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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 2023

ANNUAL RESULTS HIGHLIGHTS

- Total revenue for the year ended 31 December 2023 increased by approximately 0.6% to approximately RMB1,794.3 million from approximately RMB1,783.9 million for the year ended 31 December 2022.
- Gross profit for the year ended 31 December 2023 increased by approximately 2.2% to approximately RMB481.3 million from approximately RMB471.1 million for the year ended 31 December 2022.
- Loss for the year ended 31 December 2023 was approximately RMB437.6 million as compared to a profit of approximately RMB106.6 million for the year ended 31 December 2022.
- As at 31 December 2023, the total contracted GFA and the total GFA under management amounted to approximately 132.1 million sq.m. and 102.3 million sq.m. respectively, representing a decrease of approximately 0.5% and an increase of approximately 8.2%, respectively, as compared to approximately 132.7 million sq.m. and 94.5 million sq.m. as at 31 December 2022 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 2023 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	4	1,794,267	1,783,883
Direct operating expenses		<u>(1,312,920)</u>	<u>(1,312,776)</u>
Gross profit		481,347	471,107
Selling and marketing expenses		(12,590)	(10,395)
Administrative expenses		(189,859)	(229,366)
Provision for loss allowance on financial assets and contract assets		(698,562)	(125,372)
Other (losses)/gains, net	5	<u>(370)</u>	<u>24,391</u>
Operating (loss)/profit		(420,034)	130,365
Change in fair value on financial assets at fair value through profit or loss		(143,425)	(1,215)
Impairment loss on investment in associate		(24,070)	–
Share of results of associates		6,306	10,530
Finance cost	6	<u>(673)</u>	<u>(770)</u>
(Loss)/Profit before income tax	7	(581,896)	138,910
Income tax credit/(expenses)	8	<u>144,312</u>	<u>(32,315)</u>
(Loss)/Profit for the year		<u>(437,584)</u>	<u>106,595</u>
(Loss)/Profit attributable to:			
Owners of the Company		(449,984)	93,385
Non-controlling interests		<u>12,400</u>	<u>13,210</u>
		<u>(437,584)</u>	<u>106,595</u>
(Losses)/Earnings per share attributable to owners of the Company (expressed in RMB per share)			
Basic	9(a)	(2.92)	0.61
Diluted	9(b)	<u>(2.92)</u>	<u>0.61</u>

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
(Loss)/Profit for the year	<u>(437,584)</u>	<u>106,595</u>
Other comprehensive expenses, including reclassification adjustments		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Fair value loss on financial assets at fair value through other comprehensive income, net of tax	<u>(11,250)</u>	<u>–</u>
Other comprehensive expenses for the year, including reclassification adjustments	<u>(11,250)</u>	<u>–</u>
Total comprehensive (expenses)/income for the year	<u>(448,834)</u>	<u>106,595</u>
Total comprehensive (expenses)/income for the year attributable to:		
Owners of the Company	(461,234)	93,385
Non-controlling interests	<u>12,400</u>	<u>13,210</u>
	<u>(448,834)</u>	<u>106,595</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		19,250	23,559
Intangible assets		25,969	31,456
Goodwill		160,828	160,828
Right-of-use assets	<i>11</i>	184,041	200,566
Financial assets	<i>12</i>	184,306	342,731
Investment in associates		34,292	53,233
Other receivables		8,495	6,440
Deferred tax assets		309,865	89,576
		927,046	908,389
Current assets			
Trade receivables	<i>13</i>	393,552	828,845
Other receivables		66,670	66,828
Payments on behalf of residents		95,107	79,192
Contract assets		52,460	113,636
Amounts due from related parties		6,697	3,963
Restricted cash		450	491
Cash and cash equivalents		286,774	247,320
		901,710	1,340,275
Current liabilities			
Trade payables	<i>14</i>	194,032	190,992
Other payables	<i>14</i>	359,556	324,373
Contract liabilities		221,268	206,126
Amounts due to related parties		4,081	9,629
Lease liabilities		5,636	5,362
Income tax payable		81,857	74,957
		866,430	811,439
Net current assets		35,280	528,836
Total assets less current liabilities		962,326	1,437,225

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Non-current liabilities			
Other payables	<i>14</i>	5,876	18,548
Lease liabilities		6,425	10,051
Deferred tax liabilities		10,492	11,864
		<u>22,793</u>	<u>40,463</u>
Net assets		<u>939,533</u>	<u>1,396,762</u>
EQUITY			
Share capital		1,361	1,361
Reserves		867,561	1,332,790
Equity attributable to owners of the Company		<u>868,922</u>	<u>1,334,151</u>
Non-controlling interests		70,611	62,611
Total equity		<u>939,533</u>	<u>1,396,762</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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.

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 material 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 NEW AND AMENDMENT TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendment to HKAS 12	International Tax Reform – Pillars Two Models Rules

The application of the new and amendments to HKFRSs in the current year had no material impact on the Group’s financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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:

Amendments to HKAS 1	Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendment to HKAS 1	Non-current liabilities with Covenants ²
Amendment to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ²
Amendments to HKAS 21	Lack of Exchangeability ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²

¹ Effective date not yet determined

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after 1 January 2025

The directors of the Company 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 2023 and 2022 are as follows:

	2023		2022	
	Revenue RMB'000	Direct operating expenses RMB'000	Revenue RMB'000	Direct operating expenses RMB'000
Type of services				
Property management services	1,338,099	1,031,662	1,248,191	964,885
Pre-delivery and consulting services	155,811	117,568	239,941	182,324
Community value-added services	176,065	76,205	155,495	51,946
Smart solution services	124,292	87,485	140,256	113,621
	<u>1,794,267</u>	<u>1,312,920</u>	<u>1,783,883</u>	<u>1,312,776</u>
			2023 RMB'000	2022 RMB'000
Timing of revenue recognition				
– recognise over time			1,751,380	1,740,812
– recognise at a point in time			<u>42,887</u>	<u>43,071</u>
			<u>1,794,267</u>	<u>1,783,883</u>

For the year ended 31 December 2023, revenue from Kaisa Holdings and its subsidiaries (the “**Kaisa Group**”) and its associates and joint ventures contributed 15% (2022: 19%) 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 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 year.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within one year	9,748	123,073
More than one year	9,492	104,748
	19,240	227,821

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 directors of the Company.

