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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)**

### **AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **ANNUAL RESULTS HIGHLIGHTS**

- Total revenue for the year ended 31 December 2022 decreased by approximately 33.1% to approximately RMB1,783.9 million from approximately RMB2,666.4 million for the year ended 31 December 2021.
- Profit for the year ended 31 December 2022 increased by approximately 56.5% to approximately RMB106.6 million from approximately RMB68.1 million for the year ended 31 December 2021.
- Profit attributable to owners of the Company for the year ended 31 December 2022 increased by approximately 64.4% to approximately RMB93.4 million from approximately RMB56.8 million for the year ended 31 December 2021.
- As at 31 December 2022, the total contracted GFA and the total GFA under management amounted to approximately 132.7 million sq.m. and 94.5 million sq.m. respectively, representing an increase of approximately 4.6% and an increase of approximately 4.7%, respectively, as compared to approximately 126.9 million sq.m. and 90.3 million sq.m. as at 31 December 2021 respectively.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces the audited annual consolidated financial results of the Group for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2021.

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

For the year ended 31 December 2022

|  | <i>Notes</i> | <b>2022</b><br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|--|--------------|-------------------------------|------------------------|
| <b>Revenue</b>   | 4            | <b>1,783,883</b>              | 2,666,440              |
| Direct operating expenses  |              | <u>(1,312,776)</u>            | <u>(1,877,541)</u>     |
| <b>Gross profit</b>  |              | <b>471,107</b>                | 788,899                |
| Selling and marketing expenses   |              | <b>(10,395)</b>               | (13,243)               |
| Administrative expenses  |              | <b>(229,366)</b>              | (245,359)              |
| Provision for loss allowance on financial assets and contract assets                         |              | <b>(125,372)</b>              | (142,441)              |
| Other gains, net   | 5            | <u>24,391</u>                 | <u>4,890</u>           |
| <b>Operating profit</b>  |              | <b>130,365</b>                | 392,746                |
| Change in fair value on financial assets at fair value through profit or loss                |              | <b>(1,215)</b>                | (53,549)               |
| Loss on disposal of financial assets at fair value through profit or loss                    |              | –                             | (159,301)              |
| Loss on termination of an acquisition transaction  |              | –                             | (63,920)               |
| Share of results of associates   |              | <b>10,530</b>                 | 18,846                 |
| Finance (cost)/income, net   | 6            | <u>(770)</u>                  | <u>228</u>             |
| <b>Profit before income tax</b>  | 7            | <b>138,910</b>                | 135,050                |
| Income tax expenses  | 8            | <u>(32,315)</u>               | <u>(66,929)</u>        |
| <b>Profit and total comprehensive income for the year</b>                                    |              | <u><b>106,595</b></u>         | <u>68,121</u>          |
| <b>Profit and total comprehensive income attributable to:</b>                                |              |                               |                        |
| Owners of the Company  |              | <b>93,385</b>                 | 56,806                 |
| Non-controlling interests  |              | <u>13,210</u>                 | <u>11,315</u>          |
|  |              | <u><b>106,595</b></u>         | <u>68,121</u>          |
| <b>Earnings per share attributable to owners of the Company (expressed in RMB per share)</b> |              |                               |                        |
| Basic  | 9(a)         | <b>0.61</b>                   | 0.37                   |
| Diluted  | 9(b)         | <u><b>0.61</b></u>            | <u>0.36</u>            |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

|  | <i>Notes</i> | <b>2022</b><br><b>RMB'000</b> | 2021<br>RMB'000  |
|--|--------------|-------------------------------|------------------|
| <b>ASSETS AND LIABILITIES</b>                |              |                               |                  |
| <b>Non-current assets</b>                    |              |                               |                  |
| Property, plant and equipment                |              | 23,559                        | 25,131           |
| Intangible assets                            |              | 31,456                        | 36,942           |
| Goodwill                                     |              | 160,828                       | 160,828          |
| Right-of-use assets                          | 11           | 200,566                       | 217,306          |
| Financial assets                             | 12           | 342,731                       | 343,946          |
| Investment in associates                     |              | 53,233                        | 37,803           |
| Other receivables                            |              | 6,440                         | 14,839           |
| Deferred tax assets                          |              | 89,576                        | 57,929           |
|  |              | <u>908,389</u>                | <u>894,724</u>   |
| <b>Current assets</b>                        |              |                               |                  |
| Trade receivables                            | 13           | 828,845                       | 738,521          |
| Other receivables                            |              | 66,828                        | 61,510           |
| Payments on behalf of residents              |              | 79,192                        | 52,992           |
| Contract assets                              |              | 113,636                       | 112,934          |
| Amounts due from related parties             |              | 3,963                         | 1,088            |
| Restricted cash                              |              | 491                           | 517              |
| Cash and cash equivalents                    |              | 247,320                       | 357,995          |
|  |              | <u>1,340,275</u>              | <u>1,325,557</u> |
| <b>Current liabilities</b>                   |              |                               |                  |
| Trade payables                               | 14           | 190,992                       | 247,820          |
| Other payables                               | 14           | 324,373                       | 358,041          |
| Contract liabilities                         |              | 206,126                       | 166,972          |
| Amounts due to related parties               |              | 9,629                         | 6,939            |
| Lease liabilities                            |              | 5,362                         | 6,089            |
| Income tax payable                           |              | 74,957                        | 90,102           |
|  |              | <u>811,439</u>                | <u>875,963</u>   |
| <b>Net current assets</b>                    |              | <u>528,836</u>                | <u>449,594</u>   |
| <b>Total assets less current liabilities</b> |              | <u>1,437,225</u>              | <u>1,344,318</u> |

|   | <i>Notes</i> | <b>2022</b><br><b>RMB'000</b> | 2021<br><i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| <b>Non-current liabilities</b>                      |              |                               |                        |
| Other payables                                      | <i>14</i>    | <b>18,548</b>                 | 31,722                 |
| Lease liabilities                                   |              | <b>10,051</b>                 | 12,430                 |
| Deferred tax liabilities                            |              | <b>11,864</b>                 | 13,236                 |
|   |              | <u><b>40,463</b></u>          | <u>57,388</u>          |
| <b>Net assets</b>                                   |              | <u><b>1,396,762</b></u>       | <u>1,286,930</u>       |
| <b>EQUITY</b>                                       |              |                               |                        |
| Share capital                                       |              | <b>1,361</b>                  | 1,361                  |
| Reserves  |              | <b>1,332,790</b>              | 1,233,616              |
|   |              | <u><b>1,334,151</b></u>       | <u>1,234,977</u>       |
| <b>Equity attributable to owners of the Company</b> |              | <b>1,334,151</b>              | 1,234,977              |
| Non-controlling interests                           |              | <b>62,611</b>                 | 51,953                 |
|   |              | <u><b>1,396,762</b></u>       | <u>1,286,930</u>       |
| <b>Total equity</b>                                 |              | <u><b>1,396,762</b></u>       | <u>1,286,930</u>       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 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.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group’s consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss (“**FVTPL**”) and financial assets at fair value through other comprehensive income (“**FVTOCI**”) which are stated at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

### 3. APPLICATION OF AMENDMENT TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

|                       |  |
|-----------------------|--|
| Amendments to HKFRS 3 | Reference to contracts and related Amendment                 |
| Amendment 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 application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

#### New and amendment to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

|   |  |
|---|--|
| HKFRS 17 (including the October 2020 and February 2022) | Insurance Contracts <sup>1</sup>   |
| Amendments to HKFRS 10 and HKAS 28                      | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>                               |
| Amendments to HKAS 1                                    | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2     | Disclosure of Accounting Policies <sup>1</sup>   |
| Amendments to HKAS 8                                    | Definition of Accounting Estimates <sup>1</sup>  |
| Amendments to HKAS 12                                   | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>                                    |
| Amendments to HKFRS 16                                  | Lease Liability in a Sale and Leaseback <sup>3</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective date not yet determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024

The directors anticipate that applicable pronouncements will be adopted in the Group’s accounting policy for the first period beginning on or after the effective date of the pronouncement and do not expect the pronouncement will have a material impact on the Group’s consolidated financial statements in the foreseeable future.

