KAISA GROUP HOLDINGS LTD.
佳兆業集團控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1638)

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

The board (the "**Board**") of directors (the "**Directors**") of Kaisa Group Holdings Ltd. (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022.

FINANCIAL HIGHLIGHTS

- Total revenue for the six months ended 30 June 2023 increased by 1.0% to approximately RMB13,564.6 million from the corresponding period in 2022.
- Gross profit for the six months ended 30 June 2023 increased by 28.7% to approximately RMB2,972.9 million and the gross profit margin for the period was 21.9%.
- Loss for the six months ended 30 June 2023 decreased by 14.9% to approximately RMB6,600.5 million from the corresponding period in 2022.
- Contracted sales of the Group, together with its joint ventures and associated companies, increased by 16.1% to approximately RMB12,190 million.
- No interim dividend declared for the six months ended 30 June 2023.

* *For identification purposes only*

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	*3*	**13,564,598**	13,431,394
Cost of sales	*4*	**(10,591,702)**	(11,120,590)
Gross profit		**2,972,896**	2,310,804
Other gains and losses, net	*5*	**(4,035,137)**	(5,682,493)
Selling and marketing costs	*4*	**(358,580)**	(156,466)
Administrative expenses	*4*	**(789,639)**	(1,376,100)
Net fair value losses on investment properties		**(124,000)**	(183,108)
Net gain/(loss) on disposals of subsidiaries		**17,804**	(89,616)
Net loss on deemed disposal of subsidiaries		**–**	(678,692)
Provision for expected credit losses	*5*	**(2,484,578)**	(644,235)
Operating loss		**(4,801,234)**	(6,499,906)
Share of results of associates		**(516,837)**	(214,926)
Share of results of joint ventures		**324,984**	(252,160)
Finance income	*6*	**42,021**	211,576
Finance costs	*6*	**(981,837)**	(1,019,462)
Finance costs, net	*6*	**(939,816)**	(807,886)
Loss before income tax		**(5,932,903)**	(7,774,878)
Income tax (expenses)/credit	*7*	**(667,597)**	17,067
Loss for the period		**(6,600,500)**	(7,757,811)
(Loss)/Profit for the period attributable to:			
Owners of the Company		**(6,973,892)**	(7,672,565)
Non-controlling interests		**373,392**	(85,246)
		(6,600,500)	(7,757,811)
Loss per share for loss attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic	*8*	**(0.994)**	(1.104)
– Diluted	*8*	**(0.994)**	(1.104)

	Note	Unaudited Six months ended 30 June **2023** ***RMB'000***	 2022 *RMB'000*
Loss for the period		**(6,600,500)**	(7,757,811)
Other comprehensive income for the period, including reclassification adjustments			
Items that may be reclassified subsequently to profit or loss			
Exchange gain on translation of foreign operations		**29,769**	25,500
Share of other comprehensive (expense)/income of associates, net of income tax		**(2,602)**	3
Other comprehensive income for the period, including reclassification adjustments		**27,167**	25,503
Total comprehensive expense for the period		**(6,573,333)**	(7,732,308)
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		**(6,959,617)**	(7,657,163)
Non-controlling interests		**386,284**	(75,145)
		(6,573,333)	(7,732,308)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2023

	Notes	**Unaudited 30 June 2023 RMB'000**	Audited 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment		**5,212,391**	4,456,386
Right-of-use assets		**584,259**	574,378
Investment properties		**9,328,400**	9,452,400
Land use rights		**385,848**	395,098
Interests in associates		**24,633,892**	25,155,266
Interests in joint ventures		**8,491,574**	8,166,590
Financial assets at fair value through profit or loss		**6,073,242**	6,359,654
Debtors, deposits and other receivables	*10*	**33,045**	26,553
Goodwill and intangible assets		**961,797**	974,984
Deferred tax assets		**1,503,437**	1,509,410
Total non-current assets		**57,207,885**	57,070,719
Current assets			
Properties under development		**85,575,267**	91,871,852
Completed properties held-for-sale		**18,524,766**	16,465,066
Inventories		**384,745**	347,600
Debtors, deposits and other receivables	*10*	**50,360,719**	52,575,325
Deposits for land acquisition		**227,581**	226,434
Prepayments for proposed development projects		**38,441,355**	38,581,706
Prepaid tax		**100,015**	519,266
Restricted bank balances and cash		**3,115,229**	3,713,407
Financial assets at fair value through profit or loss		**856,470**	904,837
Cash and bank balances		**1,396,824**	2,067,642
Total current assets		**198,982,971**	207,273,135
Current liabilities			
Contract liabilities		**29,305,804**	36,629,118
Accrued construction costs		**11,919,790**	12,409,696
Income tax payable		**12,812,266**	12,569,282
Lease liabilities		**138,674**	127,418
Borrowings	*11*	**117,898,573**	109,892,414
Other payables		**37,805,097**	30,091,531
Total current liabilities		**209,880,204**	201,719,459
Net current (liabilities)/assets		**(10,897,233)**	5,553,676
Total assets less current liabilities		**46,310,652**	62,624,395

	Notes	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Non-current liabilities			
Lease liabilities		**455,767**	467,704
Borrowings	*11*	**19,679,883**	24,275,535
Other payables		**3,954**	18,548
Deferred tax liabilities		**2,502,084**	2,617,644
Total non-current liabilities		**22,641,688**	27,379,431
Net assets		**23,668,964**	35,244,964
Equity			
Share capital		**613,530**	613,530
Share premium		**6,376,801**	6,376,801
Perpetual capital securities		**1,350,054**	1,350,054
Reserves		**(7,433,094)**	(477,548)
Equity attributable to owners of the Company		**907,291**	7,862,837
Non-controlling interests		**22,761,673**	27,382,127
Total equity		**23,668,964**	35,244,964

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2023

1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "**Company**") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands.

The Company is engaged in investment holding and the subsidiaries (collectively, the "**Group**") are principally engaged in property development, property investment, property management, hotel and catering operations, cultural centre operations, water-way passenger and cargo transportation and healthcare operations in the People's Republic of China (the "**PRC**").

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

These condensed consolidated financial statements are presented in Renminbi ("**RMB**"), the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000), unless otherwise stated. The condensed consolidated financial statements have not been audited and were authorised for issue by the Board of Directors on 30 August 2023.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation

These condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The condensed consolidated financial statements 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.

(ii) Application of amendments to HKFRSs

The condensed consolidated 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 following amended HKFRSs effective as of 1 January 2023.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
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

The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

The adoption of the amended HKFRSs in the current period had no material impact on the results and financial positions for the current and prior periods have been prepared and presented.