For the years ended 31 December 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 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 2023 and 2022.

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

5. OTHER (LOSSES)/GAINS, NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Unconditional government subsidy income	8,044	21,234
Net losses on disposal of property, plant and equipment	(666)	(1,035)
Trade and other receivables and payment on behalf of residents (written-off)/recovered as uncollectible	(6,424)	2,652
Exchange gains, net	81	254
Others	(1,405)	1,286
	(370)	24,391

6. FINANCE COST

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Finance expenses		
Interest expense of lease liabilities	(673)	(770)
Finance cost	<u>(673)</u>	<u>(770)</u>

7. (LOSS)/PROFIT BEFORE INCOME TAX

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
(Loss)/Profit before income tax has been arrived at after charging/(crediting):		
Auditor's remunerations	1,600	1,500
Staff costs – including directors' emoluments		
– Included in direct operating expenses	660,671	691,959
– Included in administrative expenses	145,301	167,040
Cost in relation to smart solution services	87,485	113,621
Lease charges on short term leases	20,171	15,975
Other taxes	7,215	8,238
Business entertainment expenses	9,262	7,632
Depreciation		
– Property, plant and equipment	5,271	6,876
– Right-of-use assets	19,117	19,925
Amortisation of intangible assets	5,487	5,486
Legal and professional fees	10,541	5,210
Office expenses	14,288	16,636
Change in fair value on financial assets at fair value through profit or loss	143,425	1,215
Provision for loss allowance		
– Trade receivables	621,414	118,990
– Deposits, other receivables and payments on behalf of residents (excluding prepayments)	9,410	2,293
– Contract assets	67,738	4,089
Trade and other receivables and payments on behalf of residents written off/(recovered) as uncollectible	6,424	(2,652)
Travelling expenses	<u>4,564</u>	<u>3,851</u>

8. INCOME TAX (CREDIT)/EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax		
– PRC Corporate Income Tax	77,349	65,334
Deferred tax	<u>(221,661)</u>	<u>(33,019)</u>
	<u>(144,312)</u>	<u>32,315</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 2023 and 2022. 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” (“**HNTE**”) with effective from 15 November 2023 and was registered with the local tax authority to be eligible for a concessionary tax rate of 15% for three years from 2023 to 2025.

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 2023 and 2022.

Hong Kong Profit Tax

No Hong Kong Profit Tax has been provided for the years ended 31 December 2023 and 2022 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. (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

Basic (losses)/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 years ended 31 December 2023 and 2022.

	2023	2022
Total (loss)/profit for the year attributable to owners of the Company (<i>in RMB'000</i>)	(449,984)	93,385
Weighted average number of ordinary shares in issue	<u>154,110,000</u>	<u>154,110,000</u>
Basic (losses)/earnings per share (<i>in RMB</i>)	<u>(2.92)</u>	<u>0.61</u>

(b) Diluted (losses)/earnings per share

	2023	2022
Weighted average number of ordinary shares in issue during the year	154,110,000	154,110,000
Effect of issue of shares under adjustment for share option scheme (<i>note</i>)	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (losses)/earnings per share	<u>154,110,000</u>	<u>154,110,000</u>
Diluted (losses)/earnings per share (<i>in RMB</i>)	<u>(2.92)</u>	<u>0.61</u>

Note:

For the year ended 31 December 2023 and 2022, the computation of diluted (losses)/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.

10. DIVIDEND

The Board of Directors has resolved not to declare a final dividend for the years ended 31 December 2023 and 2022.

11. RIGHT-OF-USE ASSETS

	Leased assets for owners- occupied purpose <i>RMB'000</i>	Leased assets for provision of properties management services <i>RMB'000</i> <i>(Note)</i>	Total <i>RMB'000</i>
At 1 January 2022	17,306	200,000	217,306
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>
At 31 December 2022 and at 1 January 2023	13,899	186,667	200,566
Additions	5,264	–	5,264
Termination of leases	(2,672)	–	(2,672)
Depreciation	(5,784)	(13,333)	(19,117)
	<u>10,707</u>	<u>173,334</u>	<u>184,041</u>
As at 31 December 2023	10,707	173,334	184,041

Note: Pursuant to certain leasing agreements entered 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

	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
As at 31 December 2023			
Non-current			
Other financial assets (<i>Note (b)</i>)	184,306	–	184,306
Total financial assets at 31 December 2023			184,306
As 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
Total financial assets at 31 December 2022			342,731

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. A fair value loss of RMB15,000,000 (2022: RMB nil) has been recognised in other comprehensive income during the current year due to unexpected slow recovery of the PRC economic.
- (b) The amount represents consideration paid for an exclusive right to sell certain non-residential properties in the PRC (the “**Properties**”) for a five-year period since December 2021. Pursuant to the relevant contractual arrangements, a subsidiary of the Company 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 before the Properties are sold. The directors of the Company 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 amount paid by the Group in prior years 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 RMB143,425,000 (2022: RMB1,215,000) has been recognised in profit or loss during the current year due to unexpected slow recovery of the PRC economic.

13. TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables		
– Third parties	426,310	369,547
– Related parties	860,633	731,275
	<u>1,286,943</u>	<u>1,100,822</u>
Less: loss allowance for trade receivables	(893,391)	(271,977)
	<u>393,552</u>	<u>828,845</u>
Other receivables		
Other deposits	23,538	26,004
Prepayments	19,060	17,748
Payments on behalf of staff	15,076	9,474
Payments on behalf of residents under lump-sum basis	21,018	22,394
Others	4,197	2,525
Less: loss allowance for other receivables	(7,724)	(4,877)
	<u>75,165</u>	<u>73,268</u>
Less: other receivables under non-current portion	(8,495)	(6,440)
	<u>66,670</u>	<u>66,828</u>

Notes:

- (a) All of the Group's trade receivables as at 31 December 2023 are denominated in RMB (2022: all RMB).
- (b) Trade receivables from property management services are trade receivables due for payment upon the issuance of demand note. Pre-delivery and consulting services and smart solution services are receivable 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 2023 and 2022 based on the invoice date is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 180 days	495,049	431,383
181-365 days	196,907	246,279
1-2 years	302,794	386,813
2-3 years	261,294	25,507
Over 3 years	30,899	10,840
	<u>1,286,943</u>	<u>1,100,822</u>

14. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables		
– Third parties	180,002	182,681
– Related parties	14,030	8,311
	<u>194,032</u>	<u>190,992</u>
Other payables		
Consideration payables for acquisition of subsidiaries	16,171	26,941
Accrued staff costs	87,264	87,423
Other tax payables	8,843	7,665
Deposits received	83,217	74,486
Receipt on behalf of residents	138,557	126,938
Others payables and accruals	31,380	19,468
	<u>365,432</u>	<u>342,921</u>
Total other payables		
Less: non-current portion		
Other payables	(5,876)	(5,077)
Consideration payables for acquisition of subsidiaries	–	(13,471)
	<u>(5,876)</u>	<u>(18,548)</u>
Total other payables under non-current portion		
Current portion	<u>359,556</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 as at 31 December 2023 and 2022 is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 90 days	96,456	98,512
91-180 days	39,497	40,832
181-270 days	16,921	20,509
271-365 days	12,019	10,644
Over 365 days	29,139	20,495
	194,032	190,992

15. LEASE COMMITMENTS

The Group as lessee

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within one year	1,272	3,717
	1,272	3,717

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

As at 31 December 2023, 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 (2022: nil) in aggregate which are included in the table above.

The Group as lessor

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within one year	2,142	3,650
In the second to fifth years	1,350	246
	3,492	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

In 2023, faced with the complicated and severe international environment and arduous domestic reform, development and stability tasks, China's economy withstood external pressure and overcame internal difficulties, which continued to grow and develop while overcoming challenges. While the world was entering a new period of reform and transformation and the momentum of global economic growth was insufficient, the annual economic aggregate of China exceeded RMB126 trillion, representing a year-on-year increase of 5.2%. The economic development has rebounded and high-quality development has been solidly promoted, demonstrating characteristics of “stability”, “progress” and “positivity”.

In 2023, the overall management scale of the property management industry achieved a steady growth. However, as affected by the upstream real estate industry, the overall growth rate slowed down. Property management industry continued to adhere to the main theme of high-quality development. On the one hand, property management companies actively responded to the changes in the market environment and stopped blindly pursuing scale. For loss-making projects, companies took the initiative to “give up” and quit, so as to “stabilize” or even “reverse” cash flow. Meanwhile, they paid more attention to quality expansion and carried out project expansion after selection and with purposes, which laid the foundation for sustainable development. On the other hand, under the background of industry development returning to the essence of service, property management companies were deeply aware of the importance of customer satisfaction to company development. Differentiated service quality based on their own service ability has been becoming an important factor to evaluate their development ability. They can only win the trust of property owners and residents by improving their satisfaction with quality service .

In 2023, the central government issued a series of policies on aspects including urban renewal, urban village reconstruction, indemnificatory housing, community pension and child care, which provided greater market space and guidance for diversified development path in the future of the property management industry, and also put forward higher and more professional requirements for the service quality of the property management industry.

As one of the leading comprehensive urban service providers in China, Kaisa Prosperity has always taken “Prosperity is underway” (美好正在發生) as its guide and implemented the service concept of “With all one's heart and mind” (用心力 • 全心意) 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.

Looking back on 2023, the challenges of the industry still existed. Kaisa Prosperity has adhered to the principle of “striving for progress while maintaining stability, giving priority to efficiency”, deepening its service, cultivating its business and conducting in-depth operations, and maintaining a good momentum of steady and high-quality development through the dual-wheel drive of “Organic growth + Independent expansion”. The Group’s management scale has reached a new level with a GFA under management of 102.3 million square meters and 720 projects under management, establishing presence in 74 cities in 19 provinces.

Through unremitting efforts, 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, 2023 China Five-star Property Service Project, 2023 Top 20 Listed Company of Property Management Service, 2023 Top 100 Property Service Companies in China, 2023 Leading Company of China in Property Service Satisfaction, 2023 Leading Companies of China in City Service, 2023 Top 10 Property Service Companies for Public Facilities in China, 2023 Top 20 City Service Companies in China, 2023 China Property Management Enterprise in terms of High-quality Service System – Prosperity FUN, 2023 Excellent Projects of China Property Management – Shenzhen Central Plaza, 2023 China Top 100 Property Service Enterprises in Brand Value, 2023 Top 30 Property Service Brands in South China, 2023 Top 100 Property Service Companies in the Guangdong-Hong Kong-Macao Greater Bay Area and 2023 Leading Enterprise in the Property Management Market in the Guangdong-Hong Kong-Macao Greater Bay Area.