#### 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 years ended 31 December 2022 and 2021 are as follows:

|   | 2022               |  | 2021                   |  |
|---|--------------------|--|------------------------|--|
|   | Revenue<br>RMB'000 | Direct<br>operating<br>expenses<br>RMB'000 | Revenue<br>RMB'000     | Direct<br>operating<br>expenses<br>RMB'000 |
| <b>Type of services</b>                 |                    |  |                        |  |
| Property management services            | 1,248,191          | 964,885                                    | 1,196,469              | 893,109                                    |
| Pre-delivery and consulting<br>services | 239,941            | 182,324                                    | 1,072,147              | 752,538                                    |
| Community value-added services          | 155,495            | 51,946                                     | 182,164                | 90,211                                     |
| Smart solution services                 | 140,256            | 113,621                                    | 215,660                | 141,683                                    |
|   | <u>1,783,883</u>   | <u>1,312,776</u>                           | <u>2,666,440</u>       | <u>1,877,541</u>                           |
|   |                    |  | <b>2022</b><br>RMB'000 | 2021<br>RMB'000                            |
| <b>Timing of revenue recognition</b>    |                    |  |                        |  |
| – recognise over time                   |                    |  | 1,740,812              | 2,614,169                                  |
| – recognise at a point in time          |                    |  | <u>43,071</u>          | <u>52,271</u>                              |
|   |                    |  | <u>1,783,883</u>       | <u>2,666,440</u>                           |

For the year ended 31 December 2022, revenue from Kaisa Holdings and its subsidiaries (the “**Kaisa Group**”) and its associates and joint ventures contributed 19% (2021: 45%) 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 years ended 31 December 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 year.

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

|                    | <b>2022</b><br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|--------------------|-------------------------------|------------------------|
| Within one year    | <b>123,073</b>                | 131,126                |
| More than one year | <b>104,748</b>                | 130,773                |
|                    | <b><u>227,821</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 constraint.

#### 4.2 Segment information

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

For the years ended 31 December 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 allocations. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all the Group’s revenue were derived in the PRC for the years ended 31 December 2022 and 2021.

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

#### 5. OTHER GAINS, NET

|   | <b>2022</b><br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Unconditional government subsidy income   | <b>21,234</b>                 | 8,937                  |
| Net losses on disposal of property, plant and equipment   | <b>(1,035)</b>                | (123)                  |
| Trade and other receivables and payment on behalf of residents recovered/(written off) as uncollectible | <b>2,652</b>                  | (423)                  |
| Exchange gains/(losses), net  | <b>254</b>                    | (4,426)                |
| Others  | <b>1,286</b>                  | 925                    |
|   | <b><u>24,391</u></b>          | <u>4,890</u>           |



## 6. FINANCE (COST)/INCOME, NET

|   | 2022<br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| <b>Finance income</b>                       |                        |                        |
| Interest income from loans to third parties | –                      | 1,041                  |
| <b>Finance expenses</b>                     |                        |                        |
| Interest expense of lease liabilities       | (770)                  | (813)                  |
| Finance (cost)/income, net                  | <u>(770)</u>           | <u>228</u>             |

## 7. PROFIT BEFORE INCOME TAX

|  | 2022<br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Profit before income tax has been arrived at after charging:   |                        |                        |
| Staff costs – including directors' emoluments  |                        |                        |
| – Included in direct operating expenses  | 691,959                | 1,120,644              |
| – Included in administrative expenses  | 167,040                | 194,079                |
| Cost in relation to smart solution services  | 113,621                | 140,677                |
| Lease charges on short term leases   | 15,975                 | 53,028                 |
| Other taxes  | 8,238                  | 12,433                 |
| Business entertainment expenses  | 7,632                  | 8,795                  |
| Depreciation   |                        |                        |
| – Property, plant and equipment  | 6,876                  | 6,819                  |
| – Right-of-use assets  | 19,925                 | 6,630                  |
| Amortisation of intangible assets  | 5,486                  | 5,487                  |
| Legal and professional fees  | 5,210                  | 6,458                  |
| Loss on termination of an acquisition transaction  | –                      | 63,920                 |
| Office expenses  | 16,636                 | 17,018                 |
| Change in fair value on financial assets at fair value through profit or loss                            | 1,215                  | 53,549                 |
| Loss on disposal of financial asset at fair value through profit or loss                                 | –                      | 159,301                |
| Provision for loss allowance   |                        |                        |
| – Trade receivables  | 118,990                | 129,403                |
| – Deposits, other receivables and payments on behalf of residents (excluding prepayments)                | 2,293                  | 1,117                  |
| – Contract assets  | 4,089                  | 11,921                 |
| Trade and other receivables and payments on behalf of residents (recovered)/written off as uncollectible | (2,652)                | 423                    |
| Travelling expenses  | <u>3,851</u>           | <u>4,862</u>           |

## 8. INCOME TAX EXPENSES

|                            | 2022<br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|----------------------------|------------------------|------------------------|
| Current income tax         |                        |                        |
| – PRC Corporate Income Tax | 65,334                 | 117,277                |
| Deferred tax               | <u>(33,019)</u>        | <u>(50,348)</u>        |
|                            | <u>32,315</u>          | <u>66,929</u>          |

## **PRC Corporate Income Tax**

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.

The general corporate income tax rate in the PRC is 25%. Provision for the PRC Corporate Income Tax for Kaisa Property Management (Chengdu) Co., Ltd.\* (“成都市佳兆業物業管理有限公司”), Kaisa Property Management (Chongqing) Co., Ltd.\* (“重慶市佳兆業物業管理有限公司”) and Kaisa Property Management (Liuzhou) Co., Ltd.\* (“柳州佳兆業物業管理有限公司”) are calculated at 15% of the estimated assessable profits for both years ended 31 December 2022 and 2021. Those companies are qualified as the company under the development strategy of the PRC’s western region and are able to enjoy a preferential income tax rate of 15%.

Shenzhen Jiake Intelligence Technology Co., Ltd.\* (“深圳市佳科智能科技有限公司”) has obtained the certificate of “High and New Technology Enterprise” (“HNTTE”) in December 2017, and it is subject to a reduced preferential enterprise income tax rate of 15% for 3-years period from 2017 to 2019. In December 2020, it has extended the status of HNTTE and subjected to a reduced preferential enterprise income tax rate of 15% for 3-years period from 2020 to 2022.

For certain group entities engaged in property management services (“**The PM Entities**”), pursuant to relevant local tax regulations in the PRC, the Group has elected to file consolidated tax return for the PM Entities incorporating assessable profit and tax losses attributable to the PM Entities as well as certain communities which are managed by the PM Entities under commission basis. As a result of such arrangement, the Group is able to temporarily utilise tax losses of loss making communities, resulting in deferral of payment of certain provision.

## **PRC Withholding Income Tax**

According to the Corporate Income Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be received on the immediate holding companies outside the PRC where their PRC subsidiaries declare dividend of profits earned after 1 January 2008. A lower 5% withholding tax rate can be applied to the immediate holding company of the PRC subsidiaries, which is incorporated in Hong Kong, according to the tax treaty arrangements between the PRC and Hong Kong.

The Company’s subsidiary, Profit Victor Investments (Hong Kong) Limited, is able to apply for the 5% withholding tax rate during the years ended 31 December 2022 and 2021.