(iii) Going concern basis

For the six months ended 30 June 2023, the Group incurred net loss of RMB6,600,500,000. As at 30 June 2023, the Group's net current liabilities amounted to RMB10,897,233,000. As at 30 June 2023, the Group's current liabilities (including those that had become default or cross-default or contain early demand clauses) were amounted to RMB209,880,204,000.

In addition, as at 30 June 2023, the Group did not repay certain bank and other borrowings of about RMB49,212,455,000 according to their scheduled repayment dates. As a result, as at 30 June 2023, bank and other borrowings with the aggregate principal amount of about RMB104,058,326,000 had become default or cross-default. Subsequent to 30 June 2023, the Group did not repay certain other bank and other borrowings according to their scheduled repayment dates. Furthermore, the Company and its subsidiaries were involved in various litigation cases.

These events or conditions indicate that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing and have considered the Group's cash flow projections prepared by management for a period of not less than 12 months from the end of the reporting period. The following plans and measures are formulated with the objective to mitigate the liquidity pressure of the Group:

- The Company has appointed Houlihan Lokey (China) Limited as its financial adviser for its offshore debt restructuring. The Group is actively in discussions with the existing lenders on the renewal of the Group's certain borrowings. These discussions have been constructive and focused on possible actions in light of current circumstances but do require time to formulate or implement due to ongoing changes in market conditions. At the same time, the Group has been actively communicating with creditors to resolve the pending litigation cases. In addition, the Group will continue to seek for new sources of financing or accelerate asset sales address upcoming financial obligations and future operating cash flow requirements whilst engaging in existing lenders;

- The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables. Recent relaxation of policies with regards to pre-sale requirements have been encouraging to increase buyer interests and stimulate demand. The Group will also continue to actively adjust sales and pre-sale activities to better respond to changing markets to achieve the latest budgeted sales and pre-sales volumes and amounts;

- The Group will continue to seek suitable opportunities to dispose of its equity interest in certain project development companies to generate additional cash inflows. The Group's properties are predominantly located in higher tier cities that make it relatively more attractive to potential buyers and retain a higher value in current market conditions;

- The Group has already taken measures to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will continue to actively assess additional measures to further reduce discretionary spending;

The Directors, taking into account the above plans and measures, are of the opinion that, they are satisfied that it is appropriate to prepare the condensed consolidated financial statements for the six months ended 30 June 2023 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in Mainland China and the uncertainties to obtain support from the Group's creditors and various litigation outcome, material uncertainties exist as to whether or not the Group will be able to achieve its plans and measures as described above.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") has been identified as the executive directors of the Company. The executive directors reviewed the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Net gain on repurchase of senior notes, net fair value losses on financial assets at FVTPL, corporate and other unallocated expenses, finance income, finance costs and income tax credit/expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of property development, property investment, property management services, hotel and catering operations, cultural centre operations, water-way passenger and cargo transportation, healthcare operations regarded these being the reportable segments. The Group grouped its financial service business under other segment which was insignificant to present as a separate segment.

As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market primarily in the PRC, and over 90% of the Group's assets are located in the PRC, no geographical segment information is presented.

Revenue for the period consists of the following:

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Sales of properties	**11,727,659**	11,347,209
Rental income	**197,456**	188,560
Property management services	**827,538**	814,753
Hotel and catering operations	**159,884**	133,214
Cultural centre operations	**84,634**	114,775
Water-way passenger and cargo transportation	**–**	232,265
Healthcare operations	**314,281**	217,157
Others	**253,146**	383,461
	13,564,598	13,431,394

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2023 is as follows:

	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cultural centre operations *RMB'000*	Water-way passenger and cargo transportation *RMB'000*	Healthcare operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue	11,727,659	224,406	935,230	161,740	101,731	–	314,281	289,058	13,754,105
Less: Inter-segment revenue	–	(26,950)	(107,692)	(1,856)	(17,097)	–	–	(35,912)	(189,507)
Revenue from external customers	11,727,659	197,456	827,538	159,884	84,634	–	314,281	253,146	13,564,598
Timing of revenue recognition under HKFRS 15									
At a point in time	11,727,659	–	–	–	–	–	314,281	253,146	12,295,086
Over time	–	–	827,538	159,884	84,634	–	–	–	1,072,056
Revenue from other sources of HKFRS 15	–	197,456	–	–	–	–	–	–	197,456
	11,727,659	197,456	827,538	159,884	84,634	–	314,281	253,146	13,564,598
Segment results before net fair value losses on investment properties and share of results of associates and joint ventures	(1,486,193)	99,494	126,070	21,384	(60,033)	(530)	102,483	(3,123,411)	(4,320,736)
Net fair value losses on investment properties	–	(124,000)	–	–	–	–	–	–	(124,000)
Share of results of associates	(401,422)	–	(4,179)	–	–	–	–	(111,236)	(516,837)
Share of results of joint ventures	190,927	–	–	–	–	–	–	134,057	324,984
Segment results	(1,696,688)	(24,506)	121,891	21,384	(60,033)	(530)	102,483	(3,100,590)	(4,636,589)
Net fair value losses on financial assets at FVTPL									(262,369)
Corporate and other unallocated expenses									(94,129)
Finance income									42,021
Finance costs									(981,837)
Finance costs, net *(note 6)*									(939,816)
Loss before income tax									(5,932,903)
Income tax expense *(note 7)*									(667,597)
Loss for the period									(6,600,500)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2022 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Healthcare operations RMB'000	Others RMB'000	Total RMB'000
Revenue	11,347,209	206,033	936,557	154,639	124,672	232,265	217,157	423,744	13,642,276
Less: Inter-segment revenue	–	(17,473)	(121,804)	(21,425)	(9,897)	–	–	(40,283)	(210,882)
Revenue from external customers	11,347,209	188,560	814,753	133,214	114,775	232,265	217,157	383,461	13,431,394
Timing of revenue recognition under HKFRS 15									
At a point in time	11,347,209	–	–	–	–	55,007	217,157	383,461	12,002,834
Over time	–	–	814,753	133,214	114,775	177,258	–	–	1,240,000
Revenue from other sources of HKFRS 15	–	188,560	–	–	–	–	–	–	188,560
	11,347,209	188,560	814,753	133,214	114,775	232,265	217,157	383,461	13,431,394
Segment results before net fair value losses on investment properties and share of results of associates and joint ventures	247,750	335,587	63,932	7,558	(56,225)	(723,159)	(82,830)	(4,079,404)	(4,286,791)
Net fair value losses on investment properties	–	(183,108)	–	–	–	–	–	–	(183,108)
Share of results of associates	(147,073)	–	3,405	–	–	–	–	(71,257)	(214,925)
Share of results of joint ventures	(202,221)	–	–	–	–	–	–	(49,939)	(252,160)
Segment results	(101,544)	152,479	67,337	7,558	(56,225)	(723,159)	(82,830)	(4,200,600)	(4,936,984)
Net fair value losses on financial assets at FVTPL									(1,889,747)
Corporate and other unallocated expenses									(140,261)
Finance income									211,576
Finance costs									(1,019,462)
Finance costs, net *(note 6)*									(807,886)
Loss before income tax									(7,774,878)
Income tax credit *(note 7)*									17,067
Loss for the period									(7,757,811)