The Group has been well-prepared for the significant changes in the economic environment and the new pattern of development of the property management industry, and continued to practice the development vision of “Serving Beautiful China” to embrace the opportunities and challenges of the future.

FINANCIAL SUMMARY

For the year ended 31 December 2023, the Group’s revenue increased by approximately RMB10.4 million to RMB1,794.3 million, representing an increase of approximately 0.6% as compared with that in 2022. In particular, revenue from property management services amounted to RMB1,388.1 million; revenue from pre-delivery and consulting services amounted to RMB155.8 million; revenue from community value-added services amounted to RMB176.1 million; and revenue from smart solution services amounted to RMB124.3 million.

The gross profit for the year ended 31 December 2023 increased by approximately 2.2% to approximately RMB481.3 million from approximately RMB471.1 million for the year ended 31 December 2022.

The consolidated net loss as of 31 December 2023 was approximately RMB437.6 million, compared with the consolidated net profit of approximately RMB106.6 million for the year ended 31 December 2022.

ENRICHMENT OF SERVICE PORTFOLIOS 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 extended the depth of research on services and horizontally expanded the breadth of services. 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 9 property types, namely residential, commercial and office buildings, recreational stadium, schools, high-end sales offices, hospitals, urban public buildings and culture and tourism.

In 2023, the new upgrade of “Prosperity FUN” (美好FUN), a brand portfolio of community culture (FUN Life, FUN Neighborhood, FUN Charity, FUN Sharing (樂活FUN、樂鄰FUN、樂善FUN、樂享FUN)), was released, which covered services for the whole cycle, scenario and age of community culture and put forward the service slogan of “Enjoy a Prosperity FUN Life” (樂享美好生活FUN). At the same time, an IP image “Kaisa FUN” (佳小FUN) was launched, which brought a human touch to community culture, established emotional connection of services, and created brand characteristics.

In respect of the foundational service quality, the Group took “Strengthening Foundation, Reducing Cost and Increasing Revenue” as the main operation principles to maintain service quality while strictly control risks. 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 quality enhancing campaigns, such as “Spring Breeze in Kaisa” (春風沐佳), “Construction with Sincerity” (精誠築佳), “Best Customer Experience” (滿意到佳) and “Home with Kaisa” (安心歸佳). We have maintained and beautified the landscaping of the community, 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, and sorted out and optimized customer key contact positions and corresponding service standards, so as to continuously improve the living environment and experience.

In respect of the community building and community cultural activities, through the creation of service systems including the “Prosperity Convention”* (美好公約), “Firefly Program”* (螢火蟲計劃), “Kaisa’s Neighbors”* (佳鄰佳親) and “Starry 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 building a beautiful community with harmonious neighborhood, and enhancing the happiness of property owners.

In respect of building a safe and secured community, Kaisa Prosperity launched the special campaign of “Alarm ringing” (警鐘長鳴). Through firefighting and emergency drills, the campaign has effectively improved the professional skills and risk prevention and handling ability of employees regarding fire safety and the fire safety awareness and emergency avoidance ability of property owners and residents, which safeguarded the safety of property owners and residents. Kaisa Prosperity has gradually equipped some projects in Shenzhen, Guangzhou and Huizhou with AED first-aid facilities, and assisted customers to complete multiple emergency rescues through conducting operational trainings and emergency drills with employees as well as improving contingent rescue plans.

In respect of energy conservation and consumption reduction, in 2023, Kaisa Prosperity continued to implement the 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》). By adopting a multi-pronged approach underpinning “management + technology + policy”, the Group significantly reduced energy consumption throughout the year with the utilization of energy-saving renovation technologies with regard to lighting, water pumps, air conditioners and atomized micro-spray for greening irrigation etc. and the daily refined green operation management.

CONSTRUCTION OF 15-MINUTE CONVENIENT URBAN LIVING CIRCLE AND CREATION OF A SECOND GROWTH CURVE

While foundational services are the fundamentals of property management enterprises, value-added services shall be increments 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 bonds to social value and living value, how the community living space delivers high-quality products and intimate services to all aspects of property owners’ life and how to realize upgrades in ancillary facilities 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 first “K Series Living Exhibition Hall”* (小K生活展示館) in Guangzhou, and subsequently opened in Shenzhen and Huizhou. The establishment of K Series Living Exhibition Hall was an important milestone for Kaisa Prosperity to actively explore the neighborhood living services in community. 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, asset 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.

On 25 December 2023, Kaisa Prosperity officially released the “Neighborhood Living Circle” (鄰里生活圈). The Neighborhood Living Circle is a 15-minute convenient urban living circle with mutual assistance, co-construction and sharing among neighborhood, which is based on the digital service platform of K Series Living and combined with community residents and surrounding tenants. It provides rich and convenient local services for the daily life of residents in Kaisa’s community, and creates a convenient ecology with high-end quality of life, fast and convenient consumption, meticulous and efficient service and intelligent and innovative scenarios, so that residents can enjoy diversified convenient services and a better living environment without leaving home.

Kaisa Prosperity’s Neighborhood Living Circle combines “K Series Living Mall” (小K生活商城) (online) and K Series Living Exhibition Hall (offline) to build a comprehensive, one-stop and high-quality community value-added service ecosystem. In the future, K Series Living Exhibition Hall will continue to be expanding quickly to the communities under the management of Kaisa Prosperity across the country. The Neighborhood Living Circle will gradually promote the improvement and popularization of the neighborhood platform, and contribute to serving the people’s basic livelihood, promoting consumption upgrading, and smoothing the community economic microcirculation.