## **Hong Kong Profit Tax**

No Hong Kong Profit Tax has been provided for the years ended 31 December 2022 and 2021 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

## **Overseas income tax**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax. The group companies incorporated in the BVI were under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

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

## 9. 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 years ended 31 December 2022 and 2021.

|   | 2022               | 2021               |
|---|--------------------|--------------------|
| Total profit for the year attributable to owners of the Company ( <i>in RMB'000</i> ) | 93,385             | 56,806             |
| Weighted average number of ordinary shares in issue                                   | <u>154,110,000</u> | <u>154,075,000</u> |
| Basic earnings per share ( <i>in RMB</i> )  | <u>0.61</u>        | <u>0.37</u>        |

### (b) Diluted earnings per share

|  | 2022               | 2021               |
|--|--------------------|--------------------|
| Weighted average number of ordinary shares in issue during the year                                  | 154,110,000        | 154,075,000        |
| Effect of issue of shares under adjustment for share option scheme ( <i>note</i> )                   | <u>–</u>           | <u>1,719,000</u>   |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | <u>154,110,000</u> | <u>155,794,000</u> |
| Diluted earnings per share ( <i>in RMB</i> )   | <u>0.61</u>        | <u>0.36</u>        |

*Note:*

For the year ended 31 December 2022, the computation of diluted earnings per share for the year do not assume the conversion of Company's outstanding share options granted on 19 July 2019 because the average market price of the shares is lower than the adjusted exercise price of those share options.

For the year ended 31 December 2021, 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.

## 10. DIVIDEND

The Board of Directors has resolved not to declare a final dividend for the years ended 31 December 2022 and 2021.

## 11. RIGHT-OF-USE ASSETS

|   | <b>Leased assets<br/>for owners-<br/>occupied<br/>purpose</b><br><i>RMB'000</i> | <b>Leased assets<br/>for provision<br/>of properties<br/>management<br/>services</b><br><i>RMB'000</i><br><i>(Note)</i> | <b>Total</b><br><i>RMB'000</i> |
|---|---|---|--------------------------------|
| At 1 January 2021                         | 5,938   | –   | 5,938                          |
| Additions                                 | 16,853  | 200,000   | 216,853                        |
| Acquisition of subsidiaries               | 1,145   | –   | 1,145                          |
| Depreciation                              | (6,630)   | –   | (6,630)                        |
|   | <u>17,306</u>   | <u>200,000</u>  | <u>217,306</u>                 |
| At 31 December 2021 and at 1 January 2022 | <b>17,306</b>   | <b>200,000</b>  | <b>217,306</b>                 |
| Additions                                 | 4,254   | –   | 4,254                          |
| Termination of leases                     | (1,069)   | –   | (1,069)                        |
| Depreciation                              | (6,592)   | (13,333)  | (19,925)                       |
|   | <u>13,899</u>   | <u>186,667</u>  | <u>200,566</u>                 |
| As at 31 December 2022                    | <b>13,899</b>   | <b>186,667</b>  | <b>200,566</b>                 |

*Note:* Pursuant to certain leasing agreements entered into by a subsidiary of the Group with a number of independent third parties during the year ended 31 December 2021, the Group was granted the rights to use of certain non-residential properties in the PRC for 15 years commencing from 1 January 2022, including but not limited to the right to provide property management services and sublease the non-residential properties for rental income. The leasing agreements were non-cancellable and the Group has paid total considerations of RMB200,000,000 and no further obligation to pay for the use of the leased assets. These right-of-use assets are carried at costs less impairment loss, if any.

## 12. FINANCIAL ASSETS

|   | <b>Financial<br/>assets at<br/>fair value<br/>through<br/>profit or loss<br/>RMB'000</b> | <b>Financial<br/>assets at<br/>fair value<br/>through<br/>other<br/>comprehensive<br/>income<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|---|--|--|--------------------------|
| <b>At 31 December 2022</b>                              |  |  |                          |
| <b>Non-current</b>                                      |  |  |                          |
| Unlisted equity investment ( <i>Note (a)</i> )          | –  | 15,000   | 15,000                   |
| Other financial assets ( <i>Note (b)</i> )              | <u>327,731</u>   | <u>–</u>   | <u>327,731</u>           |
| <b>Total other financial assets at 31 December 2022</b> |  |  | <b><u>342,731</u></b>    |
| <br>  |  |  |                          |
| At 31 December 2021                                     |  |  |                          |
| Non-current   |  |  |                          |
| Unlisted equity investment ( <i>Note (a)</i> )          | –  | 15,000   | 15,000                   |
| Other financial assets ( <i>Note (b)</i> )              | <u>328,946</u>   | <u>–</u>   | <u>328,946</u>           |
| <b>Total other financial assets at 31 December 2021</b> |  |  | <b><u>343,946</u></b>    |

### Notes:

- (a) The amount represents an investment in equity shares in an unlisted entity established in the PRC, which is mainly engaged in providing internet insurance services of car industry.
- (b) During the year ended 31 December 2021, a subsidiary of the Group entered into contractual arrangements with independent third parties of which the parent was a 5% registered shareholder of the Company, and the Group 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 the Properties are sold. The directors considered that operations under the abovementioned exclusive right namely, the provision of sale services, form part of the Group’s ordinary course of business.

The Deposit paid by the Group during the year 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 RMB1,215,000 (2021: RMB53,549,000) has been recognised during the current year.

### 13. TRADE RECEIVABLES

|  | 2022<br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| <b>Trade receivables</b>   |                        |                        |
| – Third parties  | 369,547                | 270,319                |
| – Related parties  | 731,275                | 621,189                |
|  | <u>1,100,822</u>       | <u>891,508</u>         |
| Less: loss allowance for trade receivables                             | (271,977)              | (152,987)              |
|  | <u>828,845</u>         | <u>738,521</u>         |
| <b>Other receivables</b>   |                        |                        |
| Other deposits   | 26,004                 | 26,515                 |
| Prepayments  | 17,748                 | 16,052                 |
| Payments on behalf of staff  | 9,474                  | 12,431                 |
| Payments on behalf of residents under lump-sum basis                   | 22,394                 | 16,356                 |
| Other receivable in relation to termination of acquisition transaction | –                      | 10,000                 |
| Others   | 2,525                  | 2,746                  |
| Less: loss allowance for other receivables                             | (4,877)                | (7,751)                |
|  | <u>73,268</u>          | <u>76,349</u>          |
| Less: other receivables under non-current portion                      | (6,440)                | (14,839)               |
|  | <u>66,828</u>          | <u>61,510</u>          |

*Notes:*

- (a) All of the Group's trade receivables as at 31 December 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 0 days to 90 days to its customers.

The ageing analysis of the trade receivables before loss allowances as at 31 December 2022 and 2021 based on the invoice date is as follows:

|                 | 2022<br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|-----------------|------------------------|------------------------|
| Within 180 days | 431,383                | 644,208                |
| 181-365 days    | 246,279                | 171,038                |
| 1-2 years       | 386,813                | 55,364                 |
| 2-3 years       | 25,507                 | 12,711                 |
| Over 3 years    | 10,840                 | 8,187                  |
|                 | <u>1,100,822</u>       | <u>891,508</u>         |

#### 14. TRADE AND OTHER PAYABLES

|  | 2022<br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| <b>Trade payables</b>                                  |                        |                        |
| – Third parties  | 182,681                | 236,635                |
| – Related parties                                      | 8,311                  | 11,185                 |
|  | <u>190,992</u>         | <u>247,820</u>         |
| <b>Other payables</b>                                  |                        |                        |
| Consideration payables for acquisition of subsidiaries | 26,941                 | 45,536                 |
| Accrued staff costs                                    | 87,423                 | 106,861                |
| Other tax payables                                     | 7,665                  | 5,754                  |
| Deposits received                                      | 74,486                 | 76,555                 |
| Receipt on behalf of residents                         | 126,938                | 134,137                |
| Others payables and accruals                           | 19,468                 | 20,920                 |
|  | <u>342,921</u>         | <u>389,763</u>         |
| Total other payables                                   |                        |                        |
| Less: non-current portion                              |                        |                        |
| Other payables   | (5,077)                | (4,781)                |
| Consideration payables for acquisition of subsidiaries | (13,471)               | (26,941)               |
|  | <u>(18,548)</u>        | <u>(31,722)</u>        |
| Total other payables under non-current portion         |                        |                        |
| <b>Current portion</b>                                 | <u>324,373</u>         | <u>358,041</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 as at 31 December 2022 and 2021 is as follows:

|                | <b>2022</b><br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|----------------|-------------------------------|------------------------|
| Within 90 days | <b>98,512</b>                 | 178,472                |
| 91-180 days    | <b>40,832</b>                 | 39,766                 |
| 181-270 days   | <b>20,509</b>                 | 17,511                 |
| 271-365 days   | <b>10,644</b>                 | 7,742                  |
| Over 365 days  | <b>20,495</b>                 | 4,329                  |
|                | <b>190,992</b>                | 247,820                |

## 15. LEASE COMMITMENTS

### The Group as lessee

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

|                              | <b>2022</b><br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|------------------------------|-------------------------------|------------------------|
| Within one year              | <b>3,717</b>                  | 2,959                  |
| In the second to fifth years | –                             | –                      |
|                              | <b>3,717</b>                  | 2,959                  |

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

As at 31 December 2022, the Group had committed to leases for staff quarters and offices in which the leases had not yet commenced. The total future cash outflows for these leases amounting to nil (2021: RMB1,705,000) in aggregate which are included in the table above.

