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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 2022**

#### **INTERIM RESULTS HIGHLIGHTS**

- Total revenue for the six months ended 30 June 2022 decreased by approximately 32.3% to approximately RMB897.1 million from approximately RMB1,325.0 million for the six months ended 30 June 2021.
- Profit for the six months ended 30 June 2022 decreased by approximately 74.0% to approximately RMB56.2 million from approximately RMB216.5 million for the six months ended 30 June 2021.
- Profit attributable to owners of the Company for the six months ended 30 June 2022 decreased by approximately 76.7% to approximately RMB48.8 million from approximately RMB209.1 million for the six months ended 30 June 2021.
- As at 30 June 2022, the total contracted GFA of property management and the total GFA under management amounted to approximately 121.2 million sq.m. and 93.0 million sq.m., representing a decrease of approximately 4.6% and an increase of approximately 3.0%, respectively, as compared to approximately 126.9 million sq.m. and 90.3 million sq.m. as at 31 December 2021.

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 2022, together with the comparative figures for the corresponding period in 2021.

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

For the six months ended 30 June 2022

		(Unaudited)	
		Six months ended 30 June	
		2022	2021
	Notes	RMB'000	RMB'000
<b>Revenue</b>	4	<b>897,127</b>	1,324,969
Direct operating expenses		<u>(673,075)</u>	<u>(892,696)</u>
<b>Gross profit</b>		<b>224,052</b>	432,273
Selling and marketing expenses		<b>(5,654)</b>	(4,857)
Administrative expenses		<b>(120,263)</b>	(113,068)
Provision for loss allowance on financial assets		<b>(38,535)</b>	(4,015)
Other gains, net	5	<u><b>8,567</b></u>	<u>3,448</u>
<b>Operating profit</b>		<b>68,167</b>	313,781
Fair value loss on financial assets at fair value through profit or loss		<b>(430)</b>	(25,208)
Share of results of associates		<b>8,399</b>	2,889
Finance income, net		<u><b>(392)</b></u>	<u>703</u>
<b>Profit before income tax</b>	6	<b>75,744</b>	292,165
Income tax expenses	7	<u><b>(19,562)</b></u>	<u>(75,703)</u>
<b>Profit and total comprehensive income for the period</b>		<u><b>56,182</b></u>	<u>216,462</u>
<b>Profit and total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>48,812</b>	209,115
Non-controlling interests		<u><b>7,370</b></u>	<u>7,347</u>
		<u><b>56,182</b></u>	<u>216,462</u>
<b>Earnings per share attributable to owners of the Company (expressed in RMB)</b>			
Basic	8(a)	<b>0.32</b>	1.36
Diluted	8(b)	<u><b>0.32</b></u>	<u>1.34</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2022*

		(Unaudited) As at <b>30 June 2022</b> <i>RMB'000</i>	(Audited) As at 31 December 2021 <i>RMB'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>25,306</b>	25,131
Intangible assets		<b>34,199</b>	36,942
Goodwill		<b>160,828</b>	160,828
Right-of-use assets		<b>206,825</b>	217,306
Financial assets	<i>11</i>	<b>343,516</b>	343,946
Investment in associates		<b>51,069</b>	37,803
Other receivables	<i>12</i>	<b>12,121</b>	14,839
Deferred tax assets		<b>67,670</b>	57,929
		<b>901,534</b>	894,724
<b>Current assets</b>			
Trade receivables	<i>12</i>	<b>847,219</b>	738,521
Other receivables	<i>12</i>	<b>67,542</b>	61,510
Payments on behalf of residents		<b>57,573</b>	52,992
Contract assets		<b>111,197</b>	112,934
Amounts due from related parties		<b>3,913</b>	1,088
Restricted cash		<b>641</b>	517
Cash and cash equivalents		<b>196,230</b>	357,995
		<b>1,284,315</b>	1,325,557
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>193,949</b>	247,820
Other payables	<i>13</i>	<b>351,562</b>	358,041
Contract liabilities		<b>171,463</b>	166,972
Amounts due to related parties		<b>6,723</b>	6,939
Lease liabilities		<b>4,858</b>	6,089
Income tax payable		<b>68,021</b>	90,102
		<b>796,576</b>	875,963
<b>Net current assets</b>		<b>487,739</b>	449,594
<b>Total assets less current liabilities</b>		<b>1,389,273</b>	1,344,318

		(Unaudited) As at 30 June 2022 <i>RMB'000</i>	(Audited) As at 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Other payables	<i>13</i>	<b>19,350</b>	31,722
Lease liabilities		<b>9,966</b>	12,430
Deferred tax liabilities		<b>12,550</b>	13,236
		<u><b>41,866</b></u>	<u>57,388</u>
<b>Net assets</b>		<u><b>1,347,407</b></u>	<u>1,286,930</u>
<b>EQUITY</b>			
Share capital		<b>1,361</b>	1,361
Reserves		<b>1,287,075</b>	1,233,616
<b>Equity attributable to owners of the Company</b>		<b>1,288,436</b>	1,234,977
Non-controlling interests		<b>58,971</b>	51,953
<b>Total equity</b>		<u><b>1,347,407</b></u>	<u>1,286,930</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

## 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 30 August 2022.

## 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2022 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 2021, 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

#### Amended HKFRSs that are effective for annual periods beginning or after 1 January 2022

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of the following amended HKFRSs which are effective as of 1 January 2022. 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	Reference to Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 2022 and 2021 are as follows:

	(Unaudited)			
	Six months ended 30 June 2022		2021	
	Revenue <i>RMB'000</i>	Direct operating expenses <i>RMB'000</i>	Revenue <i>RMB'000</i>	Direct operating expenses <i>RMB'000</i>
<b>Type of services</b>				
Property management services	618,680	480,284	565,223	396,874
Pre-delivery and consulting services	140,760	109,291	552,530	380,899
Community value-added services	73,426	28,822	97,582	39,087
Smart solution services	64,261	54,678	109,634	75,836
	<b>897,127</b>	<b>673,075</b>	1,324,969	892,696

	(Unaudited)	
	Six months ended 30 June 2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Timing of revenue recognition</b>		
– recognise over time	877,993	1,295,671
– recognise at a point in time	19,134	29,298
	<b>897,127</b>	1,324,969

For the six months ended 30 June 2022, revenue from Kaisa Holdings and its subsidiaries (the “**Kaisa Group**”) and its associates and joint ventures contributed 19.7% (2021: 46.8%) 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 2022 and 2021.

