extensive with more mature technology, intelligent products are essential in the process of social development. In the future, Jiake Intelligent will focus on the development of intelligent products and carry out diversified cooperation with intelligent product enterprises which possess independent R&D and software development capabilities, and to realize IOT platform construction and analogical product application scenarios to enhance the market competitiveness of Jiake Intelligent’s products.

As of 30 June 2021, revenue from smart solution services was approximately RMB109.6 million, representing an increase of 50.2% period to period. The gross profit amounted to approximately RMB33.8 million, representing an increase of 40.8% period to period, and the gross profit margin was 30.8% for the six months ended 30 June 2021. In the six months of 2021, the overall business contract volume amounted to approximately RMB178.0 million, representing an increase of 132.0% period to period.

## **FINANCIAL REVIEW**

### **Revenue**

The Group derived its revenue from: (i) property management services; (ii) pre-delivery and consulting services; (iii) community value-added services; and (iv) smart solution services. Revenue increased by approximately 78.8% from approximately RMB741.0 million for the six months ended 30 June 2020 to approximately RMB1,325.0 million for the six months ended 30 June 2021.

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

	Six months ended 30 June					
	2021		2020		Changes	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management services	<b>565,223</b>	<b>42.7</b>	364,848	49.2	200,375	54.9
Pre-delivery and consulting services	<b>552,530</b>	<b>41.6</b>	243,899	33.0	308,631	126.5
Community value-added services	<b>97,582</b>	<b>7.4</b>	59,266	8.0	38,316	64.7
Smart solution services	<b>109,634</b>	<b>8.3</b>	72,985	9.8	36,649	50.2
Total	<b><u>1,324,969</u></b>	<b><u>100.0</u></b>	<b><u>740,998</u></b>	<b><u>100.0</u></b>	<b><u>583,971</u></b>	<b><u>78.8</u></b>

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 54.9% from approximately RMB364.8 million for the six months ended 30 June 2020 to approximately RMB565.2 million for the six months ended 30 June 2021. 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, Ningbo Langtong and Zhejiang Ruiyuan.

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 126.5% from approximately RMB243.9 million for the six months ended 30 June 2020 to approximately RMB552.5 million for the six months ended 30 June 2021. 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 64.7% from approximately RMB59.3 million for the six months ended 30 June 2020 to approximately RMB97.6 million for the six months ended 30 June 2021. 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 as well as the deepening exploration of the potential of value-added services of the existing properties projects under management.

Revenue from smart solution services, which primarily include fees for installation and maintenance services, increased by approximately 50.2% from approximately RMB73.0 million for the six months ended 30 June 2020 to approximately RMB109.6 million for the six months ended 30 June 2021. 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 82.0% from approximately RMB490.5 million for the six months ended 30 June 2020 to approximately RMB892.7 million for the six months ended 30 June 2021. Such increase was primarily attributable to our business expansion through organic growth and acquisition of third-party property management company for the six months ended 30 June 2021.

### Gross Profit and Gross Profit Margin

The overall gross profit of the Group increased by approximately 72.6% from approximately RMB250.5 million for the six months ended 30 June 2020 to approximately RMB432.3 million for the six months ended 30 June 2021. The overall gross profit margin of the Group decreased by approximately 1.2 percentage points from approximately 33.8% for the six months ended 30 June 2020 to approximately 32.6% for the six months ended 30 June 2021. 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	
	2021		2020			
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Amount	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	168,349	29.8	113,643	31.1	54,706	48.1
– Lump-sum basis	142,678	26.4	89,958	26.4	52,720	58.6
– Commission basis	25,671	100.0	23,685	100.0	1,986	8.4
Pre-delivery and consulting services	171,631	31.1	83,363	34.2	88,268	105.9
Community value-added services	58,495	59.9	29,491	49.8	29,004	98.3
Smart solution services	33,798	30.8	24,006	32.9	9,792	40.8
Total	432,273	32.6	250,503	33.8	181,770	72.6

1) *Property management services*

Gross profit margin of the Group's property management services decreased by approximately 1.3 percentage points from approximately 31.1% for the six months ended 30 June 2020 to approximately 29.8% for the six months ended 30 June 2021. 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 dropped by approximately 3.1 percentage points from approximately 34.2% for the six months ended 30 June 2020 to approximately 31.1% for the six months ended 30 June 2021. The decrease was mainly due to the continuous deepening of strategic cooperation with Kaisa Group, the increase in the proportion of certain businesses with lower gross profit margins and the continued enhancement of the Group's service quality, resulting in a decrease in the segment's gross profit margin.

3) *Community value-added services*

Gross profit margin of the Group's community value-added services rose by approximately 10.1 percentage points from approximately 49.8% for the six months ended 30 June 2020 to approximately 59.9% for the six months ended 30 June 2021. 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 decreased by approximately 2.1 percentage points from approximately 32.9% for the six months ended 30 June 2020 to approximately 30.8% for the six months ended 30 June 2021. The decrease was primarily due to the increase in number of contracts which carry different gross profit margins.