### The Group as lessor

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

|                              | <b>2022</b><br><i>RMB'000</i> | 2021<br><i>RMB'000</i> |
|------------------------------|-------------------------------|------------------------|
| Within one year              | <b>3,650</b>                  | 3,319                  |
| In the second to fifth years | <b>246</b>                    | 10,944                 |
|                              | <b>3,896</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**

The year of 2022 was a year of significant changes for the PRC property management industry. After three years of implementation of comprehensive combat measures against COVID-19, a light was finally seen at the end of the tunnel and the policies have been loosening gradually. It is widely expected that the lifting of lockdown in China, being the second largest economy in the world, will play a vital role in boosting the macroeconomy. At the same time, the real estate market has undergone in-depth adjustment throughout the year, lasting for a prolonged time and at an unprecedented rate. In particular, in March 2022, a number of real estate companies encountered liquidity risk and the high turnover model of the real estate industry experienced challenges. As the development logic of the real estate industry changes, property management companies will also need to recalibrate their development path to focus on quality service and product and adhere to the principle of long-termism.

Under such influences, the property management industry has also experienced ups and downs in the capital market. Since 2018, a number of PRC property management companies have been listed successively and highly sought after by capital. At present, property management companies are cooling down in the capital market and gradually returning to rationality. The fundamental operation and performance of the property management companies is the core element of healthy and long-term development. When the capital bubble is exhausted, companies with strong growth and excellent operational ability shall be certain to experience the return of value.

At the same time, as an important industry closely related to people's well-being, property management undertakes the strategic mission of building a better community. As the economic development mode of China is shifting from extensive development to refined development, the industry potential and market value of the property management industry will be released continuously. In December 2022, Mr. Ni Hong, minister of the Ministry of Housing and Urban-Rural Development pointed out that property management is an important industry for people's livelihood and an important field for the implementation of the concept of "30% of construction and 70% of management in cities", which further proves the long-term opportunities brought by the social attribute of property management services.

In the face of the complicated industry situation, Kaisa Prosperity adheres to its aspiration and reviews the prevailing situation to operate steadily and forge ahead. At the same time, we shall continue to optimize our management model, take various measures, improve operational quality and efficiency, and make swift and proactive responses to cope with the changing external environment.

In respect of quality improvement, Kaisa Prosperity focused on developing the “whole cycle + whole portfolio” (全周期+全生態) high-quality service scenarios in 2022. We conducted in-depth research on enhancing quality of our services and at the same time expanding our geographical reach. Through our efforts in upgrading and diversifying our product portfolios, we launched property management services for seven types of properties, including high-end sales offices, residential, commercial, office buildings, schools, recreation and hospitals. Four major product IPs, 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 empowerment segments, namely “Prosperity Wisdom” (美好智薈) and “Prosperity FUN” (美好FUN), were released and a business brand matrix of “Grand Property” (大物業) was established, which will facilitate our market expansion and brand value enhancement.

In respect of business expansion, the Group actively sought opportunities to cooperate with professional and comprehensive service companies. In addition to external expansion of comprehensive service projects, the Group also attaches great importance to specialized services and actively explores opportunities to undertake professional service projects. Meanwhile, with our established strategic regional presence, the Group shall continue to realise complementary cross-regional advantages, enabling cross-region communication and information flow to facilitate cooperation in launching expansion projects, so as to unleash its vitality of expansion and explore diversified and flexible cooperation mechanisms. In terms of partners, we will strengthen the cooperation with enterprises with state-owned background or private enterprises with established operations or property enterprises with no property holding in exploiting the second and third-tier cities surrounding the Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta Economic Rim, such as high ranking counties or certain county-level units with higher fiscal income. In terms of cooperation approach, we will take collaborative operation as our key approach and proactively look for private enterprises or government cooperation platforms with scalable asset for in-depth strategic cooperation. We will give priority to provide comprehensive urban service packages for local cities to expand into the local urban services market.

## **FINANCIAL SUMMARY**

For the year ended 31 December 2022, the Group’s revenue decreased by approximately RMB882.6 million to RMB1,783.9 million, representing a decrease of approximately 33.1% as compared with that in 2021, which was primarily attributable to the impact of national macro economic policies, market conditions in the real estate industry and COVID-19 pandemic during the year, which reduced the demand of services from property developers. In particular, revenue from property management services amounted to RMB1,248.2 million; revenue from pre-delivery and consulting services amounted to RMB239.9 million; revenue from community value-added services amounted to RMB155.5 million; and revenue from smart solution services amounted to RMB140.3 million.

The net profit for the year ended 31 December 2022 increased by approximately RMB38.5 million to RMB106.6 million, representing an increase of approximately 56.5% as compared with the net profit in the corresponding period in 2021. Profit attributable to owners of the Company for the year ended 31 December 2022 increased by approximately RMB36.6 million to RMB93.4 million, representing an increase of approximately 64.4% as compared with the profit attributable to owners in the corresponding period in 2021. The increase in profit attributable to the owners of the Company was mainly attributable to the absence of (i) the loss on disposal of financial assets at fair value through profit or loss in 2021; and (ii) the loss on termination of an acquisition transaction in 2021.

## **STRENGTHENING BUSINESS FOUNDATION AND ENHANCING SERVICE QUALITY**

During the Reporting Period, the Group upheld its corporate vision of “Serving Beautiful China”. In 2022, the Group took “Strengthening Foundation, Reducing Cost and Increasing Revenue” as the main operation principle to maintain service quality while strictly control risks.

In order to enhance service quality, the Group took “Prosperity is underway” (美好正在發生) as the main service principle. By gaining an insight into the diversifying needs of customers of different types and from different levels, and focusing on the value creation from four-dimensions including: space, atmosphere, service and linkage, the Group launched Gong Housekeeping (恭管家), Tai Housekeeping (泰管家), Yi Housekeeping (怡管家) as well as T-series and S-series product IPs for its residential projects and commercial and office building projects respectively.

In respect of connection with the community, the Group comprehensively upgraded the “Prosperity FUN”(美好FUN) Series Customer Caring Scheme, and extended the community service portfolios including “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), fostering the Kaisa-exclusive humanistic features within the community and establishing brand image in all aspects.

In respect of energy conservation and consumption reduction, in 2022, through the formulation of system and standards including the Guidelines on Management and Control of Energy Saving (《能源節能管控操作指引》) and the Assessment Method for Control of Energy Consumption (《能耗管控情況考核辦法》) as well as the adoption of a multi-pronged approach underpinning “management + technology + policy”, with the utilization of energy-saving renovation technologies with regard to lighting, water pumps and air conditioners etc., the Group significantly reduced energy consumption throughout the year.

## CONTINUOUS COOPERATION IN EXPANSION WITH THIRD PARTIES BY JIAKE INTELLIGENT

Smart property management has become the next important growth area of property management services. According to 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》) jointly issued by 9 departments including the Ministry of Civil Affairs in May 2022, by 2025, an intelligent community service platform featuring grid management, refined services, information technology support, and open sharing will be basically built up; a new digital community of intelligent sharing and harmonious co-governance will be preliminarily created. As a property management company that has been committed to the field of intelligent property in early stage, Shenzhen Jiake Intelligent Technology Co., Ltd.\* (the “**Jiake Intelligent**”) (深圳市佳科智能科技有限公司), a smart solution service provider under the Group, has established a good brand image in the industry, and currently has been included on the list of qualified suppliers by 335 real estate developers.