The segment assets and liabilities as at 30 June 2023 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Healthcare operations RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	**996,585,742**	**37,180,616**	**6,988,259**	**3,766,729**	**11,212,773**	**14,910,045**	**4,804,771**	**165,706,784**	**(993,498,027)**	**247,657,692**
Unallocated										**8,533,164**
										256,190,856
Segment liabilities	**821,703,590**	**2,054,223**	**3,540,220**	**3,281,814**	**11,743,176**	**15,202,521**	**785,585**	**155,532,411**	**(934,099,454)**	**79,744,086**
Unallocated										**152,777,806**
										232,521,892

The segment assets and liabilities as at 31 December 2022 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Healthcare operations RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	1,016,719,551	37,100,830	6,721,907	3,759,684	11,238,689	14,910,661	4,979,334	169,703,560	(1,010,083,529)	255,050,687
Unallocated										9,293,167
										264,343,854
Segment liabilities	838,095,593	2,229,423	3,398,437	3,272,229	11,685,820	15,174,528	1,014,449	155,908,976	(951,035,439)	79,744,016
Unallocated										149,354,874
										229,098,890

For the six months ended 30 June 2023 and 2022, none of the Group's customer accounted for more than 10% of the Group's total revenue.

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the profit or loss.

There is no change in the basis of segmentation or basis of measurement of segment profit or loss for the six months ended 30 June 2023.

Segment assets consist primarily of all assets excluding financial assets at FVTPL, deferred tax assets and prepaid taxes.

Segment liabilities consist primarily of all liabilities excluding deferred tax liabilities, income tax payable, and corporate borrowings.

4. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Advertising and other promotional costs	**133,371**	55,433
Agency fees	**149,588**	17,531
Amortisation of land use rights	**6,738**	9,972
Amortisation of intangible assets	**18,086**	17,207
Cost of properties sold	**9,312,469**	9,789,205
Depreciation		
– Property plant and equipment	**175,142**	191,526
– Right-of-use assets	**29,783**	64,087
Direct operating expenses arising from		
– Property investment	**93,679**	121,842
– Property management services	**617,432**	652,135
– Hotel and catering operations	**103,247**	99,413
– Cultural centre operations	**199,182**	124,020
– Water-way passenger and cargo transportation	**–**	179,782
– Healthcare operations	**156,977**	99,117
Donations	**3**	123
Legal and professional fees	**104,168**	174,642
Minimum lease payment under operating leases *(note)*	**531**	8,641
Other taxes	**63,021**	45,290
Staff costs – including directors' emoluments	**456,458**	835,212

Note: According to HKFRS 16 Leases, payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months.

5. OTHER GAINS AND LOSSES – NET

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Dividend income from financial assets at FVTPL	**–**	16,061
Forfeited customer deposits	**2,504**	1,909
Government subsidy income *(note)*	**86,045**	62,365
Net losses on disposals of financial assets at FVTPL	**(50,000)**	(51,840)
Net fair value losses on financial assets at FVTPL	**(262,369)**	(1,889,747)
Net gains on disposal of property, plant and equipment	**167**	27,700
Write-down of completed properties held for sale and properties under development	**(376,346)**	(4,486)
Net exchange losses	**(3,057,450)**	(3,867,822)
(Provision)/Reversal for ECL allowance/written-off include:		
– relating to financial assets and contract assets	**(605,305)**	(801,167)
– relating to financial guarantees	**(1,879,273)**	156,932
	(2,484,578)	(644,235)

Note: The amount represented the subsidies received from the local government bureau in the PRC. There was no unfulfilled conditions and other contingencies attached to the receipts of subsidies.

6. FINANCE COSTS – NET

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Finance income		
Interest income on bank deposits	**42,021**	211,576
Finance costs		
Interest expense:		
– Bank and other borrowings	**2,013,463**	1,913,417
– Senior Notes	**4,216,531**	3,751,846
– Lease liabilities	**4,257**	2,664
Total interest expenses	**6,234,251**	5,667,927
Less: interests capitalised	**(5,252,414)**	(4,648,465)
	981,837	1,019,462
Finance costs – net	**(939,816)**	(807,886)

7. INCOME TAX EXPENSES/(CREDIT)

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**184,818**	97,357
– PRC land appreciation tax	**585,506**	60,521
Deferred tax	**(102,727)**	(174,945)
	667,597	(17,067)

Income tax expenses for the six months ended 30 June 2023 and 2022 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

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 Cayman Islands income tax. The group companies in British Virgin Islands ("**BVI**") were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

Hong Kong profits tax

No Hong Kong profits tax was provided for the six months ended 30 June 2023 and 2022 as the Group has no assessable profits arising in or derived from Hong Kong for the periods.

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 out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (Six months ended 30 June 2022: 25%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land use rights and all property development expenditures.

8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Loss attributable to owners of the Company	**(6,973,892)**	(7,672,565)
Distribution payables on perpetual capital securities	**–**	(69,701)
	(6,973,892)	(7,742,266)

	Number of shares	
	2023	2022
Weighted average number of ordinary shares for the purpose of basic loss per share	**7,015,468,487**	7,015,468,487

Notes:

(a) The computation of diluted loss per share for the six months ended 30 June 2023 and 2022 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.

(b) The dilutive effect of the share options issued by the Group's listed subsidiaries, Kaisa Prosperity Holdings Limited ("**Kaisa Prosperity**") and Kaisa Health Group Holdings Limited ("**Kaisa Health**"), were insignificant for the six months ended 30 June 2023 and 2022.

9. DIVIDENDS

No interim dividend declared for the six months ended 30 June 2023 and 2022.

10. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

Trade debtors mainly arise from sales of properties and property management. Proceeds receivable in respect of the sales of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Rental income from lease of properties are generally receivable in accordance with the terms of the relevant agreements. The ageing analysis of trade debtors based on contractual terms as at the respective reporting dates is as follows:

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Within 90 days	**1,096,918**	1,115,564
Over 90 days but within 180 days	**243,191**	368,899
Over 180 days but within 270 days	**179,074**	118,131
Over 271 days but within 365 days	**92,317**	100,572
Over 365 days	**545,299**	358,276
	2,156,799	2,061,442
Less: allowance for impairment	**(172,695)**	(126,118)
	1,984,104	1,935,324

11. BORROWINGS

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Borrowings included in current liabilities:		
Senior Notes	**84,522,232**	81,642,282
Bank borrowings – secured	**4,070,095**	4,305,664
Bank borrowings – unsecured	**3,944,744**	3,127,155
Other borrowings – secured	**10,734,619**	6,564,133
Other borrowings – unsecured	**14,518,102**	14,144,399
Loan from a related company	**108,781**	108,781
	117,898,573	109,892,414
Borrowings included in non-current liabilities:		
Bank borrowings – secured	**8,982,276**	9,340,897
Bank borrowings – unsecured	**2,722,500**	3,789,520
Other borrowings – secured	**7,445,207**	10,795,118
Other borrowings – unsecured	**414,900**	350,000
Loan from the controlling shareholder of the Company – unsecured	**115,000**	–
	19,679,883	24,275,535
Total borrowings	**137,578,456**	134,167,949

12. COMMITMENTS

(a) Commitments for acquisitions of property development expenditures, subsidiaries and a joint venture

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Contracted but not provided for		
– Acquisitions of land use rights and property development activities	**15,970,292**	15,476,892
– Acquisitions of subsidiaries *(note)*	**13,000,000**	13,000,000
	28,970,292	28,476,892

Note:

On 25 March 2021, the Company entered into agreement with Acme Victory Investments Limited, Ascending Power Investments Limited and Beijing Chengyi Haotai Investment Management Co., Ltd. as vendors and Mr. Kwok Ying Shing as guarantor in relation to the acquisitions of Hong Da Development & Investment Holding Co., Ltd., Logic Capital Limited and Beijing Yaohui Real Estate Co., Ltd. at a consideration of RMB13,000,000,000 in cash. The transaction was approved by the shareholders of the Company in the extraordinary general meeting on 2 July 2021. Further details of the acquisition can be found in the announcements of the Company dated 27 March 2021 and 27 May 2021.

(b) Operating lease commitments

At the reporting date, the lease commitments for short-term leases and leases of low-value assets are as follows:

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Not later than one year	**302**	365

As at 30 June 2023, the Group leases staff quarters, offices and items of office equipment with a lease period of twelve months, which are qualified to be accounted for under short-term lease and lease of low-value assets exemption under HKFRS 16.

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Within one year	**169,501**	191,992
After one year and within two years	**169,004**	162,359
After two years and within three years	**134,252**	136,148
After three years and within four years	**110,081**	114,643
After four years and within five years	**83,938**	76,433
After five years	**178,853**	193,946
	845,629	875,521

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to twenty (unaudited) (31 December 2022: one to twenty (audited)) years, with an option to renew the lease and renegotiated the terms at the expiry date or at the dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

13. EVENTS AFTER REPORTING PERIOD

On 10 July 2023, the Company received a winding-up petition (the "**Petition**") dated 6 July 2023 which was filed by Broad Peak Investment Pte. Advisers Ltd. (the "**Petitioner**") at the High Court of the Hong Kong Special Administrative Region (the "**High Court**") against the Company in relation to the non-payment of certain RMB denominated corporate bonds issued by Kaisa Group (Shenzhen) Co., Ltd. (the "**Issuer**") in the principal amount of RMB170 million and accrued interests. The Issuer is a wholly-owned subsidiary of the Company.

The Company will oppose the Petition and take all necessary actions to protect its legal rights.

The filing of the Petition does not represent the successful winding up of the Company by the Petitioner. No winding-up order has been granted by the High Court to wind up the Company as at the date of this announcement. The High Court has set the first hearing date for the Petition on 13 September 2023.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Kaisa Group Holdings Ltd. ("**Kaisa**" or the "**Company**", which together with its subsidiaries is referred to as the "**Group**"), I present the results of the Group for the six months ended 30 June 2023 (the "**period**") and the comparative figures for the corresponding period in 2022.

RESULTS AND DIVIDEND

For the six months ended 30 June 2023, the Group's turnover and gross profit reached approximately RMB13,564.6 million and RMB2,972.9 million, representing an increase of approximately 1.0% and 28.7% as compared to the corresponding period in 2022, respectively. Loss attributable to equity holders of the Company and basic loss per share amounted to approximately RMB6,973.9 million and RMB0.994, respectively (corresponding period in 2022: loss of approximately RMB7,672.6 million and basic loss per share of RMB1.104).

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

BUSINESS REVIEW

Property Market and Policies

Since the beginning of the year, the international environment has been complicated and severe. The global economy endured a weak recovery and the inflation level remained relatively high. The spillover effects of tightening monetary policy in major economies have been prominent. Against this backdrop, the steady recovery of China's economy is still under pressure. As a pillar industry of the national economy, the real estate market cooled down significantly in the second quarter and the pressure of adjustment continued to increase, which became an important factor dragging down the economic growth.

In respect of the property market, the Central Government maintained the general principle of "risk prevention and city-specific policies" in the first half of the year, and the policies which have been issued are mostly related to the optimization and adjustment of the existing systems. The strength of policies is limited to "support but not to lift". The overall performance of the real estate market in the first half of the year fell after rising initially. In the first quarter, driven by factors such as the intensive release of pent-up demand and the satisfactory outcome brought by previous policies, the market vitality was enhanced. In the second quarter, however, with the previous pent-up demand being basically released, the market failed to continue its upturn due to a rapid decline in homebuyer sentiment and the lower-than-expected effect of real estate targetted policies. In the first half of the year, the national land market has remained in doldrums. Demand for housing loans remained weak, and the overall financing environment for real estate enterprises was still not optimistic.

The Political Bureau of the Communist Party of China Central Committee held a meeting on 24 July 2023, making a historic change in the policy stance on real estate. The meeting pointed out that, in response to the new circumstance of significant changes in the relationship between supply and demand in China's real estate market, timely adjustment and optimization of real estate policy shall be undertaken and city-specific policies shall be adopted while making full use of the policy toolbox to better meet the demand of residents for rigid and improvement-oriented housing, and to promote the stable and healthy development of the real estate market. In the future, real estate policies are expected to be further optimized and relaxed, while the transformation of urban villages is expected to speed up, and the market is expected to stop deteriorating and stabilize.