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 continued to develop the intelligent third-party market, and has been included in the qualified supplier database by 389 developers.

In January 2023, Jiake Intelligent won the bid for the intelligent works of the “Guiyang Taiyanghu Talent Town”* of Helenbergh Group (海倫堡集團“貴陽太陽湖人才小鎮”智能化工程), which promoted Jiake Intelligent’s business expansion.

In June 2023, Jiake Intelligent cooperated with Greenland Group to jointly construct the “Chengdu Dafeng Greenland Town”* (成都大豐綠地城) 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.

In July 2023, Jiake Intelligent won the bid for the intelligent work projects of the “Juncheng • British Manor” (筠城 • 南山春天) and “Juncheng • Aesthetic Longjiang” (筠城 • 美麗瀧江), which demonstrated the trust and affirmation in Jiake Intelligent of customers once again.

In September 2023, Jiake Intelligent won the bid for the intelligent work projects of the “Foshan Nanhai Convention and Exhibition Center” (佛山南海會展中心), which further deepened the brand awareness and influence of Jiake Intelligent in the Bay Area.

In October 2023, Jiake Intelligent and Greenland Group cooperated again to jointly construct the Yibin Inter City Space, which demonstrated customers’ recognition of Jiake Intelligent and enhanced the depth of cooperation.

In December 2023, Jiake Intelligent undertook a ten million-level equipment supply and intelligent work project of “Guangdong Yida Garment Factory” (廣東溢達製衣廠) for the first time, which laid a good foundation for Jiake Intelligent in the new business portfolio of industrial buildings.

Jiake Intelligent has further upgraded and expanded its products. 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 highthrow incidents happened 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 significantly higher safety coefficient. By adopting advanced technologies such as cloud computing, Internet of Things, big data and artificial intelligence as well as unattended equipment, it built a private cloud server for cloud parking and undertook parking lot renovation business, so as to build a smart cloud parking brand of Jiake Intelligent.

In May 2023, Jiake Intelligent was recognized as a national “Specialised and Sophisticated Enterprise”. In November 2023, Jiake Intelligent once again successfully passed the re-examination of “National High-tech Enterprise” after strict evaluation, which demonstrated the recognition of Jiake Intelligent’s innovative ability in science and technology, and was of great significance to enhancing the brand image of Jiake Intelligent.

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 aftersales market of the real estate industry which is of great development potential.

The year of 2024 is the 75th anniversary of the founding of New China, which is a crucial year for the “14th Five-Year” Plan. With the continuous implementation of the national supportive policies for healthy development of the private economy and the real estate industry, we are full of confidence in the bright future of China’s economy.

Kaisa Prosperity will continuously take quality services and quality expansion as the anchor to promote the orderly, quality and steady expansion of its management scale, continuously extend and broaden the value-added service chain to create a second growth curve and continuously optimize its brand influence. We will continue to consolidate our fundamentals and sharpen our increments, seize the opportunities and face the difficulties, and spare no effort. Leveraging on the national policy of “Replacement Action Plan” (以舊換新行動方案), we will launch community rejuvenation activities, actively conduct trial operation of community elderly care business, and promote the elderly-friendly and intelligent transformation of homes to meet the diversified consumption needs of homeowners, so as to achieve all-round and high-quality development with continuous efforts.

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 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

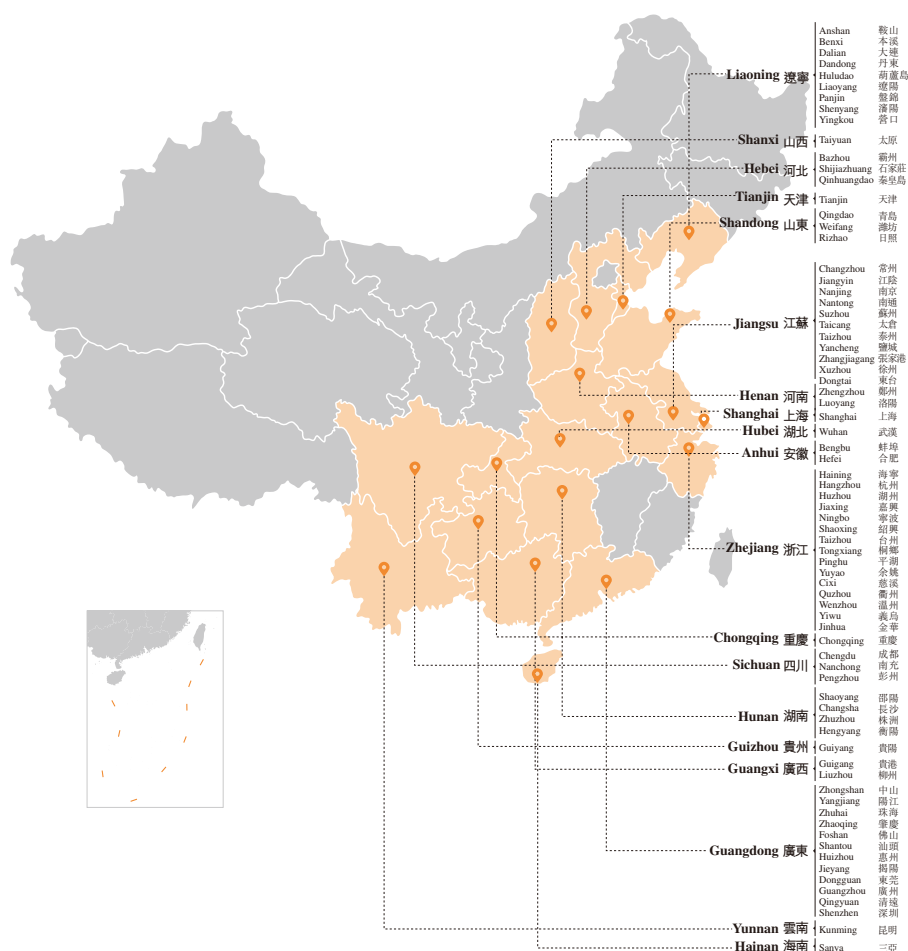
As of 31 December 2023, the Group's property management services covered 74 cities across 19 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 102.3 million sq.m. and a total of 720 managed properties projects, comprising 342 residential communities and 378 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	
	2023	2022
Contracted GFA ('000 sq.m.)	132,103	132,746
GFA under management ('000 sq.m.)	102,294	94,518
Number of managed property projects	720	673