In February 2022, Jiake Intelligent successfully contracted with Qianhai China Resources Financial Center, Shenzhen for the intelligent works of the 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 development in first-tier cities.

In March 2022, the Tang Health Townlet\* (大唐養生小鎮) project, in which Jiake Intelligent and Rongmin Holdings, a leading local enterprise in Shaanxi Province, cooperated with each other, was successfully launched. The said cooperation accelerated Jiake Intelligent’s penetration into the northwest market.

In April 2022, following the Zhanjiang RiseSun Central Plaza\* (湛江榮盛中央廣場) project, Jiake Intelligent cooperated with RiseSun Group\* (榮盛集團) again and jointly developed the Cultural Mansion Project in Foshan\* (佛山文博府項目). This cooperation further demonstrates the consensus by both parties in progressing strategic cooperation and greatly enhanced the brand influence of Jiake Intelligent through the replication of success.

In October 2022, Jiake Intelligent established a partnership with Shanghai Guoyu (上海國渝) and entered into the 2022-2023 Intelligent Annual Procurement Agreement for Xingyi Region (Zunyi and Guiyang), to further expand its business coverage.

In November 2022, Jiake Intelligent was awarded the contract for “Dalong Bay Habitat Style” (大龍灣·棲息式), an innovative model project for social elderly care and an ancillary construction of a smart city, laying a solid foundation in the field of our smart city ancillary services.

Jiake Intelligent has always adheres to the development concepts of “Customer first, Quality first and Brave to Innovate”, and will strive to develop as an overall solution service provider for smart cities with agglomerating efforts.

## **STRATEGIC ADJUSTMENT IN VALUE-ADDED SERVICES AND CONTINUOUS INNOVATIVE DEVELOPMENT WHILE ADHERING TO ORIGINAL ASPIRATIONS**

During the Reporting Period, although the recurrence of the COVID-19 pandemic and the fluctuation of the real estate industry have brought some difficulties to the promotion of value-added business, the management team proactively responded to the challenges, and proactively adjusted strategies based on the market conditions and the actual situation of the Company. We strive forward through multiple initiatives such as revenue transformation, cost reduction and efficiency enhancement, and upgraded ourselves from a “spatial resource provider” to a “space operation service provider”.

Ever since its launch, our community value-added service brand of “K Series Living”(小K生活) has gradually expanded its business portfolios and services, demonstrating its business potential and resilience. During the year, the existing businesses of space, retail, decoration as well as lease and sale extended under K Series Living services have been further optimized and a new business scope of live broadcast in the neighborhood (鄰里直播) has been launched to provide more convenient and efficient services to users through new channels such as live broadcast and group buying, in order to promote a better development of community economy. In the future, we will strive to enhance the penetration rate of value-added business services and strengthen project linkages, especially to strengthen key businesses such as K-Delivery\* (小K到家) and K-Lease & Sale\* (小K租售). In addition to business expansion, we will further strengthen the construction of service portfolios, upgrade the standardized system of products and services of K Series Living, and build a community neighborhood living circle.

## **OUTLOOK**

Over the past year, the property management industry has continued to evolve and iterate under the dual impacts from the external environment and endogenous dynamics. Property management services cover a wide range of residents, and are related to social harmony and stability. In addition to market-oriented industry attributes, property management enterprises also need to take on social responsibilities. These factors impose a higher level of expectation upon the development of property management enterprises. As a leading operator of urban integrated services in China, Kaisa Prosperity will continue to meet the growing needs of residents with refined services, and promote the development standard of the industry at the same time. We believe that the industry will continue its trend of rapid growth in the future under two major channels, i.e the expansion of new customers and further exploration on existing customers. With the relaxation of COVID-19 pandemic control measures and the release of favorable policies, the overall economic and market situation is expected to gradually improve, and the value of the property management industry will be further reflected.

Focusing on the present conditions, Kaisa Prosperity embraces its responsibilities and missions endowed by this era and stands firmly in the forefront of the industry development. With its dedication to working hard and making breakthroughs, the Group puts its corporate mission of “Serving Beautiful China” into practice by working hand in hand with its partners to create greater value for the society, and gradually becoming a comprehensive community operation service provider with core competitiveness, an urban integrated services provider with first-class standard, and a smart city service provider with comprehensive solutions.

In the future, we will continue to operate solidly and steadily. In a continuously evolving 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 23 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

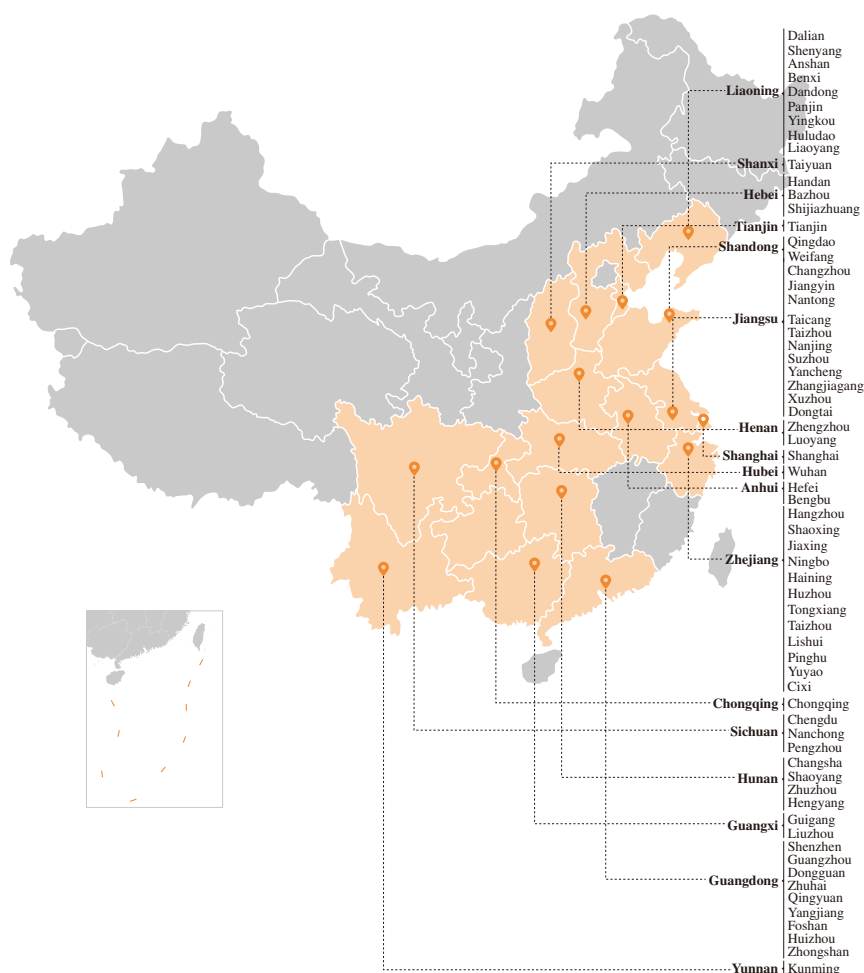
As of 31 December 2022, the Group's property management services covered 65 cities across 17 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 94.5 million sq.m. and a total of 673 managed properties projects, comprising 314 residential communities and 359 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 property projects, as of the dates indicated:

|                                     | As of 31 December |         |
|-------------------------------------|-------------------|---------|
|                                     | 2022              | 2021    |
| Contracted GFA ('000 sq.m.)         | 132,746           | 126,894 |
| GFA under management ('000 sq.m.)   | 94,518            | 90,267  |
| Number of managed property projects | 673               | 672     |

## Geographic Coverage

The map below illustrates the geographic coverage of our managed properties as of 31 December 2022:



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

|                                    | As of 31 December                             |                    |   |                    |
|------------------------------------|---|--------------------|---|--------------------|
|                                    | 2022  |                    | 2021  |                    |
|                                    | GFA under management<br>( <i>'000 sq.m.</i> ) | Number of projects | GFA under management<br>( <i>'000 sq.m.</i> ) | Number of projects |
| Guangdong-Hong Kong-Macau Bay Area | 19,409  | 108                | 17,809  | 99                 |
| Yangtze River Delta                | 57,066  | 477                | 53,744  | 481                |
| Bohai Economic Rim                 | 4,823   | 35                 | 6,192   | 42                 |
| Western China                      | 8,575   | 33                 | 8,309   | 30                 |
| Central China                      | 4,645   | 20                 | 4,213   | 20                 |
| <b>Total</b>                       | <b>94,518</b>                                 | <b>673</b>         | <b>90,267</b>                                 | <b>672</b>         |

The Group continued to expand its business through organic growth and independent third party market development.