Securing Livelihood, Ensuring Delivery, and Guaranteeing Quality

For the six months ended 30 June 2023, the Group together with its joint ventures and associates recorded contracted sales of approximately RMB12,190 million.

Kaisa seized the window period of market rebound in the first quarter, adopting flexible marketing strategies and stepping up efforts in project launch and sales. Under the background of continued market downturn in the second quarter, the Dongguan Le Grand Bleu project of the Group was still well-received by the market, ranking first both in terms of number of units sold and GFA sold in Dongguan in the first half of 2023.

During the period, Kaisa consolidated its responsibilities, overcame difficulties, and resolutely implemented the work of "securing livelihood, ensuring delivery, and guaranteeing quality". Before project delivery, the customer service team ensured construction quality from the perspective of customers and carried out several rounds of simulated inspection and acceptance to strictly control delivery quality. One-stop occupancy services were provided to property owners at the delivery sites, and property owners were accompanied by professional home inspector one-on-one throughout the inspection and acceptance process. In the first half of 2023, the Group delivered a total of approximately 21,000 units in 33 projects in various cities including Shenzhen, Guangzhou, Shanghai, Hangzhou, Nanjing, Huizhou, Wuhan, Changsha and Luoyang etc., reaching the level of total annual delivery volume for last year.

Stepping into the new competition cycle, Kaisa has always insisted on putting products as first priority, designing and building high-quality and high-standard products based on customers' needs. During the first half of the year, various projects delivered by the Group, including Guangzhou Yuejiang Mansion, Guangzhou Fengming Mountain, Shenzhen Yuebanshan and Wuhan New Riverside City etc., met the nationally certified 2-star green building standard, amounting to a total GFA of approximately 1.13 million sq.m.. Adhering to the concept of green design, Kaisa is committed to achieving sustainable social benefits by controlling the energy consumption of buildings to provide customers with comfortable working and living environments while minimizing the negative impacts of urban development on the ecological environment.

Land Bank

Deepening its penetration in the first-tier and major second-tier cities has always been the development strategy of the Group. As at 30 June 2023, the Group together with its joint ventures and associates has a total of 193 real estate projects with saleable resources in 50 cities nationwide, with a total land bank of 26.46 million sq.m., of which approximately 16.16 million sq.m. or 61% of the Group's total land bank are located in the Greater Bay Area. Among cities in the Greater Bay Area, Shenzhen and Guangzhou are the Group's core markets that have been intensely developed over the years, accounting for 37% of its land bank in the Greater Bay Area.

Urban Renewal

In July 2023, the Guiding Opinions on the Active and Steady Promotion of Urban Village Transformation in Supercities and Megacities (《關於在超大特大城市積極穩步推進城中村改造的指導意見》) was considered and approved at the State Council executive meeting. The Opinions point out that in mega cities, efforts shall to be made to increase policy support for urban village transformation, actively innovate transformation modes, and encourage and support the participation of private capital. The Opinions are of guiding significance to the current urban renewal market, guiding a new direction for future urban construction, housing development, and corporate investment, and also implying that the transformation of urban villages will become an important task for supercities and megacities this year.

Focusing on the Greater Bay Area, "Industry Going Upstairs" and domination of state-owned enterprises are two policy highlights. Shenzhen has vigorously promoted the policy of "Industry Going Upstairs", and under the target of providing 100 million square meters of industrial scale in five years, great policy dividends have been released. It was proposed that the ratio of residential units of projects under "Industry Going Upstairs" is allowed to be 30% for the purpose of solving the difficulties in accounting treatment for industrial projects. At the same time, it allows policy breakthroughs in respect of rigid constraints including legal ratios, industrial zone lines and comprehensive renovation of urban villages. The policy of "Industry Going Upstairs" can help to speed up the revitalization of the Groups' industrial transformation projects.

Guangzhou has launched a land preparation policy; according to the principle of separating works of land preparation from that of land reserve, the specific preliminary works of land consolidation are delegated to the land preparation entity. Following the land clearance, application will be made to the land reserve authority for storage. At the same time, the government policy stipulates that land preparation entities are limited to state-owned enterprises recognized by the government. The policy further strengthens the government's coordination and management of the primary land market. Dongguan has comprehensively reformed the "single-entity quotation" model and shifted to the "open invitation for implementing entities" model. On the one hand, preliminary service providers have been abolished, and government coordination of preliminary work has been strengthened. On the other hand, the approval process has been simplified to enhance openness and transparency, and the original 19 processes have been consolidated into four stages, namely, preliminary work, confirmation of the implementing entity, implementation of the project, and supervision on development, so that any market participants could be the implementing entity of the project through public bidding and complete the land consolidation of the renovation within a time limit.

Generally speaking, under the guidance of the government, central enterprises and state-owned enterprises have increasingly become the major players in the urban renewal market. Apart from taking over the equity of a number of projects under the initiative of securing project delivery, they are also further expanding into new areas such as village coordination, renovation of old communities and inventory renovation projects. In the future, expanding cooperation with state-owned enterprises and central enterprises will become an important path for the Group's urban renewal investment and transformation.

With 24 years of experience in urban renewal, the Group has now deployed more than ten core cities and regions across the country. Of these, most of the renewal projects are located in the Greater Bay Area. As at 30 June 2023, the Group together with its joint ventures and associates had over a hundred urban renewal projects in the Greater Bay Area which were yet to be converted into land bank of the Group, covering a site area of over 50 million sq.m.. The Group plans to replenish the land bank for urban renewal as high-quality sources of product and at the same time to provide a full-process renewal service model, empowering industrial upgrading and practicing high-quality and sustainable development.

Financial Management

As at 30 June 2023, the Group's cash and bank deposits (including bank deposits, cash and bank balances and restricted cash) amounted to approximately RMB4.5 billion. The Group's liabilities to assets ratio excluding receipts in advance (including contract liabilities) increased to 90.2%; net gearing ratio increased to 602.3%; and cash to short-term debt ratio (excluding restricted cash) was 0.01.

Financing

In the first half of 2023, although the financing environment continued to improve, the financing scale was weak and the industry differentiation intensified. On the one hand, the government has actively expressed its position to guide the expected recovery of the real estate market, optimized the adjustment of systems and policies including mortgage interest rates and centralized land supply, and cut required reserve ratio and interest rate at the financial level to stabilize the economy. Several departments have also stressed that it is necessary to promote the normal cycle among finance and real estate and implement the "16 Financial Measures" and so on, demonstrating a positive trend of the financing policies. On the other hand, the current financing opening was still limited to high-quality real estate enterprises, and the overall industry financing was still in the bottoming stage, which has not fully recovered. It was still obvious that financing was difficult and cost-consuming for most private housing enterprises.