(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 period.

For smart solution services, the transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 30 June 2022 and 31 December 2021 are as follows:

	(Unaudited) As at <b>30 June 2022</b> <i>RMB’000</i>	(Audited) As at 31 December 2021 <i>RMB’000</i>
Within one year	<b>148,852</b>	131,126
More than one year	<b>133,753</b>	130,773
	<b><u>282,605</u></b>	<u>261,899</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 2022 and 2021, 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 2022 and 2021.

As at 30 June 2022 and 31 December 2021, all of the non-current assets were located in the PRC.

## 5. OTHER GAINS, NET

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Unconditional government subsidy income	5,906	3,487
Net losses on disposal of property, plant and equipment	(143)	(53)
Recovery/(written off) as uncollectible receivables	2,615	(350)
Exchange gains/(losses), net	364	(1,331)
Others	(175)	1,695
	<u>8,567</u>	<u>3,448</u>

## 6. PROFIT BEFORE INCOME TAX

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax has been arrived at after charging/(crediting):		
Amortisation of intangible assets	2,743	2,743
Auditor's remuneration	434	745
Depreciation		
– Property, plant and equipment	3,622	3,362
– Right-of-use assets	10,244	3,328
Lease charges on short term leases	16,259	19,070
Provision for/(Reversal of provision for) loss allowance		
– Trade receivables	38,820	5,758
– Deposits, other receivables and payments on behalf of residents (excluding prepayments)	(511)	(1,743)
– Contract assets	226	–
Staff costs – including directors' emoluments		
– Wages, salaries, bonus and other benefits	389,589	412,086
– Contributions to retirement benefit scheme	37,950	54,701
– Equity-settled share-based payment expenses	4,647	6,336
	<u>432,186</u>	<u>473,123</u>
(Recovery of written-off)/Write-off of uncollectible receivables	<u>(2,615)</u>	<u>350</u>



## 7. INCOME TAX EXPENSES

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current income tax</b>		
PRC Corporate Income Tax	29,989	77,393
<b>Deferred tax</b>		
	<u>(10,427)</u>	<u>(1,690)</u>
	<b><u>19,562</u></b>	<b><u>75,703</u></b>

## 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 2022 and 2021.

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
Total profit attributable to owners of the Company ( <i>in RMB'000</i> )	48,812	209,115
Weighted average number of ordinary share in issue	<u>154,110,000</u>	<u>154,039,166</u>
Basic earnings per share ( <i>in RMB</i> )	<b><u>0.32</u></b>	<b><u>1.36</u></b>

During the six months ended 30 June 2022 and 2021, 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.

### (b) Diluted earnings per share

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
Weighted average number of ordinary share in issue	154,110,000	154,039,166
Effect of issue of shares under adjustment for share option scheme ( <i>note</i> )	<u>–</u>	<u>2,304,501</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b><u>154,110,000</u></b>	<b><u>156,343,667</u></b>
Diluted earnings per share ( <i>in RMB</i> )	<b><u>0.32</u></b>	<b><u>1.34</u></b>

*Note:*

The computation of diluted earnings per share for the six months ended 30 June 2022 does not assume the conversion of the Company's outstanding share options granted on 19 July 2019 because the adjusted exercise price of those share options is higher than the average market price of the shares which is regarded as anti-dilutive.

The computation of diluted earnings per share for the six months ended 30 June 2021 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 2022 (30 June 2021: nil).

The board of directors has resolved not to declare a final dividend for the year ended 31 December 2021.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group has an addition of items of property, plant and equipment with a cost of RMB4,012,000 (30 June 2021: RMB3,989,000) and addition of nil (30 June 2021: RMB6,708,000) by the acquisition of a subsidiary.

Items of property, plant and equipment with a net book value of RMB216,000 (30 June 2021: RMB411,000) were disposed of during the six months ended 30 June 2022, resulting in a loss on disposal of RMB143,000 (30 June 2021: RMB53,000).

## 11. FINANCIAL ASSETS

	<b>Financial assets at fair value through profit or loss RMB'000</b>	<b>Financial assets at fair value through other comprehensive income RMB'000</b>	<b>Total RMB'000</b>
<b>At 30 June 2022</b>			
<b>Non-current</b>			
Unlisted equity investment ( <i>Note (a)</i> )	–	15,000	15,000
Other financial assets ( <i>Note (b)</i> )	328,516	–	328,516
	<u>328,516</u>	<u>15,000</u>	<u>343,516</u>
<b>Total other financial assets at 30 June 2022 (Unaudited)</b>	<b><u>328,516</u></b>	<b><u>15,000</u></b>	<b><u>343,516</u></b>
<b>At 31 December 2021</b>			
<b>Non-current</b>			
Unlisted equity investment ( <i>Note (a)</i> )	–	15,000	15,000
Other financial assets ( <i>Note (b)</i> )	328,946	–	328,946
	<u>328,946</u>	<u>15,000</u>	<u>343,946</u>
<b>Total other financial assets at 31 December 2021 (Audited)</b>	<b><u>328,946</u></b>	<b><u>15,000</u></b>	<b><u>343,946</u></b>

Notes:

- (a) The amount represents the equity investment invested in an unlisted entity established in the PRC, which is mainly engaged in providing internet insurance services of car industry.
- (b) During 2021, a subsidiary of the Group entered into contractual arrangements and paid a deposit of RMB382,495,000 (the “**Deposit**”) for an exclusive right to sell certain non-residential properties in the PRC (the “**Properties**”) for a five-year period. Pursuant to the relevant contractual arrangements, the subsidiary is entitled to 70% of the excess of the selling price over the agreed minimum price with the counterparties to the contractual arrangements. The subsidiary also has the right to receive rental income arising from the Properties prior to the Properties are sold.