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

|                   | 2022  |                    | 2021  |                    |
|-------------------|---|--------------------|---|--------------------|
|                   | GFA under management<br>( <i>'000 sq.m.</i> ) | Number of projects | GFA under management<br>( <i>'000 sq.m.</i> ) | Number of projects |
| As of 1 January   | 90,267  | 672                | 57,494  | 435                |
| New engagement    | 15,934  | 107                | 28,639  | 198                |
| Acquisition       | –   | –                  | 10,925  | 84                 |
| Termination       | (11,683)                                      | (106)              | (6,791)                                       | (45)               |
| As of 31 December | <b>94,518</b>                                 | <b>673</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, hospitals, schools, arenas and stadiums, government buildings, public facilities and industrial parks. Starting from Guangxi, Handan, Yancheng, Yangzhou and Jiaying, we expanded the cooperation with government platforms and our urban services 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. For 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. For 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. By adopting these two revenue models, the Group managed to cover the expenses incurred in connection with providing property management services.



The table below sets forth the breakdown of (i) the property management services revenue, (ii) the total GFA under management, and (iii) the number of managed property projects by type of properties for the years/as of the dates indicated:

|                            | Year ended/as of 31 December |   |               |                            |            |                      |   |               |                            |            |
|----------------------------|------------------------------|---|---------------|----------------------------|------------|----------------------|---|---------------|----------------------------|------------|
|                            | 2022                         |   |               |                            |            | 2021                 |   |               |                            |            |
|                            | Revenue<br>(RMB'000)         | GFA under<br>management<br>% ('000 sq.m.) |               | Number of<br>projects<br>% |            | Revenue<br>(RMB'000) | GFA under<br>management<br>% ('000 sq.m.) |               | Number of<br>projects<br>% |            |
| Residential communities    | 625,955                      | 50.1                                      | 55,385        | 58.6                       | 314        | 570,171              | 47.7                                      | 52,824        | 58.5                       | 300        |
| Non-residential properties | 622,236                      | 49.9                                      | 39,133        | 41.4                       | 359        | 626,298              | 52.3                                      | 37,443        | 41.5                       | 372        |
| <b>Total</b>               | <b>1,248,191</b>             | <b>100.0</b>                              | <b>94,518</b> | <b>100.0</b>               | <b>673</b> | <b>1,196,469</b>     | <b>100.0</b>                              | <b>90,267</b> | <b>100.0</b>               | <b>672</b> |

The table below sets forth the breakdown of (i) the property management services revenue, (ii) the total GFA under management, and (iii) the number of managed property projects by revenue model for the years/as of the dates indicated:

|  | Year ended/as of 31 December |   |               |                            |            |                      |   |               |                            |            |
|--|------------------------------|---|---------------|----------------------------|------------|----------------------|---|---------------|----------------------------|------------|
|  | 2022                         |   |               |                            |            | 2021                 |   |               |                            |            |
|  | Revenue<br>(RMB'000)         | GFA under<br>management<br>% ('000 sq.m.) |               | Number of<br>projects<br>% |            | Revenue<br>(RMB'000) | GFA under<br>management<br>% ('000 sq.m.) |               | Number of<br>projects<br>% |            |
| Property management services<br>(lump-sum basis)   | 1,193,055                    | 95.6                                      | 70,816        | 74.9                       | 577        | 1,135,059            | 94.9                                      | 64,786        | 71.8                       | 516        |
| Property management services<br>(commission basis) | 55,136                       | 4.4                                       | 23,702        | 25.1                       | 96         | 61,410               | 5.1                                       | 25,481        | 28.2                       | 156        |
| <b>Total</b>                                       | <b>1,248,191</b>             | <b>100.0</b>                              | <b>94,518</b> | <b>100.0</b>               | <b>673</b> | <b>1,196,469</b>     | <b>100.0</b>                              | <b>90,267</b> | <b>100.0</b>               | <b>672</b> |

It is important to note that for projects on 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 projects on lump-sum basis.

The Group continued to explore the properties developed by independent third-party property developers. We further increased the proportion of cooperation on properties developed by independent third-party property developers in 2022. As of 31 December 2022, the Group managed approximately 58.3 million sq.m. of GFA of properties developed by independent third-party property developers, representing an increase of approximately 3% from approximately 56.6 million sq.m. as of 31 December 2021. In addition, the revenue of projects for properties developed by independent-third party developers increased from approximately RMB666.9 million for the year ended 31 December 2021 to approximately RMB698.4 million for the year ended 31 December 2022. With a reasonable layout of the property industry, the Group has been able to undertake engagement of a wide range of property projects and provide competitive services and products. The overall development of the Group is promising.

The table below sets forth the breakdowns of (i) the property management services revenue, (ii) the total GFA under management, and (iii) the number of managed property projects by type of developers for the years/as of the dates indicated:

|   | Year ended/as of 31 December |   |               |                            |            |                      |   |               |                            |            |
|---|------------------------------|---|---------------|----------------------------|------------|----------------------|---|---------------|----------------------------|------------|
|   | 2022                         |   |               |                            |            | 2021                 |   |               |                            |            |
|   | Revenue<br>(RMB'000)         | GFA under<br>management<br>% ('000 sq.m.) |               | Number of<br>projects<br>% |            | Revenue<br>(RMB'000) | GFA under<br>management<br>% ('000 sq.m.) |               | Number of<br>projects<br>% |            |
| Properties developed<br>by the Kaisa Group                                | 549,807                      | 44.0                                      | 36,206        | 38.3                       | 172        | 529,608              | 44.3                                      | 33,625        | 37.3                       | 155        |
| Properties developed by<br>independent<br>third-party property developers | 698,384                      | 56.0                                      | 58,312        | 61.7                       | 501        | 666,861              | 55.7                                      | 56,642        | 62.7                       | 517        |
| <b>Total</b>  | <b>1,248,191</b>             | <b>100.0</b>                              | <b>94,518</b> | <b>100.0</b>               | <b>673</b> | <b>1,196,469</b>     | <b>100.0</b>                              | <b>90,267</b> | <b>100.0</b>               | <b>672</b> |

## PRE-DELIVERY AND CONSULTING SERVICES

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

In 2022, the Group's revenue generated from providing pre-delivery and consulting services amounted to approximately RMB239.9 million, which accounted for approximately 13.4% of the total revenue for the year ended 31 December 2022, representing a decrease of approximately 77.6% as compared to approximately RMB1,072.1 million in 2021. The decrease was primarily attributable to the impact of national macro economic policies, market conditions in the real estate industry and COVID-19 pandemic during the year, which reduced the demand of services from property developers.

## Service Types

### *Pre-delivery Services*

Pre-delivery services include the following categories:

- **Construction sites management services.** The Group provided primarily security services and to a lesser 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 the construction sites to keep them 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 the 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 needs 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 desk 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 in 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 services quality and capabilities to wider audiences.

## COMMUNITY VALUE-ADDED SERVICES

The Group's community value-added services continued to develop during the Reporting Period. In 2022, "K Series Living" adopted new channels for business such as live broadcast and group buying to provide better services for happy living in the community.