**Selling and Marketing Expenses**

Selling and marketing expenses of the Group increased by approximately 48.5% from approximately RMB3.3 million for the six months ended 30 June 2020 to approximately RMB4.9 million for the six months ended 30 June 2021. The increase was mainly due to the Group's increased market expansion efforts.

## Administrative Expenses

Administrative expenses of the Group increased by approximately 25.1% from approximately RMB90.4 million for the six months ended 30 June 2020 to approximately RMB113.1 million for the six months ended 30 June 2021. The growth rate was lower than the growth rate of the Group's revenue during the period, mainly due to the implementation of sound cost control measures to improve the Group's operational efficiency.

## Income Tax Expenses

Income tax expenses of the Group increased by approximately 98.7% from approximately RMB38.1 million for the six months ended 30 June 2020 to approximately RMB75.7 million for the six months ended 30 June 2021, primarily due to the increment of profit before income tax for the six months ended 30 June 2021.

## Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income for the period of the Group increased by approximately 75.7% from approximately RMB123.2 million for the six months ended 30 June 2020 to approximately RMB216.5 million for the six months ended 30 June 2021, primarily due to the business expansion for the six months ended 30 June 2021.

## Adjusted Profit for the Period

Adjusted profit is defined as profit and total comprehensive income for the period before the share-based compensation charged to the statement of profit or loss. The Company believes that separate analysis, excluding the impact of the cost items, adds clarity to the constituent parts of the Group's results of operations and provides additional useful data 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 63.2% to approximately RMB222.5 million from approximately RMB136.3 million for the six months ended 30 June 2020. The reconciliation of the adjusted profit for the period are set out as below:

	<b>Six months ended 30 June</b>		
	<b>2021</b>	<b>2020</b>	<b>Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Profit and total comprehensive income for the six months ended 30 June	<b>216,462</b>	123,184	75.7%
Share option expense	<b>6,025</b>	13,130	(54.1%)
Adjusted profit for the six months ended 30 June	<b>222,487</b>	136,314	63.2%

## **Liquidity, Capital Structure and Financial Resources**

As of 30 June 2021, the Group's cash and bank balances was approximately RMB970.3 million, represented a decrease of approximately RMB48.5 million from approximately RMB1,018.8 million as of 31 December 2020 primarily due to payment for consideration payable related to acquisition of subsidiaries.

The Group maintained a sound financial position despite the net current assets of the Group decreased by approximately RMB23.3 million from approximately RMB1,170.6 million as of 31 December 2020 to approximately RMB1,147.3 million as of 30 June 2021. As of 30 June 2021, the Group's current ratio (current assets/current liabilities) was approximately 2.35 (31 December 2020: approximately 2.78).

As of 30 June 2021, the Group did not have any other loans or borrowings.

## **Goodwill**

As of 30 June 2021, the Group recorded goodwill of approximately RMB160.8 million, as a result of the completion of the acquisitions of Jiaying Dashu Property Management Company Limited\* (嘉興大樹物業管理有限公司), Jiangsu Hengyuan Property Management Company Limited\* (江蘇恒源物業管理有限公司) in 2019, Ningbo Langtong Property Management Company Limited\* (寧波朗通物業服務有限公司) in 2020 and Zhejiang Ruiyuan Property Management Company Limited\* (浙江瑞源物業管理有限公司) in 2021. 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 2021.

## **Trade and Other Receivables and Prepayments**

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 RMB183.0 million from approximately RMB401.4 million as of 31 December 2020 to approximately RMB584.4 million as of 30 June 2021, 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 and (iii) the increase in trade receivables from smart solution services resulting from its engineering business expansion.

Other receivables and prepayments mainly consist of deposits, prepayments, loan to a third party, payments on behalf of staff and payments on behalf of residents under lump-sum basis. Total other receivables and prepayments of the Group increased by approximately RMB5.9 million from approximately RMB58.6 million as of 31 December 2020 to approximately RMB64.5 million as of 30 June 2021, primarily due to the business scale expansion of the Group during the period.



## **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 increased by approximately RMB5.8 million from approximately RMB37.0 million as of 31 December 2020 to approximately RMB42.8 million as of 30 June 2021, primarily due to the increase in the total GFA under management of the Group under commission basis.

## **Trade and Other Payables and Accruals**

Trade payables mainly represent the obligations to pay suppliers for procurements in the ordinary course of business. The remaining balances of trade payables of the Group decreased by approximately RMB23.4 million from approximately RMB215.3 million as of 31 December 2020 to approximately RMB191.9 million as of 30 June 2021, primarily due to the accelerated payment to certain suppliers.

Other payables and accruals 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 charged on a commission basis and the Group managed such fees collectively in its headquarters. The remaining balances of other payables and accruals of the Group increased by approximately RMB57.4 million from approximately RMB279.9 million as of 31 December 2020 to approximately RMB337.3 million as of 30 June 2021, mainly as a result of the acquisition of Zhejiang Ruiyuan resulting in an increase in the amount payable for the equity transfer.