The Deposit paid by the Group is refundable in case of any shortfall as stipulated in details in the related contractual arrangements.

Since the contractual arrangements give the Group a contractual right to receive cash which are variable as described above, the asset is considered as a financial asset at fair value through profit or loss. A fair value loss of RMB430,000 (31 December 2021: RMB53,549,000) has been recognized during the current period. The fair value measurement is classified as level 3. There has been no changes in the valuation methodologies in arriving at the fair value.

## 12. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 30 June 2022 RMB'000	(Audited) As at 31 December 2021 RMB'000
<b>Trade receivables</b>		
– Third parties	379,139	270,319
– Related parties	659,887	621,189
	<u>1,039,026</u>	<u>891,508</u>
Less: loss allowance for trade receivables	(191,807)	(152,987)
	<u>847,219</u>	<u>738,521</u>
<b>Other receivables</b>		
Other deposits	27,237	26,515
Prepayments	24,629	16,052
Payments on behalf of staff	11,178	12,431
Payments on behalf of residents under lump-sum basis	17,656	16,356
Other receivable in relation to termination of acquisition transaction	–	10,000
Others	3,464	2,746
Less: loss allowance for other receivables	(4,501)	(7,751)
	<u>79,663</u>	<u>76,349</u>
Total other receivables	79,663	76,349
Less: other receivables under non-current portion	(12,121)	(14,839)
	<u>67,542</u>	<u>61,510</u>
Current portion	<u>67,542</u>	<u>61,510</u>

*Notes:*

- (a) All of the Group's trade receivables as at 30 June 2022 are denominated in RMB (2021: all RMB). The directors consider that the fair value of trade receivables 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) The ageing analysis of the trade receivables before loss allowances based on the invoice date is as follows:

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
Within 180 days	<b>539,697</b>	644,208
181-365 days	<b>325,713</b>	171,038
1-2 years	<b>145,716</b>	55,364
2-3 years	<b>18,166</b>	12,711
Over 3 years	<b>9,734</b>	8,187
	<b><u>1,039,026</u></b>	<b><u>891,508</u></b>

### 13. TRADE AND OTHER PAYABLES

	(Unaudited) As at <b>30 June</b> <b>2022</b> <i>RMB'000</i>	(Audited) As at 31 December 2021 <i>RMB'000</i>
<b>Trade payables</b>		
– Third parties	<b>182,008</b>	236,635
– Related parties	<b>11,941</b>	11,185
	<b>193,949</b>	247,820
<b>Other payables</b>		
Consideration payables for acquisition of subsidiaries	<b>26,941</b>	45,536
Accrued staff costs	<b>89,291</b>	106,861
Other tax payables	<b>2,622</b>	5,754
Deposits received	<b>76,368</b>	76,555
Receipt on behalf of residents	<b>138,566</b>	134,137
Others payables and accruals	<b>37,124</b>	20,920
Total other payables	<b>370,912</b>	389,763
Less: non-current portion		
Other payables	<b>(5,879)</b>	(4,781)
Consideration payables for acquisition of subsidiaries	<b>(13,471)</b>	(26,941)
<b>Total other payables under non-current portion</b>	<b>(19,350)</b>	(31,722)
<b>Current portion</b>	<b>351,562</b>	358,041

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 <b>30 June</b> <b>2022</b> <i>RMB'000</i>	(Audited) As at 31 December 2021 <i>RMB'000</i>
Within 90 days	<b>85,107</b>	178,472
91-180 days	<b>41,466</b>	39,766
181-270 days	<b>44,634</b>	17,511
271-365 days	<b>13,594</b>	7,742
Over 365 days	<b>9,148</b>	4,329
	<b>193,949</b>	247,820

## 14. LEASE COMMITMENTS

### The Group as lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2022</b> <b>RMB'000</b>	(Audited) As at 31 December 2021 <i>RMB'000</i>
Within one year	<b>2,864</b>	2,959

As at 30 June 2022 and 31 December 2021, the Group leases staff quarters and offices with a lease period of one to twelve months.

### The Group as lessor

At 30 June 2022 and 31 December 2021, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of buildings as follows:

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2022</b> <b>RMB'000</b>	(Audited) As at 31 December 2021 <i>RMB'000</i>
Within one year	<b>4,516</b>	3,319
In the second to fifth years	<b>13,667</b>	10,944
	<b>18,183</b>	14,263

The lease run for an initial period of one to five years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective tenants. None of the leases include contingent rentals.

## **BUSINESS REVIEW AND PROSPECTS**

Since the second half of 2021, the property management industry in the PRC has faced unprecedented challenges. The control over unplanned expansion in the upstream real estate industry is expected to result in the focus on sustainable long-term development. Under such market environment encompassing both challenges and opportunities, only by maintaining strong persistence, constantly optimizing their own core competitiveness and enhancing their own service level can property management enterprises establish their foothold in the high-pressure environment.

Meanwhile, the regional and short-term dynamic control measures as a result of the recurrent COVID-19 pandemic increased the costs and difficulties of on-site services and marketing activities. Despite the hardship, the Kaisa Prosperity team still managed to adhere to our aspiration and forge ahead against adversities. We believe that no matter how the property management methodology evolves, it will nevertheless be based on the core value of “Service” with the pursuit of quality throughout the entire process of property management, and every aspects of property management will be refined more scientifically and effectively with the development of intelligent technology.

