

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Kaisa Prosperity Holdings Limited

佳兆業美好集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2168)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS HIGHLIGHTS

- Total revenue for the six months ended 30 June 2023 decreased by approximately 1.9% to approximately RMB880.0 million from approximately RMB897.1 million for the six months ended 30 June 2022.
- Gross profit for the six months ended 30 June 2023 increased by approximately 9.5% to approximately RMB245.3 million from approximately RMB224.1 million for the six months ended 30 June 2022.
- Loss for the six months ended 30 June 2023 was approximately RMB96.9 million, compared with profit of approximately RMB56.2 million for the six months ended 30 June 2022. Excluding the effect of provision of impairment for trade receivables from related parties, the Group recorded a profit of approximately RMB76.8 million for the six months ended 30 June 2023.
- As at 30 June 2023, the total contracted GFA of property management and the total GFA under management amounted to approximately 133.9 million sq.m. and 101.6 million sq.m., representing an increase of approximately 0.9% and an increase of approximately 7.5%, respectively, as compared to approximately 132.7 million sq.m. and 94.5 million sq.m. as at 31 December 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Kaisa Prosperity Holdings Limited (the “**Company**”) announced the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		(Unaudited)	
		Six months ended 30 June	
		2023	2022
	Notes	RMB'000	RMB'000
Revenue	4	880,008	897,127
Direct operating expenses		<u>(634,689)</u>	<u>(673,075)</u>
Gross profit		245,319	224,052
Selling and marketing expenses		(5,242)	(5,654)
Administrative expenses		(99,158)	(120,263)
Provision for loss allowance on financial assets		(263,360)	(38,535)
Other gains, net	5	<u>4,185</u>	<u>8,567</u>
Operating (loss)/profit		(118,256)	68,167
Fair value loss on financial assets at fair value through profit or loss		(15,079)	(430)
Share of results of associates		3,634	8,399
Finance cost, net		<u>(179)</u>	<u>(392)</u>
(Loss)/Profit before income tax	6	(129,880)	75,744
Income tax credit/(expenses)	7	<u>32,950</u>	<u>(19,562)</u>
(Loss)/Profit and total comprehensive (expense)/income for the period		<u>(96,930)</u>	<u>56,182</u>
(Loss)/Profit and total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(101,410)	48,812
Non-controlling interests		<u>4,480</u>	<u>7,370</u>
		<u>(96,930)</u>	<u>56,182</u>
(Loss)/Earnings per share attributable to owners of the Company (expressed in RMB)			
Basic	8(a)	(0.66)	0.32
Diluted	8(b)	<u>(0.66)</u>	<u>0.32</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		(Unaudited) As at 30 June 2023 RMB'000	(Audited) As at 31 December 2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	20,205	23,559
Intangible assets		28,712	31,456
Goodwill		160,828	160,828
Right-of-use assets		192,834	200,566
Financial assets	11	327,652	342,731
Investment in associates		56,867	53,233
Other receivables	12	12,932	6,440
Deferred tax assets		159,186	89,576
		<u>959,216</u>	<u>908,389</u>
Current assets			
Trade receivables	12	711,073	828,845
Other receivables	12	59,852	66,828
Payments on behalf of residents under commission basis		86,429	79,192
Contract assets		100,165	113,636
Amounts due from related parties		5,575	3,963
Restricted cash		755	491
Cash and cash equivalents		231,206	247,320
		<u>1,195,055</u>	<u>1,340,275</u>
Current liabilities			
Trade payables	13	188,093	190,992
Other payables	13	331,511	324,373
Contract liabilities		223,399	206,126
Amounts due to related parties		7,155	9,629
Lease liabilities		5,604	5,362
Income tax payable		73,539	74,957
		<u>829,301</u>	<u>811,439</u>
Net current assets		<u>365,754</u>	<u>528,836</u>
Total assets less current liabilities		<u>1,324,970</u>	<u>1,437,225</u>

		(Unaudited) As at 30 June 2023 <i>RMB'000</i>	(Audited) As at 31 December 2022 <i>RMB'000</i>
	<i>Note</i>		
Non-current liabilities			
Other payables	13	3,954	18,548
Lease liabilities		8,716	10,051
Deferred tax liabilities		11,178	11,864
		<u>23,848</u>	<u>40,463</u>
Net assets		<u>1,301,122</u>	<u>1,396,762</u>
EQUITY			
Share capital		1,361	1,361
Reserves		1,232,470	1,332,790
		<u>1,233,831</u>	<u>1,334,151</u>
Equity attributable to owners of the Company		<u>1,233,831</u>	<u>1,334,151</u>
Non-controlling interests		67,291	62,611
		<u>1,301,122</u>	<u>1,396,762</u>
Total equity		<u>1,301,122</u>	<u>1,396,762</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. CORPORATE INFORMATION

Kaisa Prosperity Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 October 2017 as an exempted company with limited liability under the Companies Law. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 507, Block A, Kaisa Center, 66 Nanyuan Road, Futian, Shenzhen, the People’s Republic of China (the “**PRC**”). The Company’s share were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 6 December 2018.

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

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

The unaudited condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated, and was authorised for issue by the Board of Directors on 25 August 2023.

2. BASIS OF PREPARATION

These condensed consolidated interim financial information for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

3. ADOPTION OF NEW OR AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning or after 1 January 2023

The condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of the following amended HKFRSs which are effective as of 1 January 2023. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

HKFRS 17 (including the October 2020 and February 2022) Amendments to HKAS 1	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 8	Disclosure of Accounting Policies
Amendments to HKAS 12	Definition of Accounting Estimates
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

4. REVENUE AND SEGMENT INFORMATION

4.1 Revenue

- (a) Revenue mainly comprises of proceeds from provision of property management services, pre-delivery and consulting services, community value-added services and smart solution services. An analysis of the Group's revenue for the six months ended 30 June 2023 and 2022 are as follows:

	(Unaudited)			
	Six months ended 30 June 2023		2022	
	Revenue <i>RMB'000</i>	Direct operating expenses <i>RMB'000</i>	Revenue <i>RMB'000</i>	Direct operating expenses <i>RMB'000</i>
Type of services				
Property management services	648,910	493,891	618,680	480,284
Pre-delivery and consulting services	81,054	59,957	140,760	109,291
Community value-added services	92,952	43,897	73,426	28,822
Smart solution services	57,092	36,944	64,261	54,678
	880,008	634,689	897,127	673,075

	(Unaudited)	
	Six months ended 30 June 2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Timing of revenue recognition		
Over time	853,570	877,993
At point in time	26,438	19,134
	880,008	897,127

For the six months ended 30 June 2023, revenue from Kaisa Holdings and its subsidiaries (the “**Kaisa Group**”) and its associates and joint ventures contributed 14.0% (2022: 19.7%) of the Group’s revenue. Other than the transactions with Kaisa Group and its associates and joint ventures, the Group had a large number of customers and none of whom contributed 10% or more of the Group’s revenue for the six months ended 30 June 2023 and 2022.