## **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 2021, the Group utilised approximately RMB186.4 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 Listing Date to 30 June 2021, 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>	Actual use of proceeds during 2019 <i>RMB in million</i>	Actual use of proceeds during 2020 <i>RMB in million</i>	Unutilised Net Proceeds as at 1 January 2021 <i>RMB in million</i>	Actual use of proceeds during the period <i>RMB in million</i>	Unutilised amount as at 30 June 2021 <i>RMB in million</i>
(1) Acquire or invest in other property management companies	115.3	43.4	25.6	46.3	46.3	–
(2) Acquire or invest in companies engaged in property management related business	46.1	–	1.8	44.3	–	44.3
(3) Promote the K Life mobile APP and the community value-added products and services	23.1	18.3	4.8	–	–	–
(4) Develop management digitalization service specialization	23.1	12.1	8.0	3.0	3.0	–
(5) General working capital	23.1	23.1	–	–	–	–
	<b>230.7</b>	<b>96.9</b>	<b>40.2</b>	<b>93.6</b>	<b>49.3</b>	<b>44.3</b>

With respect to the Net Proceeds for the usage set out in item (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. We 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 well as for working capital and general corporate proposes. During the period from completion of the placing to 30 June 2021 and during the period from 1 January 2021 to 30 June 2021, the net proceeds from placing had been utilised as to approximately RMB81.4 million and RMB4.4 million respectively for general working capital of the Group and as to RMB297.6 million and RMB16.4 million respectively for investments in equity securities, medium-term bond and unlisted managed funds, which was



consistent with the purposes disclosed in the Company's announcement dated 9 June 2020. With respect to the remaining unutilised net proceeds, the company will adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long term benefit and development of the Group.

It is intended that the remaining unutilised net proceeds will be utilised on or before 31 December 2021 in accordance with the stated intended use in the announcement of the Company dated 9 June 2020.

The unutilised net proceeds have been deposited to licensed financial institutions in Hong Kong as at the date of this announcement.

### **Capital Commitments**

As of 30 June 2021, the Group did not have any material capital commitment.

### **Asset Charges**

As of 30 June 2021, none of the assets of the Group were pledged (31 December 2020: nil).

### **Material Acquisitions and Disposals of Assets**

#### *Acquisition of the equity interest in Zhejiang Ruiyuan*

On 27 December 2020, Kaisa Property Management (Shenzhen) Company Limited\* (佳兆業物業管理(深圳)有限公司) entered into a sale and purchase agreement for the acquisition of 60% equity interest in Zhejiang Ruiyuan at total consideration of RMB107,706,000. Zhejiang Ruiyuan is principally engaged in the business of property management including residential properties, commercial properties and other non-residential properties. After the completion of such acquisition in January 2021, Zhejiang Ruiyuan becomes a subsidiary of the Company. For the year ended 31 December 2020 and the six months ended 30 June 2021, Zhejiang Ruiyuan's actual business performance has reached the relevant performance targets as contained in the announcement dated 27 December 2020.

The Group did not have any other material acquisitions or disposals of assets for the six months ended 30 June 2021.

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

As at 30 June 2021, the Group held financial assets at fair value through profit or loss of approximately RMB297.6 million. Fair value losses on financial assets at fair value through profit or loss for the six months ended 30 June 2021 was approximately RMB25.2 million. Such financial assets include medium-term bond and equity securities investments in various listed companies in Singapore and the US and unlisted managed funds which were purchased through different licensed financial institutions. The Group has been closely monitoring the performance of the investment in financial assets and the Group will continue to improve our capital return rate in the future. The Group did not have any single investment accounting for 5% or more of the total assets of the Group during the six months ended 30 June 2021.

## **Gearing Ratio**

Gearing ratio is calculated by dividing the total interest-bearing borrowings by total equity at the end of the respective period/year. The gearing ratio of the Group was nil both as of 30 June 2021, and as of 31 December 2020.

## **Contingent Liabilities**

As of 30 June 2021, the Group did not have any contingent liabilities (31 December 2020: nil).

## **Foreign Exchange Risk**

The Group primarily conducts its business in the PRC and in Renminbi. As of 30 June 2021, cash and bank balances denominated in Hong Kong dollar (“**HKD**”) and United States Dollar (“**USD**”) were approximately RMB153.9 million; financial assets at fair value through profit or loss in HKD and USD were approximately RMB297.6 million, respectively, which are subject to foreign exchange exposure.

The Group currently does not hedge its foreign exchange risk, but continuously monitors 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 2021, the Group had 12,976 employees (31 December 2020: 8,564 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, on 18 June 2019 (the “**Adoption Date**”), the Company adopted a share option scheme (the “**Share Option Scheme**”). Details of the Share Option Scheme are set out in the circular of the Company dated 29 April 2019.

## **Subsequent events**

There were no other significant subsequent 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 and the duties of chief executive officer are shared among executive Directors. 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 2021. 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 2021 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 2021.

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 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **INTERIM DIVIDEND**

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2021 (30 June 2020: nil).

## **PUBLICATION OF THE 2021 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The Company's interim report for the six months ended 30 June 2021 will be published on the websites of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company at [www.jzywy.com](http://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, 19 August 2021

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