During the first half of 2022, Kaisa Prosperity constantly carried out the “Quality Rejuvenation” campaign for various nationwide projects, where we revitalized the community and constantly improved the living experience from different dimensions such as community space rejuvenation and community service upgrades, and improved the quality of property services through the “Satisfaction + Surprise” service strategies. In addition to enhancement in the infrastructure of the projects under management, we also deepened the guarantee of our service quality and operational capabilities. General Secretary Xi Jinping once pointed out that “more resources, services and management should be allocated to communities to better provide precise and refined services to community residents”. As one of the leading urban comprehensive service operators in China, the Company upholds the corporate vision of “Serving Beautiful China” and proactively integrates itself into the system of primary-level social governance. Adhering to the “Customer-First” principle, we constantly organized practical training camps on quality, housekeeping, safety and engineering on a regular basis, so as to ensure effective implementation of the Company’s quality management system.

With the principles of quality maintenance and strategic expansion around deep-rooted business areas, Kaisa Prosperity realizes the complementation of cross-regional advantages, communication linkage of cross-regional expansion information and cooperation in launching expansion projects, so as to unleash its vitality of expansion and explore diversified and flexible cooperation models. Centering on the traditional key business regions such as Guangdong-Hong Kong-Macau Bay Area and Yangtze River Delta, we extended our presence to the neighboring cities and at the same time focus on achieving breakthroughs in city cluster areas including the Beijing-Tianjin-Hebei region, Central China region and Chengdu-Chongqing region. In the meantime, based on the business development needs of the Company, we proactively look for equity partners with sound business synergies to innovate cooperation plans as well as explore cooperations involving capital investment and non-capital investment.

## Financial Summary

The Group's total revenue for the six months ended 30 June 2022 decreased by approximately 32.3% to approximately RMB897.1 million from approximately RMB1,325.0 million for the six months ended 30 June 2021. In particular, revenue from property management services amounted to approximately RMB618.7 million; revenue from pre-delivery and consulting services amounted to approximately RMB140.8 million; revenue from community value-added services amounted to approximately RMB73.4 million; and revenue from smart solution services amounted to approximately RMB64.3 million.

The net profit for the six months ended 30 June 2022 decreased by approximately 74.0% to approximately RMB56.2 million from approximately RMB216.5 million for the six months ended 30 June 2021; the profit attributable to owners of the Company for the six months ended 30 June 2022 decreased by approximately 76.7% to approximately RMB48.8 million from approximately RMB209.1 million for the six months ended 30 June 2021.

## Vertical and Horizontal Coordination and Extension of Service Chains

During the reporting period, the Group had been strongly emphasizing service quality, and focused on the "Whole portfolio and Whole cycle" (全業態、全周期) high-quality service scenarios. We vertically conducted in-depth research on the scope of our services and horizontally extended their boundaries. With the release of the four product portfolios, namely "Prosperity Life" (美好生活), "Prosperity Commerce" (美好商務), "Prosperity Recreation" (美好文體) and "Prosperity City" (美好城市), and two brand new business product portfolios in the empowerment segments, namely "Prosperity Wisdom" (美好智薈) and "Prosperity FUN" (美好FUN), our corporate brand value has been enhanced.

In respect of the residential properties business, the Group introduced the premium, mid-to-high-end and ultra-high end housekeeping service standards with "Prosperity is underway" (美好正在發生) as the mainstream service. By gaining an insight into the diversifying needs of customers from different business portfolios and levels, we effectively satisfied our customers' pursuit on living environment and quality, and constantly enhance the loyalty and trust of our property owners in the brand of us as a property management enterprise.

In respect of the commercial and office building business, focusing on the four-dimensional values of space, atmosphere, service and linkage, the Group created the "Five-senses-and-six-feelings and 20-Hertz" (五感六覺和20赫茲) service experience. We introduced two service portfolios, namely T-series and S-series under Prosperity Commerce which integrate asset management and property services and strike a best balance between premium business services and the medium- and long-term net profit of the enterprise. The ultimate goal is to realize preservation and appreciation of customer asset value.



In respect of the community creation and enhancement of residents' experience, through the creation of service portfolios including the "Prosperity Convention" (美好公約), "Firefly Program" (螢火蟲計劃), "Kaisa's Neighbors" (佳鄰佳親) and "Stary Shining Community" (閃亮紅星特色社區), Kaisa Prosperity fostered the Kaisa-exclusive humanistic features.

In addition to the maintenance of foundatal service quality, the Group also responded to the ideas of "enhancing the novel urbanization strategy, whereby the quality of urbanization development can be uplifted; continuously improving the scientific, sophisticated and intelligent level of urban governance and promoting the modernization of urban social governance" specified in the "14th Five-Year Plan" (十四五規劃綱要). With collaborative operation as our key approach, we proactively look for private enterprises or government cooperation platforms with scalable asset for in-depth strategic cooperation. With reference to the existing cases of urban comprehensive services offering, we provide local urban services to local cities through combined offering of local property management services and urban services. At the same time, by utilizing the local advantages of regional companies and the resources of joint venture platforms, we proactively explore appropriate entry point for local urban services offering, expand our plans for urban management services and create our core service products, gradually forming a brand with unique advantages.

### **Jiake Intelligent Continuously Making Efforts in Third-party Market Expansions**

Shenzhen Jiake Intelligent Technology Co. Ltd. ("**Jiake Intelligent**") (深圳市佳科智能科技有限公司), a smart solution service provider under the Group, has been included in the qualified supplier database by 315 real estate developers. During the reporting period, the Group continued to develop the intelligent third-party market. In February 2022, Jiake Intelligent successfully contracted with Qianhai China Resources Financial Center, Shenzhen for the intelligent works for T3 Hotel Project\* (深圳前海華潤金融中心T3酒店項目智能化工程). The signing of this contract broadened the business scope of Jiake Intelligent in respect of high-end business management in first-tier cities. In March 2022, Jiake Intelligent also contracted with Rongmin Holdings, a leading enterprise in Shaanxi, for the intelligent project in Datang Health Townlet\* (大唐養生小鎮智能化項目), with a project area of approximately 460,000 sq.m.. In April 2022, Jiake Intelligent further contracted with Rongsheng Group for Rongsheng's Wenbo Project in Foshan\* (佛山榮盛文博府項目) to achieve the strategic goal of long-term cooperation between both parties.