(b) *Unsatisfied performance obligations*

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

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

For smart solution services, the transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 30 June 2023 and 31 December 2022 are as follows:

	(Unaudited) As at 30 June 2023 <i>RMB’000</i>	(Audited) As at 31 December 2022 <i>RMB’000</i>
Within one year	119,531	123,073
More than one year	111,062	104,748
	<u>230,593</u>	<u>227,821</u>

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

4.2 Segment information

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

For the six months ended 30 June 2023 and 2022, the Group engaged mainly in the provision of property management services, pre-delivery and consulting services, community value-added services and smart solution services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. Accordingly, all the Group’s revenue were derived in the PRC for the six months ended 30 June 2023 and 2022.

As at 30 June 2023 and 31 December 2022, all of the non-current assets were located in the PRC.

5. OTHER GAINS, NET

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Unconditional government subsidy income	2,791	5,906
Net losses on disposal of property, plant and equipment	(670)	(143)
Recovery of written-off of uncollectible receivables	1,523	2,615
Exchange gains, net	872	364
Others	(331)	(175)
	<u>4,185</u>	<u>8,567</u>

6. (LOSS)/PROFIT BEFORE INCOME TAX

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit before income tax has been arrived at after charging/(crediting):		
Amortisation of intangible assets	2,744	2,743
Depreciation		
– Property, plant and equipment	2,597	3,622
– Right-of-use assets	9,575	10,244
Lease charges on short term leases	14,230	16,259
Provision for/(Reversal of provision for) loss allowance		
– Trade receivables	243,546	38,820
– Deposits, other receivables and payments on behalf of residents (excluding prepayments)	4,497	(511)
– Contract assets	15,317	226
Staff costs – including directors' emoluments		
– Wages, salaries, bonus and other benefits	353,378	389,589
– Contributions to retirement benefit scheme	33,868	37,950
– Equity-settled share-based payment expenses	1,090	4,647
	<u>388,336</u>	<u>432,186</u>
Recovery of written-off of uncollectible receivables	<u>(1,523)</u>	<u>(2,615)</u>

7. INCOME TAX (CREDIT)/EXPENSES

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax		
PRC Corporate Income Tax	37,346	29,989
Deferred tax		
Origination and reversal of temporary differences	(70,296)	(10,427)
	<u>(32,950)</u>	<u>19,562</u>

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the six months ended 30 June 2023 and 2022.

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
Total (loss)/profit attributable to owners of the Company (in RMB'000)	(101,410)	48,812
Weighted average number of ordinary share in issue	<u>154,110,000</u>	<u>154,110,000</u>
Basic (loss)/earnings per share (in RMB)	<u>(0.66)</u>	<u>0.32</u>

(b) Diluted (loss)/earnings per share

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
Weighted average number of ordinary share in issue	154,110,000	154,110,000
Effect of issue of shares under adjustment for share option scheme (note)	—	—
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<u>154,110,000</u>	<u>154,110,000</u>
Diluted (loss)/earnings per share (in RMB)	<u>(0.66)</u>	<u>0.32</u>

Note:

The computation of diluted loss per share for the six months ended 30 June 2023 did not assume the exercise of outstanding share options of the Company since their assumed conversion would result in a decrease in loss per share.

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

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group has an addition of items of property, plant and equipment with a cost of RMB996,000 (30 June 2022: RMB4,012,000).

Items of property, plant and equipment with a net book value of RMB1,753,000 (30 June 2022: RMB216,000) were disposed of during the six months ended 30 June 2023, resulting in a loss on disposal of RMB670,000 (30 June 2022: RMB143,000).

11. FINANCIAL ASSETS

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
At 30 June 2023 (Unaudited)			
Non-current			
Unlisted equity investment (<i>Note (a)</i>)	–	15,000	15,000
Other financial assets (<i>Note (b)</i>)	312,652	–	312,652
	<u>312,652</u>	<u>15,000</u>	<u>327,652</u>
Total other financial assets at 30 June 2023 (Unaudited)	<u>312,652</u>	<u>15,000</u>	<u>327,652</u>
At 31 December 2022			
Non-current			
Unlisted equity investment (<i>Note (a)</i>)	–	15,000	15,000
Other financial assets (<i>Note (b)</i>)	327,731	–	327,731
	<u>327,731</u>	<u>15,000</u>	<u>342,731</u>
Total other financial assets at 31 December 2022 (Audited)	<u>327,731</u>	<u>15,000</u>	<u>342,731</u>

Notes:

- (a) The amount represents an investment in equity shares of 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 and paid a deposit of RMB382,495,000 (the “**Deposit**”) for an exclusive right to sell certain non-residential properties in the PRC (the “**Properties**”) for a five-year period. Pursuant to the relevant contractual arrangements, the subsidiary is entitled to 70% of the excess of the selling price over the agreed minimum price with the counterparties to the contractual arrangements. The subsidiary also has the right to receive rental income arising from the Properties prior to the Properties are sold.

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

Since the contractual arrangements give the Group a contractual right to receive cash which are variable as described above, the asset is considered as a financial asset at fair value through profit or loss. A fair value loss of RMB15,079,000 (31 December 2022: RMB1,215,000) has been recognized during the six months ended 30 June 2023. The fair value measurement is classified as level 3. There have been no changes in the valuation methodologies in arriving at the fair value.

12. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 30 June 2023 <i>RMB'000</i>	(Audited) As at 31 December 2022 <i>RMB'000</i>
Trade receivables		
– Third parties	444,661	369,547
– Related parties	781,935	731,275
	<u>1,226,596</u>	<u>1,100,822</u>
Less: loss allowance for trade receivables	(515,523)	(271,977)
	<u>711,073</u>	<u>828,845</u>
Other receivables		
Other deposits	23,542	26,004
Prepayments	15,763	17,748
Payments on behalf of staff	12,036	9,474
Payments on behalf of residents under lump-sum basis	24,712	22,394
Others	3,413	2,525
Less: loss allowance for other receivables	(6,682)	(4,877)
	<u>72,784</u>	<u>73,268</u>
Less: other receivables under non-current portion	(12,932)	(6,440)
	<u>59,852</u>	<u>66,828</u>
Current portion	<u>59,852</u>	<u>66,828</u>

Notes:

- (a) Property management services income is recognised 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 recognised in accordance with the terms of the relevant service agreements, and the Group normally allows an average credit period ranging from 15 days to 90 days to its customers.
- (b) The ageing analysis of the trade receivables before loss allowances based on the invoice date is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Within 180 days	430,066	431,383
181-365 days	195,390	246,279
1-2 years	506,459	386,813
2-3 years	75,281	25,507
Over 3 years	19,400	10,840
	1,226,596	1,100,822

13. TRADE AND OTHER PAYABLES

	(Unaudited) As at 30 June 2023 <i>RMB'000</i>	(Audited) As at 31 December 2022 <i>RMB'000</i>
Trade payables		
– Third parties	178,493	182,681
– Related parties	9,600	8,311
	<u>188,093</u>	<u>190,992</u>
Other payables		
Consideration payables for acquisition of subsidiaries	16,171	26,941
Accrued staff costs	80,614	87,423
Other tax payables	7,617	7,665
Deposits received	82,021	74,486
Receipt on behalf of residents	131,926	126,938
Others payables and accruals	17,116	19,468
	<u>335,465</u>	<u>342,921</u>
Total other payables		
Less: non-current portion		
Other payables	(3,954)	(5,077)
Consideration payables for acquisition of subsidiaries	–	(13,471)
	<u>(3,954)</u>	<u>(18,548)</u>
Total other payables under non-current portion		
	<u>331,511</u>	<u>324,373</u>

Included in trade payables were amounts due to the Group's suppliers. The outstanding balances were trading in nature and credit periods ranging from 30-180 days were granted.

Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	(Unaudited) As at 30 June 2023 <i>RMB'000</i>	(Audited) As at 31 December 2022 <i>RMB'000</i>
Within 90 days	83,679	98,512
91-180 days	39,614	40,832
181-270 days	23,976	20,509
271-365 days	11,099	10,644
Over 365 days	29,725	20,495
	<u>188,093</u>	<u>190,992</u>

14. LEASE COMMITMENTS

The Group as lessee

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

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Within one year	1,650	3,717

As at 30 June 2023 and 31 December 2022, the Group leases staff quarters and offices with a lease period of one to twelve months.

The Group as lessor

At 30 June 2023 and 31 December 2022, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of buildings as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Within one year	4,142	3,650
In the second to fifth years	1,968	246
	6,110	3,896

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 first half of 2023 witnessed the subsidence of the impacts of the pandemic and restoration of economic order. The core task of the economy of the PRC was to realize a restorative macroeconomic growth and deep restoration of micro-foundation, thereby returning to an expansionary growth path.

During the first half of 2023, the PRC steadily rode through the period of lifting pandemic restriction measures, and the macro-economy rapidly achieved a restorative growth. The Central Government ascertained the pillar status of the real estate industry, repeatedly emphasized the insistence on “houses are for living in and not for speculative investment”, and implemented city-based policies to support rigid and improvement-oriented housing demand, and made efforts to “ensure project delivery, livelihood and stability”. Various ministries and commissions actively responded to the requirements from the Central Government, and have gradually put in place various measures for “stabilizing the pillar status”, “boosting real estate demand” and “preventing risks”. Property management companies continued to adhere to the main theme of high-quality development, actively participating in businesses including the renovation of old communities, urban and rural environmental comprehensive services as well as new energy infrastructure maintenance, etc. While satisfying market demand, property management companies also continued to expand the scope of business and enrich business chains to further enhance their competitiveness and service capability, and while balancing the scale of management and quality of services, they actively explored development paths that suit their own characteristics more, focusing on their areas of strength and becoming more outstanding.

As one of the leading comprehensive property management service providers in China, Kaisa Prosperity has always taken “Prosperity is underway” (美好正在發生) as its spiritual guide and implemented the service concept of “Adherence to original aspiration, confidence, and dedication” (堅守初心、堅定信心、堅持用心) to integrate the pursuit of quality into the entire process of property management, and refined various aspects of property management in a more scientific and effective manner by means of intelligent technology. To ensure the long-term stability of our operations, we have established the quality approach of “sincerity, rigour, pragmatism and efficiency as well as continuous improvement” (至臻至誠，嚴謹規範，務實高效，持續改進) to continuously improve the quality of our services, which has gained the trust and recognition of our customers, and the value of our brand has also gradually gained recognition in the market.

During the Reporting Period, Kaisa Prosperity has maintained steady progress, and through the dual-wheel drive of “organic growth + independent expansion”, its management scale has reached a new level, with the GFA under management officially exceeding 100 million square meters, establishing presence in 68 cities in 17 provinces with 699 projects under management. The Group was awarded 2023 Top 100 Property Management Companies in China, 2023 China Leading Property Management Companies in terms of Characteristic Services, 2023 China Excellent Property Management Companies in Terms of ESG Development and 2023 China Top 20 Listed Property Management Companies.

In the future, we will get well-prepared for the significant changes in the economic environment and the new pattern of development of the property management industry, and will continue to uphold the development vision of “Serving Beautiful China” to embrace the opportunities and challenges of the future.

FINANCIAL SUMMARY

During the six months ended 30 June 2023, the Group's revenue decreased by approximately RMB17.1 million to RMB880.0 million, representing a decrease of approximately 1.9% as compared with the corresponding period in 2022. In particular, revenue from property management services amounted to RMB648.9 million; revenue from pre-delivery and consulting services amounted to RMB81.1 million; revenue from community value-added services amounted to RMB93.0 million; and revenue from smart solution services amounted to RMB57.1 million.