Geographic Coverage

The map below illustrates the geographic coverage of our managed properties as of 31 December 2023:



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			
	2023		2022	
	GFA under management ('000 sq.m.)	Number of projects	GFA under management ('000 sq.m.)	Number of projects
Guangdong-Hong Kong-Macau Bay Area	22,769	141	19,409	108
Yangtze River Delta	58,797	474	57,066	477
Bohai Economic Rim	5,937	38	4,823	35
Western China	9,127	41	8,575	33
Central China	5,664	26	4,645	20
Total	102,294	720	94,518	673

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:

	2023		2022	
	GFA under management ('000 sq.m.)	Number of projects	GFA under management ('000 sq.m.)	Number of projects
As of 1 January	94,518	673	90,267	672
New engagement	18,625	152	15,934	107
Termination	(10,849)	(105)	(11,683)	(106)
As of 31 December	<u>102,294</u>	<u>720</u>	<u>94,518</u>	<u>673</u>

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, banks, arenas and stadiums, government buildings, public facilities and industrial parks and culture and tourism facilities etc.. Starting from Guangxi, Yancheng, Yangzhou and Jiaxing, 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									
	2023					2022				
	Revenue (RMB'000)	GFA under management % ('000 sq.m.)		Number of projects %		Revenue (RMB'000)	GFA under management % ('000 sq.m.)		Number of projects %	
Residential communities	677,493	50.6	60,259	58.9	342	625,955	50.1	55,385	58.6	314
Non-residential properties	660,606	49.4	42,035	41.1	378	622,236	49.9	39,133	41.4	359
Total	<u>1,338,099</u>	<u>100.0</u>	<u>102,294</u>	<u>100.0</u>	<u>720</u>	<u>1,248,191</u>	<u>100.0</u>	<u>94,518</u>	<u>100.0</u>	<u>673</u>

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									
	2023					2022				
	Revenue (RMB'000)	GFA under management % ('000 sq.m.)		Number of projects %		Revenue (RMB'000)	GFA under management % ('000 sq.m.)		Number of projects %	
Property management services (lump-sum basis)	1,283,536	95.9	77,276	75.5	610	1,193,055	95.6	70,816	74.9	577
Property management services (commission basis)	54,563	4.1	25,018	24.5	110	55,136	4.4	23,702	25.1	96
Total	<u>1,338,099</u>	<u>100.0</u>	<u>102,294</u>	<u>100.0</u>	<u>720</u>	<u>1,248,191</u>	<u>100.0</u>	<u>94,518</u>	<u>100.0</u>	<u>673</u>

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 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									
	2023					2022				
	Revenue (RMB'000)	GFA under management % ('000 sq.m.)		Number of projects %		Revenue (RMB'000)	GFA under management % ('000 sq.m.)		Number of projects %	
Properties developed by the Kaisa Group	527,982	39.5	41,891	41.0	213	549,807	44.0	36,206	38.3	172
Properties developed by independent third-party property developers	810,117	60.5	60,403	59.0	507	698,384	56.0	58,312	61.7	501
Total	1,338,099	100.0	102,294	100.0	720	1,248,191	100.0	94,518	100.0	673

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 2023. As of 31 December 2023, the Group managed approximately 60.4 million sq.m. of GFA of properties developed by independent third-party property developers, representing an increase of approximately 3.6% from approximately 58.3 million sq.m. as of 31 December 2022. In addition, the revenue of projects for properties developed by independent-third party developers increased from approximately RMB698.4 million for the year ended 31 December 2022 to approximately RMB810.1 million for the year ended 31 December 2023. 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.

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 2023, the Group's revenue generated from providing pre-delivery and consulting services amounted to approximately RMB155.8 million, which accounted for approximately 8.7% of the total revenue for the year ended 31 December 2023, representing a decrease of approximately 35.1% as compared to approximately RMB239.9 million in 2022. The decrease was primarily attributable to the impact of national macro economic policies, market conditions in the real estate industry, where the demand for services by real estate developers decreased.

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

As an extension of its property management services, the Group's community value-added services aim to address the life style and daily needs of the property owners and residents, provide various products and services, improve customer satisfaction, and provide a more healthy and convenient life style for the property owners and residents.

The Group provides diversified products and services to the property owners and residents through K Series Living to meet their ever-changing daily needs. As a community value-added service brand under the Group, K Series Living has been adhering to the service concept of "Fast, High-quality, Value-added and Colorful life" since its launch, covering various business types such as residential and commercial buildings, office buildings, stadiums, and public facilities. After continuous optimization and development, K Series Living currently can be mainly divided into four major segments: (1) K-Space* (小K空間), (2) K-Retail* (小K零售), (3) K-Lease & Sale* (小K租售), and (4) K-Decoration* (小K美居). K-Retail 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 fundamental property services, diversified supply chains and distributed mini warehouse, we continued to improve our community value-added service capabilities, provide high-quality products and convenient services, and build a standardized and full-lifecycle service and product system.