## **“K-LIVE BROADCAST”, A NEW LAYOUT FOR BUSINESS DEVELOPMENT**

During the Reporting Period, the Group devoted effort in developing K Series Living (小K生活) and increased our business visibility and penetration rate in a number of ways. By successfully holding the “Kaisa Prosperity 1st National Anchor Competition”, we selected the top ten and top 30 anchor groups in China and nurtured our own anchor matrix. At the same time, we developed and launched our own live broadcast program “K-Live Broadcast” (小K直播). We have organized a number of live streaming e-commerce events with viewers exceeding 10,000 for each event.

“K-Live Broadcast” focused on developing a new business form of community live e-commerce. Taking the community as the backbone, we integrated the community’s idle spatial and advertising resources to enable community businesses and KOL residents to join and start broadcasting, which efficiently connected the supply and demand sides of local goods/services and created a diversified live broadcasting platform for public participation. We provided users with more convenient and efficient services, responded to the new initiative of cultivating a 15-minute convenient urban living zone, and promoted better development of community economy. In 2022, K Series Living Platform launched 12 “Kaisa Enjoy Group” activities, which promoted more than 100 hit items and had more than 10,000 registered distributors on the platform, accumulating more than 300,000 followers and covering more than 300 communities across the country, with a cumulative GMV of more than RMB10 million.

## **SPECIAL NEW SERVICES OF K-COMMERCIAL AND OFFICE BUILDINGS**

In 2022, we continued to expand the services of K-Commercial and Office Buildings\* (小K商寫) and focused on enhancing 9 major capabilities in commercial and office building service, including water delivery to properties, cleaning and maintenance, rental and sale of green plants, physical examination for employees, air purification, broadband service, canteen service, office decoration and rental and sale of offices. Our services have covered various cities including Guangzhou, Shanghai, Huizhou, Chongqing, Shenyang and Liuzhou, serving over 150 company users.

Businesses such as K-Parking\* (小K停車) and K-Space\* (小K空間) remained stable and will bring incremental revenue in the future with the increase in resource points. There were no significant change in the fundamentals and basic channels of development of businesses such as K-Lease & Sale\* (小K租售) and K-Retail\* (小K零售) and the service coverage of K-Lease & Sale expanded against the unfavorable conditions. The market situation of K-Decoration\* (小K美居) business was gradually improving.

In 2022, the Group’s revenue generated from community value-added services amounted to approximately RMB155.5 million, representing a decrease of 14.6%. Such decrease was primarily due to the impact of COVID-19 pandemic during the period, and the provision of our community value-added services had therefore been affected.

## **SMART SOLUTION SERVICES**

Jiake Intelligent has always focused on deepening exploration of the third-party market to diversify the Group's revenue sources. This laid a solid foundation and developed a strong brand reputation for us in providing smart city solutions for more cities in the future, thereby creating shared values with our business partners.

## **CONTINUED TO DEVELOP THE INTELLIGENT THIRD-PARTY MARKET AND EXPANDED PRODUCT CATEGORIES WITH TECHNOLOGICAL EMPOWERMENT**

During the Reporting Period, the Group continued to make efforts in the intelligent third-party market. Jiake Intelligent has been included on the list of qualified suppliers by 335 real estate developers. At the same time, with further upgrade and expansion of products, Jiake Intelligent has been developing towards an innovative technology company and has enhanced its property management quality with technological empowerment.

Since 2022, Jiake Intelligent has introduced the unmanned car park system and related products, which helped to achieve cost reduction and efficiency enhancement in property management. Such system and products also realized unmanned management in a more convenient manner and made significant contributions to safety and pandemic prevention during the pandemic. At the same time, products relating to the self-developed high-altitude parabolic intelligent monitoring system and door lock products of Jiake Intelligent have been further developed and upgraded from their original versions, which have been installed and used in more projects. With great enhancement in the service level and safety coefficient, the wellbeing of property owners has been safeguarded.

As the introduction of the concept of "new infrastructure", research and development of innovative infrastructure is indispensable. In the future, Jiake Intelligent will focus on the development of intelligent products. Through diversified cooperation with scalable intelligent product enterprises with independent research and development capabilities and software development capabilities, Jiake Intelligent will strive to complete the technological transformation as soon as possible and enhance the market competitiveness of products offered by it.

## FINANCIAL REVIEW

### Revenue

The Group derived 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 33.1% from approximately RMB2,666.4 million in 2021 to approximately RMB1,783.9 million in 2022.

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

|                                      | Year ended 31 December |              |           |       | Changes   |        |
|--------------------------------------|------------------------|--------------|-----------|-------|-----------|--------|
|                                      | 2022                   |              | 2021      |       | RMB'000   | %      |
|                                      | RMB'000                | %            | RMB'000   | %     |           |        |
| Property management services         | <b>1,248,191</b>       | <b>70.0</b>  | 1,196,469 | 44.9  | 51,722    | 4.3    |
| Pre-delivery and consulting services | <b>239,941</b>         | <b>13.4</b>  | 1,072,147 | 40.2  | (832,206) | (77.6) |
| Community value-added services       | <b>155,495</b>         | <b>8.7</b>   | 182,164   | 6.8   | (26,669)  | (14.6) |
| Smart solution services              | <b>140,256</b>         | <b>7.9</b>   | 215,660   | 8.1   | (75,404)  | (35.0) |
| Total                                | <b>1,783,883</b>       | <b>100.0</b> | 2,666,440 | 100.0 | (882,557) | (33.1) |

- 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, and such revenue increased by approximately 4.3% from approximately RMB1,196.5 million in 2021 to approximately RMB1,248.2 million in 2022. Such increase was primarily attributable to the increase in the total GFA under management resulting from the business expansion through organic growth and independent third-party market development.
- 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, and the revenue decreased by approximately 77.6% from approximately RMB1,072.1 million in 2021 to approximately RMB239.9 million in 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 year, where 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 value-added services through both offline and online channels, decreased by approximately 14.6% from approximately RMB182.2 million in 2021 to approximately RMB155.5 million in 2022. Such decrease was primarily due to the impact of COVID-19 pandemic during the year, and our delivery of community value-added services had therefore been affected.

- Revenue from smart solution services, which primarily include fees for installation and maintenance services, decreased by approximately 35.0% from approximately RMB215.7 million in 2021 to approximately RMB140.3 million in 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 year, which caused the slowdown in construction project 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 30.1% from approximately RMB1,877.5 million in 2021 to approximately RMB1,312.8 million in 2022. Such decrease was primarily attributable to the reduction of business scale of pre-delivery and consulting services and smart solution services.

## Gross Profit and Gross Profit Margin

The overall gross profit of the Group decreased by approximately 40.3% from approximately RMB788.9 million in 2021 to approximately RMB471.1 million in 2022. The overall gross profit margin of the Group decreased by approximately 3.2 percentage points from approximately 29.6% in 2021 to approximately 26.4% in 2022. The table below sets forth the Group's gross profit and gross profit margin by business segment for the periods indicated:

|                                      | Year ended 31 December  |                             |                         |                             | Changes           |               |
|--------------------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------|---------------|
|                                      | 2022                    |                             | 2021                    |                             |                   |               |
|                                      | Gross Profit<br>RMB'000 | Gross Profit<br>Margin<br>% | Gross Profit<br>RMB'000 | Gross Profit<br>Margin<br>% | Amount<br>RMB'000 | %             |
| Property management services         | 283,306                 | 22.7                        | 303,360                 | 25.4                        | (20,054)          | (6.6)         |
| – Lump-sum basis                     | 228,170                 | 19.1                        | 241,950                 | 21.3                        | (13,780)          | (5.7)         |
| – Commission basis                   | 55,136                  | 100.0                       | 61,410                  | 100.0                       | (6,274)           | (10.2)        |
| Pre-delivery and consulting services | 57,617                  | 24.0                        | 319,609                 | 29.8                        | (261,992)         | (82.0)        |
| Community value-added services       | 103,549                 | 66.6                        | 91,953                  | 50.5                        | 11,596            | 12.6          |
| Smart solution services              | 26,635                  | 19.0                        | 73,977                  | 34.3                        | (47,342)          | (64.0)        |
| <b>Total</b>                         | <b>471,107</b>          | <b>26.4</b>                 | <b>788,899</b>          | <b>29.6</b>                 | <b>(317,792)</b>  | <b>(40.3)</b> |

1) *Property management services*

Gross profit margin of the Group's property management services dropped by approximately 2.7 percentage points from approximately 25.4% in 2021 to approximately 22.7% in 2022. The decrease was primarily due to an increase in (i) the proportion of the property management service charged over lump-sum basis with a lower profit margin as compared to those charged under commission basis and (ii) the staff costs and subcontracting costs to improve our service quality and enhance customer experience and satisfaction.