The gross profit for the six months ended 30 June 2023 increased by approximately 9.5% to approximately RMB245.3 million from approximately RMB224.1 million for the six months ended 30 June 2022.

The consolidated net loss for the six months ended 30 June 2023 was approximately RMB96.9 million, compared with the consolidated net profit of approximately RMB56.2 million for the six months ended 30 June 2022. Excluding the effect of provision of impairment for trade receivables from related parties, the Group recorded a consolidated net profit of approximately RMB76.8 million for the six months ended 30 June 2023.

EXTENSION OF SERVICE CHAINS AND MAINTENANCE OF FOUNDATIONAL SERVICES

During the Reporting Period, the Group continued to focus on the “Whole portfolio and Whole cycle” (全業態、全周期) high-quality service scenarios, and vertically conducted in-depth research on the scope of its services and horizontally extended their boundaries. As we had been constantly enriching our property portfolios, we released the new culture and tourism property service portfolio and our property service portfolios covered residential, commercial and office buildings, recreational stadium, schools, high-end sales offices, hospitals and culture and tourism. At the same time, we continued to optimize the four released product portfolios, namely “Prosperity Life” (美好生活), “Prosperity Commerce” (美好商務), “Prosperity Recreation” (美好文體) and “Prosperity City” (美好城市), and two empowerment segments, namely “Prosperity Wisdom” (美好智慧) and “Prosperity FUN” (美好FUN). With the upgrade of the brand portfolio of community culture, market expansion has been fueled and the brand value of the Group has been enhanced.

In respect of the maintenance of foundational service quality, the Group launched special campaigns of “Jiarun Campaign” (佳潤行動) and “Meet Prosperity for Best Customer Experience” (遇見美好，滿意到佳) to improve its customer services. The Group also launched a series of campaigns, such as “Spring Breeze in Kaisa” (春風沐佳), “Construction with Sincerity” (精誠築佳) and “Management Open Day” (管理開放日) to maintain and beautify the landscaping of the community. We have renovated, repaired and upgraded the equipment and facilities of the community, strengthened the supervision and management of training, assessment and paid return visits for various services of the community, so as to continuously improve the living environment and experience.

In respect of the community creation and enhancement of residents' experience, through the creation of service portfolios including the "Prosperity Convention"* (美好公約), "Firefly Program"* (螢火蟲計劃), "Kaisa's Neighbors"* (佳鄰佳親) and "Stary Shining Community"* (閃亮紅星特色社區), Kaisa Prosperity actively carried out community cultural activities, and advocated the concept of providing fun for the children and security for the elderly and awakening the passion of the youth (幼有所樂，老有所頤，青年有熱愛). Kaisa Prosperity took practical actions to care for the elderly and care about the growth of teenagers and build a community service system with Kaisa Prosperity's own distinctive features, thereby creating a beautiful community with harmonious neighborhood, and enhancing the happiness of owners.

CONSTRUCTION OF 15-MINUTE CONVENIENT URBAN LIVING CIRCLE WITH VALUE-ADDED SERVICES AND CREATION OF A SECOND GROWTH CURVE

While foundational services are the fundamentals of property management enterprises, value-added services shall be a competitive edge of property management enterprises. By expanding and deepening value-added services, creating a "second growth curve" became an inevitable choice for property management enterprises.

As community living space deeply bonding social value and living value, how the community living space delivers high-quality products and intimate services to all aspects of owners' life and how to realize upgrades in ancillary and operation of community living space so as to empower a happy life have always been the focus of "K Series Living"* (小K生活). On 30 June 2023, Kaisa Prosperity opened its "K Series Living Exhibition Hall"* (小K生活展示館) in Guangzhou. The establishment of K Series Living Exhibition Hall was an important milestone for Kaisa Prosperity to actively explore the neighborhood living services in community and create the 15-minute convenient urban living circle. As an offline experience touchpoint of K Series Living services, it integrated all-in-one value-added services such as community group buying, seasonal choices, housekeeping and maintenance, tourism and rehabilitation, decoration for the entire house, partial renovation, house rental and sales, house custody, etc., and realized the comprehensive integration and upgrade of the product portfolios, covering community life in all aspects. At the same time, K Series Living Exhibition Hall has also selected the leading enterprises in the industry to build a one-stop service platform, providing online selection and offline experience to bring better scenario experience and make good services and products visible and accessible.

In the future, K Series Living Exhibition Hall will be expanding quickly to the communities under the management of Kaisa Prosperity across the country and establish a deep linkage with more high-quality partners while actively exploring the innovation and upgrade of community value-added service model, so as to continuously improve the user experience, satisfy the different needs of owners for community life, and contribute to a better living.

CONTINUOUS EXTENSION IN SMART SOLUTION BUSINESS LAYOUT AND UPGRADE AND EXPANSION OF PRODUCT PORTFOLIO

Shenzhen Jiake Intelligent Technology Co. Ltd.* (“Jiake Intelligent”) (深圳市佳科智能科技有限公司), a smart solution service provider under the Group, has been included in the qualified supplier database by 342 real estate developers. During the Reporting Period, Jiake Intelligent continued to develop the intelligent third-party market. In January 2023, Jiake Intelligent won the bid for the intelligent works of the “Guiyang Taiyanghu Talent Town*” of Helenburg Group (海倫堡集團“貴陽太陽湖人才小鎮”智能化工程), which demonstrated the cooperative partner’s recognition of Jiake Intelligent and helped Jiake Intelligent to promote its business expansion. In March 2023, Jiake Intelligent won the bid for the intelligent works of “Heifei Huaan Headquarters Building*” (合肥華安總部大廈), marking a new extension in the business layout of Jiake Intelligent and laying a good foundation for Jiake Intelligent to expand into the Anhui market. In June 2023, Jiake Intelligent cooperated with Greenland Group to jointly construct the “Chengdu Dafeng Greenland Town*” (成都大鳳綠地城) and “Greenland Suining 1958 Cultural and Creative Industrial Park*” (綠地遂寧1958文創產業園) projects. The launch of such projects marked the beginning of cooperation between both parties, and also provided strong support for strategic cooperation in the future.