On 30 June 2023, Kaisa Prosperity opened its first "K Series Living Exhibition Hall"* (小K生活展示館) in Guangzhou, and subsequently opened in Shenzhen and Huizhou. On 25 December 2023, Kaisa Prosperity officially released the "Neighborhood Living Circle" (鄰里生活圈). Kaisa Prosperity's Neighborhood Living Circle combines K Series Living (online) and K Series Living Exhibition Hall (offline) to build a comprehensive, one-stop and high-quality community value-added service ecosystem.

In 2023, the Group's revenue generated from community value-added services amounted to approximately RMB176.1 million, representing an increase of 13.2%. Such increase was primarily due to the growth in the Group's car parking and space leasing services, resulting from the increase in the number of the properties under management that in turn led to a larger customer base.

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. Jiake Intelligent, a subsidiary of the Group, is positioned as a "Comprehensive Solution Service Provider for Smart Cities", aiming to build high-quality multi-scenario solutions with "5G+AIoT platform + ecological equipment applications and services", which include services for diversified fields such as communities, hotels, commercial, parks, education and medical. It has established a smart city service system integrating comprehensive solution design, self-developed products, engineering construction and operation and maintenance, empowering urban development with technology and assisting the construction of smart cities in China.

Jiake Intelligent obtained qualifications such as “Grade I Professional Contractor of Electronic and Intelligent Engineering” (電子與智能化工程專業承包壹級), Grade B Project Design of Building Intelligent System (建築智能化系統設計專項乙級) and Grade III Design, Installation and Maintenance of Security Prevention Systems (安全技術防範系統設計、施工、維修三級), and also obtained a series of system certifications such as the “ISO9001 Quality Management System”, “ISO50430 Building Quality Management System”, “ISO14001 Environmental Management System”, “ISO Occupational Health and Safety System” and “GB/T50430-2017 Engineering Construction Enterprise Quality Management System”.

In May 2023, Jiake Intelligent was recognized as a national “Specialised and Sophisticated Enterprise”. In November 2023, Jiake Intelligent once again successfully passed the reexamination of “National High-tech Enterprise” after strict evaluation, which demonstrated the recognition of Jiake Intelligent’s innovative ability in science and technology, and was of great significance to enhancing the brand image of Jiake Intelligent.

In 2023, the Group’s revenue generated from smart solution services amounted to approximately RMB124.3 million, representing a decrease of 11.4%. Such decrease was primarily due to the impact of national macro policies, market conditions in the real estate industry, which caused the slowdown in construction progress.

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 increased by approximately 0.6% from approximately RMB1,783.9 million in 2022 to approximately RMB1,794.3 million in 2023.

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

	Year ended 31 December					
	2023		2022		Changes	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management services	1,338,099	74.6	1,248,191	70.0	89,908	7.2
Pre-delivery and consulting services	155,811	8.7	239,941	13.4	(84,130)	(35.1)
Community value-added services	176,065	9.8	155,495	8.7	20,570	13.2
Smart solution services	124,292	6.9	140,256	7.9	(15,964)	(11.4)
Total	1,794,267	100.0	1,783,883	100.0	10,384	0.6

- 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 7.2% from approximately RMB1,248.2 million in 2022 to approximately RMB1,338.1 million in 2023. 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 35.1% from approximately RMB239.9 million in 2022 to approximately RMB155.8 million in 2023. Such decrease was primarily due to the impact of national macro economic policies, market conditions in the real estate industry, 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, increased by approximately 13.2% from approximately RMB155.5 million in 2022 to approximately RMB176.1 million in 2023. Such increase was primarily due to the growth in the Group's car parking and space leasing services, resulting from the increase in the number of the properties under management that in turn led to a larger customer base.
- Revenue from smart solution services, which primarily include fees for installation and maintenance services, decreased by approximately 11.4% from approximately RMB140.3 million in 2022 to approximately RMB124.3 million in 2023. Such decrease was primarily due to the impact of national macro policies, market conditions in the real estate industry, 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 increased by approximately RMB0.1 million from approximately RMB1,312.8 million in 2022 to approximately RMB1,312.9 million in 2023.

Gross Profit and Gross Profit Margin

The overall gross profit of the Group increased by approximately 2.2% from approximately RMB471.1 million in 2022 to approximately RMB481.3 million in 2023. The overall gross profit margin of the Group increased by approximately 0.4 percentage points from approximately 26.4% in 2022 to approximately 26.8% in 2023. 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	
	2023		2022			
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %	Amount RMB'000	%
Property management services	306,437	22.9	283,306	22.7	23,131	8.2
– Lump-sum basis	251,874	19.6	228,170	19.1	23,704	10.4
– Commission basis	54,563	100.0	55,136	100.0	(573)	(1.0)
Pre-delivery and consulting services	38,243	24.5	57,617	24.0	(19,374)	(33.6)
Community value-added services	99,860	56.7	103,549	66.6	(3,689)	(3.6)
Smart solution services	36,807	29.6	26,635	19.0	10,172	38.2
Total	481,347	26.8	471,107	26.4	10,240	2.2

1) *Property management services*

Gross profit margin of the Group's property management services rose by approximately 0.2 percentage points from approximately 22.7% in 2022 to approximately 22.9% in 2023. The increase was primarily due to the Group implemented various cost saving initiatives to proactively manage the Group's costs.