Against such backdrop, the Group persisted in proactively making great efforts in debt management and took the lead in resumption of trading, becoming the first real estate enterprise to resume trading in 2023 with stabilized operating fundamentals. At the same time, the Group actively negotiated extension of financing and interest rate cuts. During the period, the Group introduced cooperations for some projects and realized revitalization, and it will further promote the implementation of cooperative revitalization plans for various projects during the year. Relying on the abundant land bank in the Greater Bay Area and the core advantages in the field of urban renewal, the Group will continue to explore practical development paths and promote the accelerated revitalization of core assets and onshore and offshore debt restructuring.

Accelerated Revitalization of Core Assets

In order to actively respond to national policies and boost market confidence, under the guidance of the government, Kaisa introduced Futian Ancheng Investment (福田安城投), a state-owned enterprise, and cooperated with central enterprises and state-owned enterprises such as China Great Wall AM, Anju Construction (安居建業), Futian Investment Holdings and Jian'an Group to jointly construct The Corniche Project (天宸項目), a benchmark for high-quality residence in Shenzhen Futian CBD. The Group's active exploration and practice of the new development path of "private real estate enterprise + AMC+ state-owned real estate enterprise" will further accelerate the revitalization of core assets and stabilize the recovery of the operating fundamentals.

PROSPECTS

Looking ahead, under the combination effect of a series of factors including global trade frictions, continued geo-political conflicts and high inflation in developed countries, the recovery of the global economy is still under great pressure. With rather low inflation pressure, loosened monetary policies, and effective implementation of various measures to stabilize growth in China in future, the national economic growth will see a gradual recovery.

After the economic growth momentum surged and suffered a plunge in the first half of the year, it is expected to increase in the second half of the year with the support of policies. It is expected that there will be more policies to stabilize growth in the second half of the year and interest rate cuts will lead to a new round of loosening of monetary policies, and there will also be financial supports. In terms of real estate policies, it is expected that the Central Government will reserve certain strategies, and major stimulating policies similar to "930" and "330" rolled out nationwide before may not reappear to prevent "marked ups and downs" in the market. As local policies continue to loosen, considering that the policy tools of core cities are more adequate, the room for loosening is more sufficient, coupled with weakening recovery momentum and differentiated domestic market, core first-and second-tier cities will become the major targets of local loosening.

We believe that the real estate market in China shall remain as a large profit-making market with tens of trillions of revenues in the future and will remain as an important pillar of the national economy. We will take active initiative to mitigate operating risks and get back on the right track of healthy development while giving full play to our comprehensive capabilities as an "urban public service provider" and our professional advantages in urban renewal, so as to seize market opportunities and achieve high quality and sustainable development of the enterprise.

ACKNOWLEDGEMENT

The Board will continue to mitigate negative impacts and implement measures to manage any risks regarding the Group's operations and reputation, and enhance the Group's core advantages to achieve sustainable development.

On behalf of the Board, I would like to take this opportunity to extend my wholehearted gratitude to all shareholders, investors, business partners and customers of the Company. We will overcome the difficulties together hand in hand to maximize the value and returns to our shareholders and investors.

KWOK Ying Shing
Chairman

Hong Kong, 30 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

During the six months ended 30 June 2023, the Group recorded a revenue of approximately RMB13,564.6 million, representing an increase of 1.0% as compared with approximately RMB13,431.4 million for the corresponding period in 2022. Loss for the period amounted to approximately RMB6,600.5 million as compared to loss for the period amounted to RMB7,757.8 million for the six months ended 30 June 2022. Loss for the period attributable to owners of the Company amounted to approximately RMB6,973.9 million as compared to loss of approximately RMB7,672.6 million for the six months ended 30 June 2022. Basic loss per share amounted to RMB0.994 (six months ended 30 June 2022: loss of RMB1.104).

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

Contracted sales in the first half of 2023

In the first half of 2023, the Group together with its joint ventures and associates recorded contracted sales of approximately RMB12,190 million. Aggregated GFA sold for the period was 671,906 sq. m.. The table below shows the contracted sales by region in the first half of 2023:

Region	**Contracted sales area** *(sq.m.)*	**Contracted sales amount** *(RMB in millions)*
Greater Bay Area	391,193	8,919
Yangtze River Delta	94,274	1,719
Central China	98,578	1,015
Western China	73,572	318
Pan-Bohai Bay Rim	14,289	219
Total	**671,906**	**12,190**

Property development

Projects completed in the first half of 2023

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the six months ended 30 June 2023, the GFA of newly completed projects of the Group together with its joint ventures and associates amounted to approximately 1.67 million sq. m..

Projects under development

As at 30 June 2023, the Group together with its joint ventures and associates had 84 projects under development with an aggregate of GFA of approximately 11.08 million sq. m..

Property management

The Group generated revenue from providing property management services. During the six months ended 30 June 2023, the Group managed a total GFA of approximately 101.6 million sq. m.. The Group's property management is striving to deliver excellent and professional services to its customers and enhance brand and corporate image. As at 30 June 2023, the Group's property services penetrated into 68 cities nationwide, covering residential, commercial, office, tourism and large-scale stadiums.

Investment properties

The Group adopts a diversified business strategy. The portfolio of investment properties will generate steady and reliable income and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account long-term growth potential, the overall market conditions, and its cash flows and financial condition. As at 30 June 2023, the Group held 9 investment property projects, with an aggregate GFA of 0.43 million sq. m..

Land bank

The Group remained cautious in replenishing its land bank nationwide by making reference to the development of the Company, availability of land supply and its existing land bank in the regions. By ways such as joint development, acquisition and bidding, auction and listing as well as urban renewal, the Group continues to seek project resources in China's regions where economy prospers.

As at 30 June 2023, the Group together with its joint ventures and associates had a total land bank of approximately 26.46 million sq. m. and approximately 61% of land bank was located in the Greater Bay Area, which is sufficient for the Group's development needs for the next five years.

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, (v) cultural centre operations, (vi) water-way passenger and cargo transportation, (vii) healthcare operations and (viii) others. Revenue increased by 1.0% to approximately RMB13,564.6 million for the six months ended 30 June 2023 from approximately RMB13,431.4 million for the corresponding period in 2022. 86.5% of the Group's revenue was generated from the sales of properties (six months ended 30 June 2022: 84.5%) and 13.5% from other segments (six months ended 30 June 2022: 15.5%).