Jiake Intelligent has further upgraded and expanded its product portfolio. The unmanned car park system and its related products helped to achieve cost reduction and efficiency enhancement in property management. Its self-developed high-altitude parabolic intelligent monitoring system has been widely installed in various projects and successfully reduced high-throw incidents happened during the trial operation of these projects, which greatly reduced the human and material resources input for supervision. The intelligent door lock products were further developed and upgraded from their original versions with more diversified functions, and the safety coefficient of the products was greatly enhanced.

Jiake Intelligent has always adhered 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.

OUTLOOK

As an industry that derives from the real estate development business, the property management industry has the exclusive characteristics of “rigid demand + long cycle” and is also the most frequent contact point for customers. Property management almost penetrates into the entire after-sales market of the real estate industry which is of great development potential.

Focusing on the present conditions, the industry has entered into a stage of rational return and high-quality development after rapid expansion. Kaisa Prosperity will take quality services as the anchor to promote the orderly, quality and steady expansion of its management scale, extend and broaden the value-added service chain to create a second growth curve and continuously optimize its brand influence to achieve all-round and high-quality development with continuous efforts.

Looking ahead, we will continue to consolidate our fundamentals and sharpen our competitive edge. Forging ahead together against difficulties, we will bring returns to shareholders with better performance and create greater value for the society.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As one of the leading comprehensive property management service providers in China, the Group specializes in providing comprehensive urban integrated services to mid-to-high-end properties and focuses on the metropolitan cluster regions that are supported by the national macro-strategic policies and have high economic development vitality. The Group has been providing property management services for more than 24 years since 1999, and since then has established a strong footprint in the Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta, Bohai Economic Rim, Western and Central China with enormous potential for economic growth, covering a wide range of properties and providing property owners and residents with tailored quality services through the one-stop service platform to enhance their quality of life and satisfaction.

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

PROPERTY MANAGEMENT SERVICES

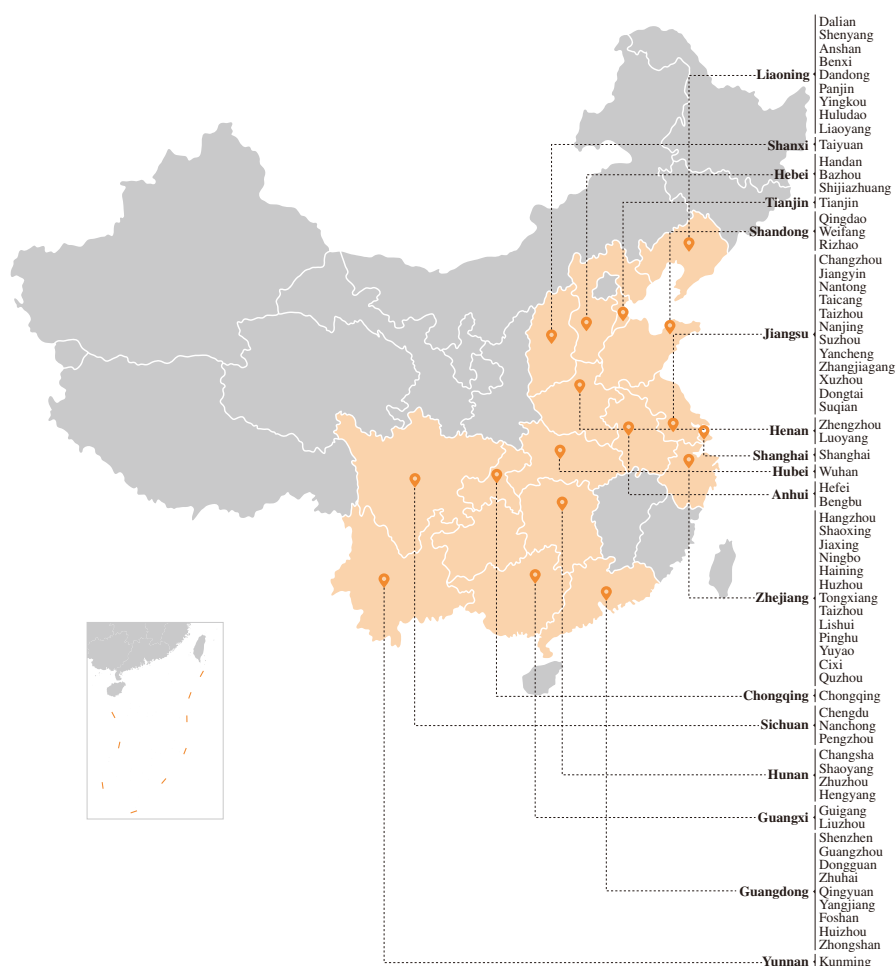
As of 30 June 2023, the Group's property management services covered 68 cities across 17 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 101.6 million sq.m. and a total of 699 managed properties, comprising 332 residential communities and 367 non-residential properties, showing strong momentum in market expansion and diversified property portfolio. We aim to accelerate development of public urban services and transform into a holistic management services provider.

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

	As of 30 June 2023	As of 31 December 2022
Contracted GFA ('000 sq.m.)	133,862	132,746
GFA under management ('000 sq.m.)	101,610	94,518
Number of managed properties	<u>699</u>	<u>673</u>

Geographic Coverage

The map below illustrates the geographic coverage of our managed properties as of 30 June 2023:



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

	As of 30 June 2023		As of 31 December 2022	
	GFA under management (<i>'000 sq.m.</i>)	Number of properties	GFA under management (<i>'000 sq.m.</i>)	Number of properties
Guangdong-Hong Kong-Macau Bay Area	21,102	120	19,409	108
Yangtze River Delta	60,185	478	57,066	477
Bohai Economic Rim	6,138	40	4,823	35
Western China	8,731	36	8,575	33
Central China	5,454	25	4,645	20
Total	101,610	699	94,518	673

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

	As of 30 June 2023		As of 31 December 2022	
	GFA under management (<i>'000 sq.m.</i>)	Number of properties	GFA under management (<i>'000 sq.m.</i>)	Number of properties
As of 1 January	94,518	673	90,267	672
New engagement	11,097	62	15,934	107
Acquisition	–	–	–	–
Termination	(4,005)	(36)	(11,683)	(106)
Total	101,610	699	94,518	673

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 and culture and tourism facilities. 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 recovered the expenses incurred in connection with providing property management services.