2) *Pre-delivery and consulting services*

Gross profit margin of the Group's pre-delivery and consulting services increased by approximately 0.5 percentage points from approximately 24.0% in 2022 to approximately 24.5% in 2023. The increase was mainly due to the proportion of revenue contributed by projects with lower gross profit margin decreased during the year.

3) *Community value-added services*

Gross profit margin of the Group's community value-added services dropped by approximately 9.9 percentage points from approximately 66.6% in 2022 to approximately 56.7% in 2023. The decrease was primarily due to an increase in revenue contributed by certain value-added services which have a lower gross profit margins.

4) *Smart solution services*

Gross profit margin of the Group's smart solution services increased by approximately 10.6 percentage points from approximately 19.0% in 2022 to approximately 29.6% in 2023. The increase was primarily due to the proportion of revenue contributed by smart solution services projects with higher gross profit margins increased.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by approximately 21.2% from approximately RMB10.4 million in 2022 to approximately RMB12.6 million in 2023, The increase was mainly due to the Group's increased market expansion efforts.

Administrative Expenses

Administrative expenses of the Group decreased by approximately 17.2% from approximately RMB229.4 million in 2022 to approximately RMB189.9 million in 2023. The decrease was primarily attributable to the decrease in staff costs as a results of optimizing organizational structure to improve operational efficiency.

Provision for Loss Allowance on Financial Assets and Contract Assets

Provision for loss allowance on financial assets and contract assets of the Group increased by approximately 459.2% from approximately RMB125.0 million in 2022 to approximately RMB699.0 million in 2023 of which a provision of impairment for trade receivables from related parties was amounted to approximately RMB608.0 million. The increase in provision was primarily attributable to the continued weakness and uncertainty of the real estate industry in the Mainland.

Change in Fair Value on Financial Assets at Fair Value Through Profit or Loss

Change in fair value on financial assets at fair value through profit or loss of the Group increased by approximately RMB142.2 million from approximately RMB1.2 million in 2022 to approximately RMB143.4 million in 2023.

Income Tax Credit/(Expenses)

The Group recorded an income tax credit of approximately RMB144.3 million in 2023 as compared to the income tax expenses of approximately RMB32.3 million in 2022.

(Loss)/Profit for the Year

The Group's loss for the year amounted to approximately RMB437.6 million as compared to a profit of approximately RMB106.6 million for the year ended 31 December 2022. The loss was mainly attributable to the continued weakness and uncertainty of the real estate industry in the Mainland resulting in (i) a decline in the revenue of the Group's pre-delivery and consulting services; and (ii) an increase in the provision of impairment for trade receivables from related parties based on the principle of prudence, as compared to the year ended 31 December 2022.

Liquidity, Capital Structure and Financial Resources

As of 31 December 2023, the Group's cash and bank balances were approximately RMB286.8 million, represented an increase of approximately RMB39.5 million from approximately RMB247.3 million as of 31 December 2022.

As of 31 December 2023, the net current assets of the Group was approximately RMB35.3 million (31 December 2022: approximately RMB528.8 million). As of 31 December 2023, the Group's current ratio (current assets/current liabilities) was approximately 1.04 (31 December 2022: approximately 1.65).

As of 31 December 2023 and 31 December 2022, 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 2023, the Group recorded goodwill of approximately RMB160.8 million (31 December 2022: 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 2023, the Group recorded right-of-use assets of approximately RMB184.0 million (31 December 2022: approximately 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 RMB435.2 million from approximately RMB828.8 million as of 31 December 2022 to approximately RMB393.6 million as of 31 December 2023, primarily due to the increase in the provision of impairment for trade receivables from related parties based on the principle of prudence, as a result of continued weakness and uncertainty in the real estate industry in the PRC.

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 increased by approximately RMB1.9 million from approximately RMB73.3 million as of 31 December 2022 to approximately RMB75.2 million as of 31 December 2023.

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 RMB15.9 million from approximately RMB79.2 million as of 31 December 2022 to approximately RMB95.1 million as of 31 December 2023, primarily due to the increase in the total GFA the Group managed under commission basis.

Trade and Other Payables

Trade payables mainly represent the obligations to pay suppliers for procurements in the ordinary course of business. The balances of trade payables of the Group increased by approximately RMB3.0 million from approximately RMB191.0 million as of 31 December 2022 to approximately RMB194.0 million as of 31 December 2023.

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 increased by approximately RMB22.5 million from approximately RMB342.9 million as of 31 December 2022 to approximately RMB365.4 million as of 31 December 2023.

Capital Commitments

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

Pledge of Assets

As of 31 December 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 during the year ended 31 December 2023.

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 2022 and 2023.

Contingent Liabilities

As of 31 December 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 31 December 2023, cash and bank balances denominated in Hong Kong dollar and United States Dollar was approximately RMB4.0 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 2023, the Group had 12,713 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 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 all the applicable code provisions during the Reporting Period.

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 2023.

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 2023, 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 2023 (2022: 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 2023 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 Friday, 21 June 2024, the register of members of the Company will be closed on Tuesday, 18 June 2024 to Friday, 21 June 2024, 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 Monday, 17 June 2024.

ANNUAL GENERAL MEETING

The AGM will be held on 21 June 2024 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 and the Company at www.jzywy.com in due course.

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

Hong Kong, 22 March 2024

As at the date of this announcement, the executive Directors are Mr. Liao Chuanqiang, Mr. Li Haiming, Mr. Kwok Hiu Kwan, Mr. Zhao Jianhua, Ms. Mou Zhaohui and Mr. Xie Binhong; 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.*