Sales of properties

Revenue from sales of properties increased by approximately RMB380.5 million, or 3.4%, to approximately RMB11,727.7 million for the six months ended 30 June 2023 from approximately RMB11,347.2 million for the corresponding period in 2022. The increase was attributable to a higher level of selling price of the GFA delivered for the six months ended 30 June 2023. Besides, the total delivered GFA decreased to approximately 0.54 million sq. m. for the six months ended 30 June 2023 from approximately 0.68 million sq. m. for the corresponding period in 2022.

Rental income

Revenue from rental income increased by approximately RMB8.9 million, or 4.7%, to approximately RMB197.5 million for the six months ended 30 June 2023 from approximately RMB188.6 million for the corresponding period in 2022.

Property management

Revenue from property management service increased by approximately RMB12.8 million, or 1.6%, to approximately RMB827.5 million for the six months ended 30 June 2023 from approximately RMB814.8 million for the corresponding period in 2022.

Hotel and catering operations

Revenue from hotel and catering operations of the Group increased by approximately RMB26.7 million, or 20.0% to approximately RMB159.9 million for the six months ended 30 June 2023, from approximately RMB133.2 million for the corresponding period in 2022. The primary reason for the increase was the gradual recovery of the hotel and catering industry in the first half of the year.

Cultural centre operations

Revenue from cultural centre operations decreased by approximately RMB30.1 million, or 26.3%, to approximately RMB84.6 million for the six months ended 30 June 2023 from approximately RMB114.8 million for the corresponding period in 2022. The decrease was mainly due to a decrease in advertising income in cultural centre operations.

Water-way passenger and cargo transportation

No revenue from water-way passenger and cargo transportation was recorded for the six months ended 30 June 2023, compared to approximately RMB232.3 million for the corresponding period in 2022. It was due to the disposal of water-way passenger and cargo transportation operation in the first half of 2022.

Healthcare operations

Revenue from healthcare operations increased by approximately RMB97.1 million, or 44.7%, to approximately RMB314.3 million for the six months ended 30 June 2023 from approximately RMB217.2 million for the corresponding period in 2022. The increase was mainly due to an increase in sales in healthcare operations as a result of an increase in demand.

Gross profit

As a result of the foregoing, the Group's gross profit increased by approximately RMB662.1 million, or 28.7%, to approximately RMB2,972.9 million for the six months ended 30 June 2023 from approximately RMB2,310.8 million for the corresponding period in 2022. The Group's gross profit margin increased from 17.2% for the six months ended 30 June 2022 to 21.9% for the six months ended 30 June 2023, primarily attributable to a higher level of selling price attained in general for the properties completed and delivered to the purchasers during the six months ended 30 June 2023.

Other gains and losses – net

The Group had net other losses of approximately RMB4,035.1 million for the six months ended 30 June 2023, as compared with approximately RMB5,682.5 million for the corresponding period in 2022. The Group's net other gains and losses mainly comprised net fair value losses on financial assets at FVTPL of approximately RMB262.4 million, write-down of completed properties held for sale and properties under development of approximately RMB376.3 million and net exchange losses of approximately RMB3,057.5 million. The Group's net other gains and losses for the six months ended 30 June 2022 mainly comprised net fair value loss on financial assets at fair value through profit or loss of approximately RMB1,889.7 million, and net exchange loss of approximately RMB3,867.8 million.

Selling and marketing costs

The Group's selling and marketing costs increased by approximately RMB202.1 million, or 129.2%, to approximately RMB358.6 million for the six months ended 30 June 2023 from approximately RMB156.5 million for the corresponding period in 2022. The increase in selling and marketing costs was due to the fact that more marketing efforts have been put to accelerate the contracted sales.

Administrative expenses

The Group's administrative expenses decreased by approximately RMB586.5 million, or 42.6%, to approximately RMB789.6 million for the six months ended 30 June 2023 from approximately RMB1,376.1 million for the corresponding period in 2022. The decrease was mainly due to decrease in staff costs.

Net fair value losses on investment properties

The Group's net fair value losses on investment properties decreased by approximately RMB59.1 million, or 32.3%, to approximately RMB124.0 million for the six months ended 30 June 2023 from approximately RMB183.1 million for the corresponding period in 2022.

Finance costs – net

The Group's net finance costs increased by approximately RMB131.9 million, or 16.3% to approximately RMB939.8 million for the six months ended 30 June 2023 from approximately RMB807.9 million for the corresponding period in 2022.

Income tax expenses/credit

The Group's income tax expenses amounted to approximately RMB667.6 million for the six months ended 30 June 2023 as compared to income tax credit of approximately RMB17.1 million for the corresponding period in 2022.

Loss and total comprehensive expense for the six months ended 30 June 2023

As a result of the foregoing, the Group's loss and total comprehensive expense for the six months ended 30 June 2023 amounted to approximately RMB6,600.5 million and approximately RMB6,573.3 million, respectively (six months ended 30 June 2022: loss and total comprehensive expense amounted to approximately RMB7,757.8 million and RMB7,732.3 million, respectively).

Liquidity, financial and capital resources

Cash position

As at 30 June 2023, the carrying amount of the Group's cash and bank deposits was approximately RMB4,512.1 million (31 December 2022: RMB5,781.0 million), representing a decrease of 22.0% as compared to that as at 31 December 2022. Certain property development companies of the Group placed a certain amount of pre-sales proceeds to designated bank accounts as collateral for the construction loans. Such collateral will be released after the completion of the pre-sales properties or the issuance of the title of the properties, whichever is the earlier. Additionally, as at 30 June 2023, certain of the Group's cash was deposited in certain banks as collateral for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above collaterals (i.e. balance of pre-sale escrow funds) amounted to approximately RMB3,115.2 million as at 30 June 2023 (31 December 2022: RMB3,713.4 million).

Borrowings and charges on the Group's assets

As at 30 June 2023, the Group had aggregate borrowings of approximately RMB137,578.5 million (31 December 2022: 134,167.9 million), of which approximately RMB117,898.6 million (31 December 2022: 109,892.4 million) will be repayable within 1 year, approximately RMB4,909.7 million (31 December 2022: 9,957.6 million) will be repayable between 1 and 2 years, approximately RMB4,020.3 million (31 December 2022: 3,451.0 million) will be repayable between 2 and 5 years and approximately RMB10,749.9 million (31 December 2022: 10,866.9 million) will be repayable over 5 years.

As at 30 June 2023, the senior notes were secured by the share pledge of the Company's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

Rights Issue

On 30 April 2021, the Company completed a rights issue on the basis of one ordinary rights share for every seven existing shares held on the record date of 14 April 2021 at the subscription price of HK$2.95 per rights share. 876,552,528 Shares in total were allotted and issued by the Company to the Qualifying Shareholders (as defined in the prospectus of the Company dated 15 April 2021 (the "**Prospectus**")).