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

	As of 30 June 2023			As of 31 December 2022		
	GFA under management (<i>'000 sq.m.</i>)	Percentage %	Number of properties	GFA under management (<i>'000 sq.m.</i>)	Percentage %	Number of properties
Residential communities	58,770	57.8	332	55,385	58.6	314
Non-residential properties	42,840	42.2	367	39,133	41.4	359
Total	101,610	100.0	699	94,518	100.0	673

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

	As of 30 June 2023			As of 31 December 2022		
	GFA under management (<i>'000 sq.m.</i>)	Percentage %	Number of properties	GFA under management (<i>'000 sq.m.</i>)	Percentage %	Number of properties
Property management services (lump-sum basis)	76,762	75.5	600	70,816	74.9	577
Property management services (commission basis)	24,848	24.5	99	23,702	25.1	96
Total	101,610	100.0	699	94,518	100.0	673

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

The properties under the Group's management comprise of properties developed by Kaisa Group and independent third-party property developers. During the six months ended 30 June 2023, the Group won all the public tenders with respect to properties developed by the Kaisa Group for which the Group bid, and continued to explore the properties developed by independent third-party property developers. We further increased the expansion efforts towards independent third-party property developers in the first half of 2023. As of 30 June 2023, the Group managed approximately 62.5 million sq.m. of GFA of properties developed by independent third-party property developers, representing an increase of approximately 7.2% from approximately 58.3 million sq.m. as of 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 property management services of the Group is promising.

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

	As of 30 June 2023			As of 31 December 2022		
	GFA under management (<i>'000 sq.m.</i>)	Percentage %	Number of properties	GFA under management (<i>'000 sq.m.</i>)	Percentage %	Number of properties
Properties developed by the Kaisa Group	39,073	38.5	191	36,206	38.3	172
Properties developed by independent third-party property developers	62,537	61.5	508	58,312	61.7	501
Total	101,610	100.0	699	94,518	100.0	673

PRE-DELIVERY AND CONSULTING SERVICES

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

For the six months ended 30 June 2023, revenue generated from pre-delivery and consulting services amounted to approximately RMB81.1 million, accounting for approximately 9.2% of the Group's total revenue and representing a decrease of approximately 42.4% as compared to approximately RMB140.8 million for the six months ended 30 June 2022. Such decrease was primarily due to the continued weakness and uncertainty of the real estate industry in the Mainland resulting in an initiative decline in the business scale of pre-delivery and consulting services by the Group.

Pre-delivery Services

Pre-delivery services include the following categories:

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

Consulting Services

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

COMMUNITY VALUE-ADDED SERVICES

As a community value-added service brand under Kaisa Prosperity, K Series Living has been adhering to the service concept of “fast, high-quality, value-added and colorful life” since its launch in June 2021, covering various business types such as residences, commercial buildings, venues, and public buildings. K Series Living can be mainly divided into four major segments: (i) K-Space* (小K空間), (ii) K-Retail* (小K零售), (iii) K-Lease & Sale* (小K租售), and (iv) K-Decoration* (小K美居). K-Lease & Sale has been further refined and divided into various sub-unit product series: (a) K-Commercial and Office Buildings* (小K商寫), (b) K-Charging* (小K充電), (c) K-Choice Goods* (小K優選), (d) K-Group Buying* (小K團購), (e) K-Delivery* (小K到家) and (f) K-Cultural Tourism* (小K文旅). By leveraging the advantages of integrated basic services, diversified supply chains and distributed mini warehouse, we will continue to improve our community value-added service capabilities, provide high-quality products and convenient services, and create a standardized service and product system for the entire customer lifecycle.

During the Reporting Period, K Series Living was further upgraded to combine with the K Series Living online mall and customer lifecycle management system, in order to quickly deploy value-added services into the community and continuously expand off-line experience centers and service points. Leveraging the K Series Living Platform* (小K生活平台) and the K Series Living Exhibition Hall* (小K生活展示館) as a carrier and the WeChat official account, video account, mini-program and live broadcast platform as the medium, to create an entrance of community traffic flow and build a comprehensive, one-stop, high-quality community value-added service ecosystem to meet the desire, needs and demands of the property owners, providing them with quality products and prompt services.

During the six months ended 30 June 2023, the total revenue of community value-added services was approximately RMB93.0 million, representing an increase of approximately 26.6% period to period. Such increase was primarily due to the fact that the impact of COVID-19 pandemic has weakened, so community value-added services has gradually recovered.

SMART SOLUTION SERVICES

Based on customer needs, Kaisa Prosperity reformed with innovative technology to build a new way of human-space interaction integrating data and intelligence. Its subsidiary Jiake Intelligent is positioned as a “Comprehensive Solution Service Provider for Smart Cities”, aiming to build a high-quality smart ecosystem with “5G+AIoT platform + ecological equipment applications and services”, and to deeply cultivate smart home, smart community and smart city. It is committed to providing comprehensive intelligent solution services for B and C-end customers, empowering urban development with technology and building smart cities.

Jiake Intelligent is a national high-tech enterprise and a high-tech enterprise in Shenzhen. In May 2023, it was awarded the national “specialized new enterprise” certification which has passed a series of system certifications such as the “ISO9001 Quality Management System”, “ISO14001 Environmental Management System”, “OHSAS18001 Occupational Health and Safety System” and “GB/T50430-2017 Engineering Construction Enterprise Quality Management System”.

During the six months ended 30 June 2023, the total revenue of smart solution services was approximately RMB57.1 million, representing a decrease of 11.2% period to period. Such decrease was primarily due to the impact of national macro policies, market conditions in the real estate industry during the period, which caused the slowdown in construction progress.

Save for the above mentioned, during the six months ended 30 June 2023, there have been no material changes in the business development of the Group since the publication of the latest annual report.

FINANCIAL REVIEW

Revenue

The Group derived its revenue from: (i) property management services; (ii) pre-delivery and consulting services; (iii) community value-added services; and (iv) smart solution services. Revenue decreased by approximately 1.9% from approximately RMB897.1 million for the six months ended 30 June 2022 to approximately RMB880.0 million for the six months ended 30 June 2023.