### **Strategic Adjustment in Value-added Services and Continuous Innovative Development by Adhering to Aspirations**

During the reporting period, although the short-term static management arising from the COVID-19 pandemic and the drastic change in the real estate industry have brought some difficulties to the promotion of value-added business, the management team proactively responded to the challenges, actively adjusted their strategies and adhering to their aspirations for innovative development, and hence this business segment remained resilient. The Group continued to adhere to the values of community value-added services and its business logic and has been persistent in focusing on the living needs of property owners and residents. Organizing our business from the service perspective, we provide comprehensive experience of happy living for property owners and residents.

\* For identification purpose only

Ever since its launch last year, the community value-added service brand of “K Series Living” (小K生活) has been gradually recognized by the market. The categories served by “K Series Living” also continued to develop horizontally from covering ten kinds of services at its launch to various aspects in community life. As such, our team will carry out strategic subdivision and reconstruction for the “K Series Living” service brand and expand the “K Series Living” sub-brands, so that the “K Series Living” brand can reach closer to the daily living of property owners and residents and provide more professional community living services.

## **OUTLOOK**

Over the past year, the upstream and downstream of the property management industry have experienced unprecedented changes and challenges. We believe, however, despite the short-term pains brought about by such ups and downs, once the whole industry manages to strike a balance anew, its vitality will be regained ever again.

Focusing on the present, Kaisa Prosperity takes its responsibilities and missions endowed by this era and stands firmly in the forefront of the industry development. With dedication to working hard and making breakthroughs, the Group put its corporate mission of “Serving Beautiful China” into practice by working hand in hand with its partners to create greater value for society. Meanwhile, the “Opinions on Further Promoting the Construction of Smart Communities” (《關於深入推進智慧社區建設的意見》) issued by 9 departments including the Ministry of Civil Affairs in May 2022 also provided the industry with direction of innovative development, pointing out that by 2025, an intelligent community service platform featuring grid management, refined services, informationalized support, and open sharing will be basically built up; a new digital community of intelligent sharing and harmonious co-governance will be preliminarily created, in which the level of social governance and service intellectualization will be significantly enhanced. Jiake Intelligent under Kaisa Prosperity will also devote itself into the urban ancillary construction services such as new infrastructure and automated unmanned driving, tightly grasping the new trend of scientific and technological innovation of urban facilities to expand its development.

In the future, we will continue to operate solidly and steadily. In a continuously changing environment, we are confident in performing our corporate responsibilities and giving back to the society through various means to bring returns to 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 more than 22 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

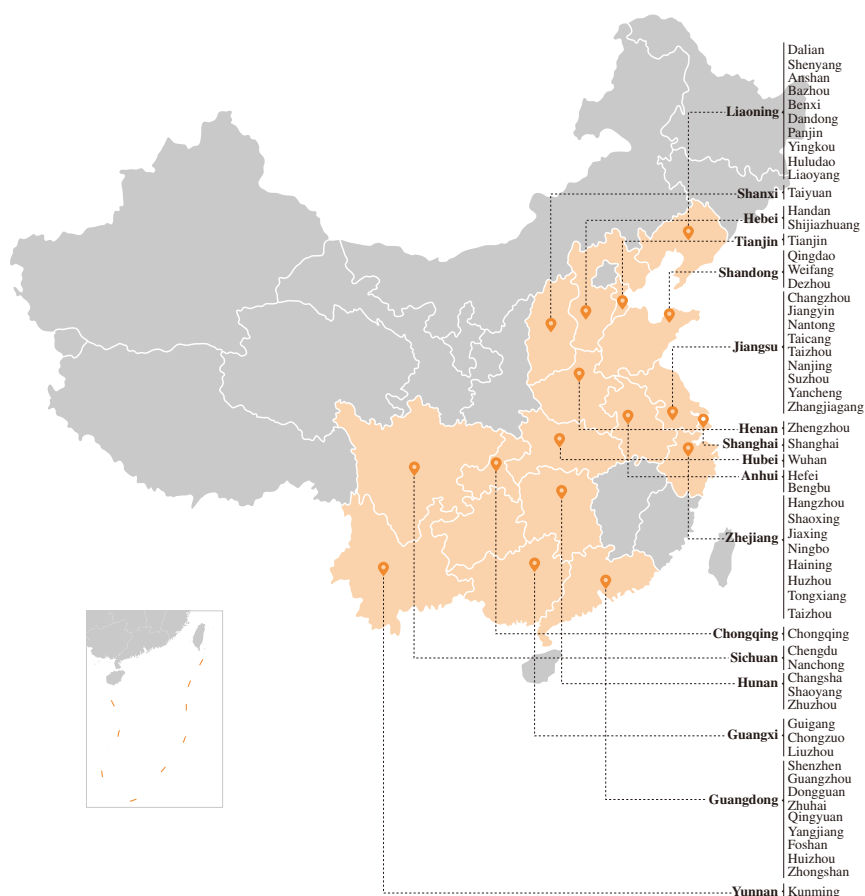
As of 30 June 2022, the Group's property management services covered 58 cities across 17 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 93.0 million sq.m. and a total of 657 managed properties, comprising 297 residential communities and 360 non-residential properties, showing diversified property portfolio. We aim to accelerate development of public urban services and transform into a holistic management services provider.