The gross and net proceeds raised from the rights issue was approximately HK$2,586 million and HK$2,148 million, respectively. As at 31 December 2022, the net proceeds had been fully utilised as intended as general working capital in accordance with the disclosure set out the section headed "REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS" in the "LETTER FROM THE BOARD" of the Prospectus.

Key financial ratios

As at 30 June 2023, the Group has a leverage ratio (i.e. its net debts (total borrowings, net of cash and bank balances, short-term bank deposits, long-term bank deposits and restricted cash) over total assets) of 51.9% (31 December 2022: 48.6%). The Group's net current liabilities amounted to approximately RMB10,897.2 million as at 30 June 2023 as compared to net current assets of approximately RMB5,553.7 million as at 31 December 2022. The quick ratio (cash and bank deposits divided by short-term borrowings) was 0.1 times as at 30 June 2023 (31 December 2022: 0.1 times), and the current ratio was 1.0 times as at 30 June 2023 (31 December 2022: 1.0 times).

The net gearing ratio is calculated by dividing total borrowings (including short-term and long-term borrowings and perpetual capital securities) minus cash and cash equivalents (including restricted cash, short-term bank deposits and long-term bank deposits) by the total equity (excluding perpetual capital securities). As of 30 June 2023, the Group's borrowings (including short-term and long-term borrowings and perpetual capital securities) were approximately RMB138,928.5 million (31 December 2022: RMB135,518.0 million), and cash and cash equivalents (including restricted cash, short-term bank deposits and long-term bank deposits) were approximately RMB4,512.1 million (31 December 2022: RMB5,781.0 million). The total equity (excluding perpetual capital securities) was approximately RMB22,318.9 million (31 December 2022: RMB33,894.9 million). Therefore, the net gearing ratio was 602.3%, which is 219.5 percentage points higher than the 382.8% as of 31 December 2022.

The cash to short-term debt ratio is calculated by dividing cash and bank balances (excluding restricted cash and short-term bank deposits) by short-term borrowings. As at 30 June 2023, the Group's cash and bank balances (excluding restricted cash and short-term bank deposits) were approximately RMB1,396.8 million (31 December 2022: RMB2,067.6 million), and short-term borrowings were approximately RMB117,898.6 million (31 December 2022: RMB109,892.4 million). Therefore, the cash to short-term debt ratio was 0.01 (31 December 2022: 0.02).

The liabilities to assets ratio, after excluding contract liabilities, is calculated by subtracting contract liabilities from total liabilities (including perpetual capital securities) and dividing by total assets minus contract liabilities. As of 30 June 2023, the Group's contract liabilities were approximately RMB29,305.8 million (31 December 2022: RMB36,629.1 million), total liabilities (including perpetual capital securities) were approximately RMB233,871.9 million (31 December 2022: RMB230,448.9 million), and total assets were approximately RMB256,190.9 million (31 December 2022: RMB264,343.9 million). The total liabilities (including perpetual capital securities) and total assets, after excluding contract liabilities, were approximately RMB204,566.1 million (31 December 2022: RMB193,819.8 million) and approximately RMB226,885.1 million (31 December 2022: RMB227,714.7 million), respectively. Therefore, the liabilities to asset ratio after excluding contract liabilities was 90.2%, compared to 85.1% of 31 December 2022, representing an increase of approximately 5.1 percentage points.

Cost of borrowings

For the six months ended 30 June 2023, the Group's total cost of borrowings was approximately RMB6,234.3 million, representing an increase of approximately RMB566.3 million or 10.0% as compared with approximately RMB5,667.9 million for the corresponding period in 2022.

Foreign currency risks

The Group's property development projects are substantially located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies which operate in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 30 June 2023, the Group had borrowings in US dollar and HK dollar with an aggregate carrying amount of approximately RMB86,977.2 million, which are subject to foreign currency exposure.

The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Financial guarantees

As at 30 June 2023, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB16,529.2 million (31 December 2022: RMB23,061.5 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, the Group would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but the Group would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

As of 30 June 2023, the financial guarantees given by the Group relating to the liabilities of the Group's joint ventures and associates and third parties were approximately RMB22,678.0 (31 December 2022: RMB23,787.5 million). The proceeds of the financings were mainly applied towards property development projects of the joint ventures and associates of the Group.

Employees and remuneration policy

As at 30 June 2023, the Group had 15,679 employees (31 December 2022: 16,782 employees) including 12,361 employees of Kaisa Prosperity Holdings Limited (2168.HK), 856 employees of Kaisa Health Group Holdings Limited (876.HK) and 113 employees of Kaisa Capital Investment Holdings Limited (936.HK). The related employees' costs (including the directors' remuneration), for the six months ended 30 June 2023 amounted to approximately RMB456.5 million (six months ended 30 June 2022: RMB835.2 million). The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills. Further, the Company adopted a share option schemes and a subsidiary share option scheme. Further information of share option scheme has been set out in the interim report.

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. The Board is of the view that, for the six months ended 30 June 2023, the Company complied with the code provisions on the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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 members of the Audit Committee comprise the non-executive director and the independent non-executive directors of the Company, namely Ms. CHEN Shaohuan, Mr. RAO Yong and Mr. ZHANG Yizhao. Mr. RAO Yong is the Chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2023.

REVIEW OF INTERIM RESULTS

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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2(iii) to the condensed consolidated financial statements that the Group incurred a loss attributable to owners of the Company of approximately RMB6,973.9 million for the six months ended 30 June 2023 and as of that date, the Group had net current liabilities of RMB10,897.2 million, and the Group's current portion of interest-bearing bank and other borrowings amounted to RMB117,898.6 million, while its current portion of unrestricted cash bank balances and cash equivalents amounted to RMB1,396.8 million. Further, as at 30 June 2023, the Group had not repaid certain borrowings with the aggregate principal amount according to their scheduled repayment dates and the Group was involved in various litigation cases. These conditions along with the current situation as set forth in note 2(iii), which indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code as set out in Appendix 10 to 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 securities transactions by 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 did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (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.kaisagroup.com in due course.

By Order of the Board
Kaisa Group Holdings Ltd.
Kwok Ying Shing
Chairman and Executive Director

Hong Kong, 30 August 2023

As at the date of this announcement, the executive Directors are Mr. Kwok Ying Shing, Mr. Sun Yuenan, Mr. Mai Fan, Mr. Li Haiming and Mr. Kwok Hiu Kwan; the non-executive Director is Ms. Chen Shaohuan; and the independent non-executive directors are Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Liu Xuesheng.