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

	(Unaudited)					
	Six months ended 30 June					
	2023		2022		Changes	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management services	648,910	73.7	618,680	69.0	30,230	4.9
Pre-delivery and consulting services	81,054	9.2	140,760	15.6	(59,706)	(42.4)
Community value-added services	92,952	10.6	73,426	8.2	19,526	26.6
Smart solution services	57,092	6.5	64,261	7.2	(7,169)	(11.2)
Total	<u>880,008</u>	<u>100.0</u>	<u>897,127</u>	<u>100.0</u>	<u>(17,119)</u>	<u>(1.9)</u>

Revenue from property management services, which primarily include property management fees for providing security, cleaning and gardening and property repair and maintenance services to residential communities, commercial properties and public facilities, increased by approximately 4.9% from approximately RMB618.7 million for the six months ended 30 June 2022 to approximately RMB648.9 million for the six months ended 30 June 2023. Such increase was primarily attributable to the increase in the total GFA under management resulting from the business expansion.

Revenue from pre-delivery and consulting services, which primarily include fees for construction sites management, display units and property sales venues management and consulting services, decreased by approximately 42.4% from approximately RMB140.8 million for the six months ended 30 June 2022 to approximately RMB81.1 million for the six months ended 30 June 2023. Such decrease was primarily attributable to the continued weakness and uncertainty of the real estate industry in the Mainland resulting in an initiative decline in the business scale of pre-delivery and consulting services by the Group.

Revenue from community value-added services, which primarily include fees generated from the car parking, space leasing and other value-added services through both offline and online channels, increased by approximately 26.6% from approximately RMB73.4 million for the six months ended 30 June 2022 to approximately RMB93.0 million for the six months ended 30 June 2023. Such increase was primarily due to the impact of COVID-19 pandemic has been lessened, and thus community value-added services has gradually recovered.

Revenue from smart solution services, which primarily include fees for installation and maintenance services, decreased by approximately 11.2% from approximately RMB64.3 million for the six months ended 30 June 2022 to approximately RMB57.1 million for the six months ended 30 June 2023. Such decrease was primarily due to the impact of national macro policies, market conditions in the real estate industry during the period, which caused the slowdown in construction progress.

Direct operating expenses

The direct operating expenses of the Group primarily comprises staff costs, subcontracting costs, construction costs, carpark leasing expenses, utility expenses, office expenses, community cultural expenses, other taxes and others. The direct operating expenses decreased by approximately 5.7% from approximately RMB673.1 million for the six months ended 30 June 2022 to approximately RMB634.7 million for the six months ended 30 June 2023. Such decrease was primarily attributable to the reduction of business scale of pre-delivery and consulting services and smart solution services for the six months ended 30 June 2023 which reduced the direct operating expenses incurred from these segments.

Gross Profit and Gross Profit Margin

The overall gross profit of the Group increased by approximately 9.5% from approximately RMB224.1 million for the six months ended 30 June 2022 to approximately RMB245.3 million for the six months ended 30 June 2023. The overall gross profit margin of the Group increased by approximately 2.9 percentage points from approximately 25.0% for the six months ended 30 June 2022 to approximately 27.9% for the six months ended 30 June 2023. The table below sets forth the Group's gross profit and gross profit margin by business segment for the periods indicated:

	(Unaudited)					
	Six months ended 30 June				Changes	
	2023	2022	2023	2022	2023	2022
	Gross Profit	Gross Profit	Gross Profit	Gross Profit	Amount	%
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	%
Property management services	155,019	23.9	138,396	22.4	16,623	12.0
– Lump-sum basis	128,594	20.7	111,843	18.9	16,751	15.0
– Commission basis	26,425	100.0	26,553	100.0	(128)	(0.5)
Pre-delivery and consulting services	21,097	26.0	31,469	22.4	(10,372)	(33.0)
Community value-added services	49,055	52.8	44,604	60.7	4,451	10.0
Smart solution services	20,148	35.3	9,583	14.9	10,565	110.2
Total	245,319	27.9	224,052	25.0	21,267	9.5

1) *Property management services*

Gross profit margin of the Group's property management services increased by approximately 1.5 percentage points from approximately 22.4% for the six months ended 30 June 2022 to approximately 23.9% for the six months ended 30 June 2023. The increase was primarily due to (i) the Group implemented various cost saving initiatives to proactively manage the Group's costs and (ii) the impact of COVID-19 pandemic had weakened and the costs resulting from pandemic prevention and control decreased.

2) *Pre-delivery and consulting services*

Gross profit margin of the Group's pre-delivery and consulting services rose by approximately 3.6 percentage points from approximately 22.4% for the six months ended 30 June 2022 to approximately 26.0% for the six months ended 30 June 2023. The increase was mainly due to the proportion of revenue contributed by projects with lower gross profit margin decreased during the period.

3) *Community value-added services*

Gross profit margin of the Group's community value-added services dropped by approximately 7.9 percentage points from approximately 60.7% for the six months ended 30 June 2022 to approximately 52.8% for the six months ended 30 June 2023. The decrease was primarily due to the decrease in the proportion of some value-added services which have higher gross profit margin.

4) *Smart solution services*

Gross profit margin of the Group's smart solution services increased by approximately 20.4 percentage points from approximately 14.9% for the six months ended 30 June 2022 to approximately 35.3% for the six months ended 30 June 2023. The increase was primarily due to the proportion of smart solution service projects with higher gross profit margins increased.

Selling and Marketing Expenses

Selling and marketing expenses of the Group decreased by approximately 8.8% from approximately RMB5.7 million for the six months ended 30 June 2022 to approximately RMB5.2 million for the six months ended 30 June 2023. The decrease was primarily due to brand promotion activities decreased for the six months ended 30 June 2023.

Administrative Expenses

Administrative expenses of the Group decreased by approximately 17.5% from approximately RMB120.3 million for the six months ended 30 June 2022 to approximately RMB99.2 million for the six months ended 30 June 2023, primarily due to the Group had optimised the organizational structure to improve operational efficiency which reduced the staff costs incurred for the six months ended 30 June 2023.

Income Tax Credit (Expenses)

The Group recorded an income tax credit of approximately RMB33.0 million for the six months ended 30 June 2023 as compared to the income tax expenses of approximately RMB19.6 million for the six months ended 30 June 2022.