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 2022</b>	<b>As of 31 December 2021</b>
Contracted GFA ('000 sq.m.)	121,177	126,894
GFA under management ('000 sq.m.)	93,034	90,267
Number of managed properties	<u>657</u>	<u>672</u>

## Geographic Coverage

The map below illustrates the geographic coverage of our managed properties as of 30 June 2022:



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 2022		As of 31 December 2021	
	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	18,556	102	17,809	99
Yangtze River Delta	55,957	465	53,744	481
Bohai Economic Rim	5,967	39	6,192	42
Western China	8,371	32	8,309	30
Central China	4,183	19	4,213	20
<b>Total</b>	<b>93,034</b>	<b>657</b>	<b>90,267</b>	<b>672</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:

	As of 30 June 2022		As of 31 December 2021	
	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	90,267	672	57,494	435
New engagement	10,424	64	28,639	198
Acquisition	0	0	10,925	84
Termination	(7,657)	(79)	(6,791)	(45)
<b>Total</b>	<b>93,034</b>	<b>657</b>	<b>90,267</b>	<b>672</b>

### 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 recovered the expenses incurred in connection with providing property management services.

The table below sets forth the breakdowns 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 2022			As of 31 December 2021		
	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	53,460	57.5	297	52,824	58.5	300
Non-residential properties	39,574	42.5	360	37,443	41.5	372
<b>Total</b>	<b>93,034</b>	<b>100.0</b>	<b>657</b>	<b>90,267</b>	<b>100.0</b>	<b>672</b>

The table below sets forth the breakdowns 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 2022			As of 31 December 2021		
	GFA under management ('000 sq.m.)	Percentage %	Number of properties	GFA under management ('000 sq.m.)	Percentage %	Number of properties
Property management services (lump-sum basis)	66,401	71.4	485	64,786	71.8	516
Property management services (commission basis)	26,633	28.6	172	25,481	28.2	156
<b>Total</b>	<b>93,034</b>	<b>100.0</b>	<b>657</b>	<b>90,267</b>	<b>100.0</b>	<b>672</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 2022, 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 2022			As of 31 December 2021		
	GFA under management ('000 sq.m.)	Percentage %	Number of properties	GFA under management ('000 sq.m.)	Percentage %	Number of properties
Properties developed by the Kaisa Group	34,332	36.9	160	33,625	37.3	155
Properties developed by independent third-party property developers	58,702	63.1	497	56,642	62.7	517
<b>Total</b>	<b>93,034</b>	<b>100.0</b>	<b>657</b>	<b>90,267</b>	<b>100.0</b>	<b>672</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 2022, revenue generated from pre-delivery and consulting services amounted to approximately RMB140.8 million, accounting for approximately 15.6% of the Group's total revenue and representing a decrease of approximately 74.5% as compared to approximately RMB552.5 million for the six months ended 30 June 2021. Such decrease was primarily due to the impact of national macro policies, market conditions in the real estate industry and COVID-19 pandemic during the period, the demand for services by property developers decreased.

### 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 continued to intensify its development in community value-added services. The "K Series Living" has also expanded from covering ten aspects when launched last year to covering every aspect of community life.

For example, as new energy vehicles are becoming the ultimate application scenario in response to China's major strategy of "Carbon peaking and Carbon neutrality" (碳達峰、碳中和), the number of new energy vehicles in the communities has gradually increased. To better provide safe, efficient, convenient and practical battery charging services for property owners and residents, the Group will launch K-Charging\* (小K充電) as an important layout for the new energy-related market.

Moreover, due to the recurrent COVID-19 in the past two years, people have attached greater importance on hygiene and health, and online consumption and offline services have been frequently used due to the closed-loop management of the communities under the pandemic conditions. In combination with this trend, the Group's community value-added service team will also refine the categories of K-Delivery\* (小K到家) and K-Commercial and Office Buildings\* (小K商寫), focusing on housekeeping, cleaning, disinfection, pest control and other services. At the same time, the Group will improve the online platform functions, and all services of "K Series Living" will be carried out in a way of online and offline integration. In addition, the promotion of in-community service demand traffic has always been our important task. We will promote our key services, such as K-Group Buying\* (小K團購), K-Choice Goods\* (小K優選), K-Decoration\* (小K美居), K-Lease & Sale\* (小K租售), K-Delivery and K-Commercial and Office Buildings, by using innovative marketing channels of combining short video, live broadcast and community operation with offline promotion programs, to create a more efficient community business promotion channel, so that "K Series Living" can better serve property owners and residents and deepen the feeling of a better life.

Revenue from community value-added services primarily include fees generated from the car parking, space leasing and other value-added services through both offline and online channels. During the reporting period, the total revenue of community value-added services was approximately RMB73.4 million, representing a decrease of 24.8% period to period. Such decrease was primarily due to the impact of COVID-19 pandemic during the period, the delivery of community value-added services had been affected.



## **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 diversify the Group’s revenue sources. This lays a solid foundation and develops strong brand reputation for us in providing smart city solutions for more cities in the future, thereby creating shared values with our business partners.

### **Continue to Develop the Intelligent Third-Party Market and Expand the Product Category With Technological Empowerment**

During the reporting period, the Group continued to make efforts in the intelligent third-party market. Jiake Intelligent, a smart solution service provider under the Group, has been included on the list of qualified suppliers by 315 real estate developers. At the same time, with further upgrade and expansion of products, Jiake Intelligent has enhanced its property management quality with technological empowerment. A new marketing approach featuring short video products was introduced as a new marketing channel. By publishing short videos on Tik Tok, Kuaishou, and etc. and livestream marketing to achieve traffic accumulation, a new direction for product retail was explored.

Since 2022, Jiake Intelligent has introduced the unmanned car park system and related products, which helped to achieve the purpose of cost reduction and efficiency enhancement in property management and made significant contribution to safety and pandemic prevention. At the same time, the self-developed high-altitude parabolic intelligent monitoring system, has been widely installed and used in many projects. During the trial operation, the intelligent monitoring system successfully reduced the occurrence of high-altitude parabolic within the project areas by approximately 85% and greatly reduced the investment of manpower and material resources for supervision, which enabled safe and all-round management and control. Intelligent door lock products of Jiake Intelligent are developed and upgraded from the original foundation, with more diversified functions and significant enhancement in safety coefficient, which provides protection for the security of empty homes.