2) *Pre-delivery and consulting services*

Gross profit margin of the Group's pre-delivery and consulting services decreased by approximately 5.8 percentage points from approximately 29.8% in 2021 to approximately 24.0% in 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 year, 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 16.1 percentage points from approximately 50.5% in 2021 to approximately 66.6% in 2022. The increase was primarily due to an increase in the proportion of our spatial resources leasing, housing rental and sales, and decoration and renovation, 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 15.3 percentage points from approximately 34.3% in 2021 to approximately 19.0% in 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 year, the proportion of smart solution service projects with higher gross profit margins decreased.

## **Selling and Marketing Expenses**

Selling and marketing expenses of the Group decreased by approximately 21.2% from approximately RMB13.2 million in 2021 to approximately RMB10.4 million in 2022, The decrease was mainly due to the impact of COVID-19 pandemic, resulting in reduction in marketing activities.

## **Administrative Expenses**

Administrative expenses of the Group decreased by approximately 6.5% from approximately RMB245.4 million in 2021 to approximately RMB229.4 million in 2022. The decrease was primarily attributable to the decrease in staff costs as a results of the reduction of business scale.



## **Income Tax Expenses**

Income tax expenses of the Group decreased by approximately 51.7% from approximately RMB66.9 million in 2021 to approximately RMB32.3 million in 2022, primarily due to decrease in taxable profit during the year as loss on disposal of financial assets at fair value through profit or loss of RMB159.3 million being non-deductible from income tax in 2021.

## **Profit and Total Comprehensive Income for the Year**

Profit and total comprehensive income for the year of the Group increased by approximately 56.5% from approximately RMB68.1 million in 2021 to approximately RMB106.6 million in 2022, primarily due to the absence of (i) the loss on disposal of financial assets at fair value through profit or loss of RMB159.3 million in 2021 and (ii) the loss on termination of an acquisition transaction of RMB63.9 million in 2021.

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

As of 31 December 2022, the Group's cash and bank balances were approximately RMB247.3 million, represented a decrease of approximately RMB110.7 million from approximately RMB358.0 million as of 31 December 2021, primarily due to the slow recovery of trade receivables and settlement of consideration payable in connection with the acquisition of subsidiaries in the previous years.

The Group maintained a sound financial position with the net current assets of the Group increased by approximately RMB79.2 million from approximately RMB449.6 million as of 31 December 2021 to approximately RMB528.8 million as of 31 December 2022. As of 31 December 2022, the Group's current ratio (current assets/current liabilities) was approximately 1.65 (31 December 2021: approximately 1.51).

As of 31 December 2022 and 31 December 2021, the Group did not have any other loans or borrowings.

## **Treasury Policy**

The Directors of the Company will continue to follow a prudent policy in managing the Group's cash and cash equivalents and maintain a strong and healthy liquidity position to ensure that the Group is well-positioned to capture future growth opportunities.

## **Goodwill**

As of 31 December 2022, the Group recorded goodwill of approximately RMB160.8 million (31 December 2021: approximately RMB160.8 million), as a result of the completion of the acquisitions of Jiaxing 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 year.

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

As of 31 December 2022, the Group recorded right-of-use assets of approximately RMB200.6 million (31 December 2021: approximately 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 RMB90.3 million from approximately RMB738.5 million as of 31 December 2021 to approximately RMB828.8 million as of 31 December 2022, 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; and (ii) the increase in trade receivables from related parties primarily due to the impact of national macro policies, market conditions in the real estate industry and COVID-19 pandemic during the year.

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 slightly decreased by approximately RMB3.0 million from approximately RMB76.3 million as of 31 December 2021 to approximately RMB73.3 million as of 31 December 2022.

## **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 RMB26.2 million from approximately RMB53.0 million as of 31 December 2021 to approximately RMB79.2 million as of 31 December 2022, primarily due to the slowdown of collection of such payments.

## **Trade and Other Payables**

Trade payables mainly represent the obligations to pay suppliers for procurements in the ordinary course of business. The balances of trade payables of the Group decreased by approximately RMB56.8 million from approximately RMB247.8 million as of 31 December 2021 to approximately RMB191.0 million as of 31 December 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, consideration payables for acquisition of subsidiaries 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 balances of other

payables of the Group decreased by approximately RMB46.9 million from approximately RMB389.8 million as of 31 December 2021 to approximately RMB342.9 million as of 31 December 2022, primarily due to the decrease of staff costs result from the reduction of business scale and settlement of consideration payable related to acquisition of subsidiaries.

### **Capital Commitments**

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

### **Pledge of Assets**

As of 31 December 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 during the year ended 31 December 2022.

### **Gearing Ratio**

Gearing ratio is calculated by dividing the total interest-bearing borrowings by total equity at the end of the respective period. The gearing ratio of the Group was nil as of 31 December 2021 and 2022.

### **Contingent Liabilities**

As of 31 December 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 31 December 2022, cash and bank balances denominated in Hong Kong dollar and United States Dollar was approximately RMB10.9 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 31 December 2022, the Group had 12,159 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**

Save as disclosed in this announcement, 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, except for the below deviation:

Pursuant to code provision C.2.1 of Part 2 of the CG Code as set out in Appendix 14 to the Listing Rules, the role of the chairman and chief executive of the Company should be separate and should not be performed by the same individual.

Since the commencement of the Reporting Period and up to 16 September 2022, Mr. Liao Chuanqiang was the chairman and president of the Board. Under the leadership of Mr. Liao, our Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committee, and there were three independent non-executive Directors on the Board offering independent perspective, the Board was therefore of the view that there were adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board has been nevertheless reviewing the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company.

The Board has appointed Ms. Mou Zhaohui as an executive Director and the chief executive officer of the Company with effect from 16 September 2022. As a result, Mr. Liao Chuanqiang, no longer act as the president of the Company but remain as the chairman of the Board. Such arrangement separates the roles of the chairman and the chief executive of the Company, which enables the Company to re-comply with code provision C.2.1 of Part 2 of the CG Code set out in Appendix 14 to the Listing Rules.

## **AUDIT COMMITTEE**

The audit committee (the “**Audit Committee**”) assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The audited consolidated annual results of the Company for the reporting year had been reviewed by the Audit Committee, which consists of three independent non-executive Directors of the Company, namely Mr. LIU Hongbai, Ms. MA Xiumin and Mr. CHEN Bin, with Mr. CHEN Bin as the Chairman of the Audit Committee.

## **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 with all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2022.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by the relevant employees of the Group, who are likely to be in possession of inside information of the Company. There was no non-compliance of the guidelines noticed by the Board during the Reporting Period.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **DIVIDEND**

The Directors do not recommend the payment of a final dividend for 2022 (2021: nil).

## **SCOPE OF WORK OF THE AUDITORS**

The figures in respect of this preliminary announcement of the Group’s results for the year ended 31 December 2022 have been agreed by the Group’s auditor, Elite Partners CPA Limited, to the amounts set out in the Group’s draft consolidated financial statements for the Year. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on this announcement.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Wednesday, 14 June 2023, the register of members of the Company will be closed on Friday, 9 June 2023 to Wednesday, 14 June 2023, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 8 June 2023.

## **ANNUAL GENERAL MEETING**

The AGM will be held on 14 June 2023 and a notice convening the AGM will be published and dispatched in the manner as required by the Listing Rules on the Stock Exchange in due course.

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

The annual report of the Company for the year will be dispatched to the shareholders of the Company and 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.

By order of the Board  
**Kaisa Prosperity Holdings Limited**  
**LIAO Chuanqiang**  
*Chairman*

Hong Kong, 24 March 2023

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

\* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese names shall prevail.*