(Loss)/Profit and Total Comprehensive (Expenses)/Income for the Period

The Group's loss and total comprehensive expense for the six months ended 30 June 2023 amounted to approximately RMB96.9 million as compared to a profit and total comprehensive income of approximately RMB56.2 million for the six months ended 30 June 2022. The decrease was mainly attributable to the continued weakness and uncertainty of the real estate industry in the Mainland resulting in (i) an initiative decline in the business scale of pre-delivery and consulting services by the Group; and (ii) an increase in the provision of impairment for trade receivables from related parties. Excluding the effect of provision of impairment for trade receivables from related parties, the Group recorded a profit of approximately RMB76.8 million for the six months ended 30 June 2023.

Liquidity, Capital Structure and Financial Resources

As of 30 June 2023, the Group's cash and cash equivalents was approximately RMB231.2 million, represented a decrease of approximately RMB16.1 million from approximately RMB247.3 million as of 31 December 2022, primarily due to the slow recovery of trade receivables and settlement of consideration payable related to acquisition of subsidiaries.

As of 30 June 2023, the net current assets of the Group was approximately RMB365.8 million (31 December 2022: approximately RMB528.8 million). As of 30 June 2023, the Group's current ratio (current assets/current liabilities) was approximately 1.44 (31 December 2022: approximately 1.65).

As of 30 June 2023, the Group did not have any other loans or borrowings (31 December 2022: nil).

Goodwill

As of 30 June 2023, the Group recorded goodwill of 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) and Jiangsu Hengyuan Property Management Company Limited* (江蘇恒源物業管理有限公司) in 2019, Ningbo Langtong Property Management Company Limited* (寧波朗通物業服務有限公司) in 2020 and Zhejiang Ruiyuan Property Management Company Limited* (浙江瑞源物業管理有限公司) in 2021. According to the impairment assessment made by the management of the Company, there was no indication of any impairment of goodwill and hence no impairment provision is required for the six months ended 30 June 2023.

Right-of-Use Assets

As of 30 June 2023, the Group recorded right-of-use assets of approximately RMB192.8 million (31 December 2022: RMB200.6 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 decreased by approximately RMB117.7 million from approximately RMB828.8 million as of 31 December 2022 to approximately RMB711.1 million as of 30 June 2023, primarily due to the provision made for trade receivables during the six months ended 30 June 2023, which increased by approximately RMB243.5 million to approximately RMB515.5 million as at 30 June 2023 from approximately RMB272.0 million as at 31 December 2022.

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 decreased by approximately RMB0.5 million from approximately RMB73.3 million as of 31 December 2022 to approximately RMB72.8 million as of 30 June 2023, and the aggregated amount remained relatively stable.

Payments on behalf of Residents Under Commission Basis

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 under commission basis increased by approximately RMB7.2 million from approximately RMB79.2 million as of 31 December 2022 to approximately RMB86.4 million as of 30 June 2023, primarily due to the increase in the total GFA under management of the Group under commission basis.

Trade and Other Payables

Trade payables mainly represent the obligations to pay suppliers for procurements in the ordinary course of business. Trade payables of the Group slightly decreased by approximately RMB2.9 million from approximately RMB191.0 million as of 31 December 2022 to approximately RMB188.1 million as of 30 June 2023, primarily due to the reduction of business scale of pre-delivery and consulting and smart solution services.

Other payables mainly consist of accrued staff costs, deposits received and receipt on behalf of residents. The accrued staff costs relate to the employees' salary and related expenditure. The deposits received primarily relate to the deposits the Group received from property owners in the managed properties charged on a lump-sum basis for any additional repairs and maintenance expense the Group might incur due to their property decoration. Receipt on behalf of residents relates to the remaining property management fees the Group received in the managed properties charged on a commission basis and the Group managed such fees collectively in its headquarters. Other payables of the Group decreased by approximately RMB7.4 million from approximately RMB342.9 million as of 31 December 2022 to approximately RMB335.5 million as of 30 June 2023 primarily due to settlement of consideration payables for acquisition of subsidiaries.

Capital Commitments

As of 30 June 2023, the Group did not have any material capital commitment (31 December 2022: nil).

Pledge of Assets

As of 30 June 2023, none of the assets of the Group were pledged (31 December 2022: nil).

Material Acquisitions and Disposals of Assets

The Group did not have any material acquisitions or disposals of assets for the six months ended 30 June 2023 (2022: nil).

Gearing Ratio

Gearing ratio is calculated by dividing the total interest-bearing borrowings by total equity at the end of the respective period/year. The gearing ratio of the Group was nil and nil as of 30 June 2023 and 31 December 2022 respectively, as there was no interest-bearing borrowings.

Contingent Liabilities

As of 30 June 2023, the Group did not have any contingent liabilities (31 December 2022: nil).

Foreign Exchange Risk

The Group primarily conducts its business in the PRC and in Renminbi. As of 30 June 2023, cash and cash equivalents denominated in Hong Kong dollar (“**HKD**”) and United States Dollar (“**USD**”) were approximately RMB7.2 million, which are subject to foreign exchange exposure.

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

Employees and Benefits Policies

As of 30 June 2023, the Group had 12,361 employees (31 December 2022: 12,159 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 align with remuneration levels in the industry norm. In addition to basic salaries, employees may be granted with discretionary bonus and cash awards based on individual performance. The Group offers training to its employees so as to enable them to acquire basic skills to perform their duties and to upgrade or improve their production techniques. Furthermore, on 18 June 2019, the Company adopted a share option scheme (the “**Share Option Scheme**”). Details of the Share Option Scheme are set out in the circular of the Company dated 29 April 2019.

Subsequent events

There were no other significant subsequent events since the end of the reporting period up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023. In addition, the independent auditor of the Company, Elite Partners CPA Limited, has reviewed the unaudited interim results for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2023.

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

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2023 (30 June 2022: nil).

PUBLICATION OF THE 2023 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's interim report for the six months ended 30 June 2023 will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.jzywy.com in due course.

APPRECIATION

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

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

Hong Kong, 25 August 2023

As at the date of this announcement, the executive Directors are Mr. Liao Chuanqiang, Mr. Li Haiming, Mr. Kwok Hiu Kwan, 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.*