## 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 decreased by approximately 32.3% from approximately RMB1,325.0 million for the six months ended 30 June 2021 to approximately RMB897.1 million for the six months ended 30 June 2022.

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

	Six months ended 30 June		2021		Changes	
	2022		2021			
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	<b>618,680</b>	<b>69.0</b>	565,223	42.7	53,457	9.5
Pre-delivery and consulting services	<b>140,760</b>	<b>15.6</b>	552,530	41.6	(411,770)	(74.5)
Community value-added services	<b>73,426</b>	<b>8.2</b>	97,582	7.4	(24,156)	(24.8)
Smart solution services	<b>64,261</b>	<b>7.2</b>	109,634	8.3	(45,373)	(41.4)
Total	<b><u>897,127</u></b>	<b><u>100.0</u></b>	<u>1,324,969</u>	<u>100.0</u>	<u>(427,842)</u>	<u>(32.3)</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 9.5% from approximately RMB565.2 million for the six months ended 30 June 2021 to approximately RMB618.7 million for the six months ended 30 June 2022. Such increase was primarily attributable to the increase in the total GFA under management resulting from the business expansion.

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, decreased by approximately 74.5% from approximately RMB552.5 million for the six months ended 30 June 2021 to approximately RMB140.8 million for the six months ended 30 June 2022. Such decrease was primarily due to the impact of national macro-economic policies, market conditions in the real estate industry and COVID-19 pandemic during the period, the demand for services by property developers decreased.

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, decreased by approximately 24.8% from approximately RMB97.6 million for the six months ended 30 June 2021 to approximately RMB73.4 million for the six months ended 30 June 2022. Such decrease was primarily due to the impact of COVID-19 pandemic during the period, the delivery community value-added services had been affected.

Revenue from smart solution services, which primarily include fees for installation and maintenance services, decreased by approximately 41.4% from approximately RMB109.6 million for the six months ended 30 June 2021 to approximately RMB64.3 million for the six months ended 30 June 2022. Such decrease was primarily due to the impact of national macro policies, market conditions in the real estate industry and COVID-19 pandemic during the period, which caused the slowdown in construction progress.

### 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 decreased by approximately 24.6% from approximately RMB892.7 million for the six months ended 30 June 2021 to approximately RMB673.1 million for the six months ended 30 June 2022. Such decrease was primarily attributable to the reduction of business scale of pre-delivery and consulting services and smart solution services for the six months ended 30 June 2022.

### Gross Profit and Gross Profit Margin

The overall gross profit of the Group decreased by approximately 48.2% from approximately RMB432.3 million for the six months ended 30 June 2021 to approximately RMB224.1 million for the six months ended 30 June 2022. The overall gross profit margin of the Group decreased by approximately 7.6 percentage points from approximately 32.6% for the six months ended 30 June 2021 to approximately 25.0% for the six months ended 30 June 2022. 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		2021	Gross Profit Margin %	Changes	
	2022	Gross Profit Margin %			Gross Profit RMB'000	Amount RMB'000
Property management services	<b>138,396</b>	<b>22.4</b>	168,349	29.8	(29,953)	(17.8)
– Lump-sum basis	<b>111,843</b>	<b>18.9</b>	142,678	26.4	(30,835)	(21.6)
– Commission basis	<b>26,553</b>	<b>100.0</b>	25,671	100.0	882	3.4
Pre-delivery and consulting services	<b>31,469</b>	<b>22.4</b>	171,631	31.1	(140,162)	(81.7)
Community value-added services	<b>44,604</b>	<b>60.7</b>	58,495	59.9	(13,891)	(23.7)
Smart solution services	<b>9,583</b>	<b>14.9</b>	33,798	30.8	(24,215)	(71.6)
<b>Total</b>	<b>224,052</b>	<b>25.0</b>	<b>432,273</b>	<b>32.6</b>	<b>(208,221)</b>	<b>(48.2)</b>

1) *Property management services*

Gross profit margin of the Group's property management services decreased by approximately 7.4 percentage points from approximately 29.8% for the six months ended 30 June 2021 to approximately 22.4% for the six months ended 30 June 2022. The decrease was primarily due to (i) an increase in the proportion of the property management service fees charged under lump-sum basis in the revenue generated from property management services with a lower profit margin as compared to those charged under commission basis and (ii) the rise of property management costs as a result of the continuous improvement of our service quality.

2) *Pre-delivery and consulting services*

Gross profit margin of the Group's pre-delivery and consulting services dropped by approximately 8.7 percentage points from approximately 31.1% for the six months ended 30 June 2021 to approximately 22.4% for the six months ended 30 June 2022. The decrease was mainly due to the impact of national macro policies, market conditions in the real estate industry and COVID-19 pandemic during the period, and hence the proportion of pre-delivery and consulting service projects with higher gross profit margins decreased.

3) *Community value-added services*

Gross profit margin of the Group's community value-added services rose by approximately 0.8 percentage points from approximately 59.9% for the six months ended 30 June 2021 to approximately 60.7% for the six months ended 30 June 2022. Such gross profit margin remained relatively stable.

4) *Smart solution services*

Gross profit margin of the Group's smart solution services decreased by approximately 15.9 percentage points from approximately 30.8% for the six months ended 30 June 2021 to approximately 14.9% for the six months ended 30 June 2022. The decrease was primarily due to the impact of national macro policies, market conditions in the real estate industry and COVID-19 pandemic during the period, the proportion of smart solution service projects with higher gross profit margins decreased.

## **Selling and Marketing Expenses**

Selling and marketing expenses of the Group increased by approximately 16.3% from approximately RMB4.9 million for the six months ended 30 June 2021 to approximately RMB5.7 million for the six months ended 30 June 2022. The increase was mainly due to the Group's increased market expansion efforts of property management services.

## Administrative Expenses

Administrative expenses of the Group increased by approximately 6.4% from approximately RMB113.1 million for the six months ended 30 June 2021 to approximately RMB120.3 million for the six months ended 30 June 2022, primarily due to the increase in the total GFA under management.

## Income Tax Expenses

Income tax expenses of the Group decreased by approximately 74.1% from approximately RMB75.7 million for the six months ended 30 June 2021 to approximately RMB19.6 million for the six months ended 30 June 2022, primarily due to the decrease of profit before income tax for the six months ended 30 June 2022.

## Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income for the period of the Group decreased by approximately 74.0% from approximately RMB216.5 million for the six months ended 30 June 2021 to approximately RMB56.2 million for the six months ended 30 June 2022, primarily due to the reduction of business scale of pre-delivery and consulting services and smart solution services for the six months ended 30 June 2022.

## Adjusted Profit for the Period

Adjusted profit is defined as profit and total comprehensive income for the period before the share-based compensation and fair value loss on financial assets at fair value through profit or loss charged to the statement of profit or loss. The Company believes that separate analysis, excluding the impact of these financial 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 six months ended 30 June 2022 decreased by 75.3% to approximately RMB61.3 million from approximately RMB247.7 million for the six months ended 30 June 2021. The reconciliation of the adjusted profit for the period are set out as below:

	Six months ended 30 June		Change %
	2022 RMB'000	2021 RMB'000	
Profit and total comprehensive income for the six months ended 30 June	56,182	216,462	(74.0)
Share option expense	4,647	6,025	(22.9)
Fair value loss on financial assets at fair value through profit or loss	430	25,208	(98.3)
Adjusted profit for the six months ended 30 June	<u>61,259</u>	<u>247,695</u>	<u>(75.3)</u>

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

As of 30 June 2022, the Group's cash and bank balances was approximately RMB196.2 million, represented a decrease of approximately RMB161.8 million from approximately RMB358.0 million as of 31 December 2021, primarily due to the slow recovery of trade receivables and payment for consideration payable related to acquisition of subsidiaries.

The Group maintained a sound financial position, the net current assets of the Group increased by approximately RMB38.1 million from approximately RMB449.6 million as of 31 December 2021 to approximately RMB487.7 million as of 30 June 2022. As of 30 June 2022, the Group's current ratio (current assets/current liabilities) was approximately 1.61 (31 December 2021: approximately 1.51).

As of 30 June 2022, the Group did not have any other loans or borrowings (31 December 2021: nil).

## **Goodwill**

As of 30 June 2022, 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) and 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 2022.

## **Right-of-Use Assets**

As of 30 June 2022, the Group recorded right-of-use assets of approximately RMB206.8 million (31 December 2021: RMB217.3 million) which are mainly used by the Group to provide property management services and sublease the non-residential properties for rental income.

## **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 RMB108.7 million from approximately RMB738.5 million as of 31 December 2021 to approximately RMB847.2 million as of 30 June 2022, primarily due to the increase in trade receivables from property management services as a result of the increase in the total GFA under management.

Other receivables mainly consist of deposits, prepayments, payments on behalf of staff and payments on behalf of residents under lump-sum basis. Other receivables of the Group increased by approximately RMB6.0 million from approximately RMB61.5 million as of 31 December 2021 to approximately RMB67.5 million as of 30 June 2022, and the aggregated amount remained relatively stable.

## **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 RMB4.6 million from approximately RMB53.0 million as of 31 December 2021 to approximately RMB57.6 million as of 30 June 2022, primarily due to the increase in the total GFA under management of the Group under commission basis.

## **Trade and Other Payables**

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 RMB53.9 million from approximately RMB247.8 million as of 31 December 2021 to approximately RMB193.9 million as of 30 June 2022, primarily due to the reduction of business scale of pre-delivery and consulting and smart solution services.

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 charged on a commission basis and the Group managed such fees collectively in its headquarters. The remaining balances of other payables of the Group decreased by approximately RMB6.4 million from approximately RMB358.0 million as of 31 December 2021 to approximately RMB351.6 million as of 30 June 2022.

## **Capital Commitments**

As of 30 June 2022, the Group did not have any material capital commitment (31 December 2021: nil).

## **Pledge of Asset**

As of 30 June 2022, none of the assets of the Group were pledged (31 December 2021: nil).

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

The Group did not have any material acquisitions or disposals of assets for the six months ended 30 June 2022.

## **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 2022, and as of 31 December 2021 respectively as there was no interest-bearing borrowings.

## **Contingent Liabilities**

As of 30 June 2022, the Group did not have any contingent liabilities (31 December 2021: nil).

## **Foreign Exchange Risk**

The Group primarily conducts its business in the PRC and in Renminbi. As of 30 June 2022, cash and bank balances denominated in Hong Kong dollar (“**HKD**”) and United States Dollar (“**USD**”) were approximately RMB13.6 million, 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 2022, the Group had 12,630 employees (31 December 2021: 12,871 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 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 since the end of the reporting period 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 accounting policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022. In addition, the independent auditor of the Company, Elite Partners CPA Limited, has reviewed the unaudited interim results for the six months ended 30 June 2022 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 2022.

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 2022, 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 2022 (30 June 2021: nil).

## **PUBLICATION OF THE 2022 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The Company's interim report for the six months ended 30 June 2022 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, 30 August 2022

*As at the date of this announcement, the executive Directors are Mr. Liao Chuanqiang, Mr. Li Haiming, Mr. Nie Qiang, Ms. Guo Li, and Mr. Zhao Jianhua; and the independent non-executive Directors are Mr. Liu Hongbai, Ms. Ma Xiumin and Mr. Chen Bin.*