# Kaisa Property Holdings Limited
# 佳兆業物業集團有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2168)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

**FINANCIAL HIGHLIGHTS**

- Total revenue for the year ended 31 December 2018 increased by 33.9% to approximately RMB895.8 million from approximately RMB669.2 million for the year ended 31 December 2017.

- Gross profit for the year ended 31 December 2018 increased by 35.6% to approximately RMB277.0 million as compared to that of 2017 and gross profit margin for the year ended 31 December 2018 increased by 0.4 percentage points to approximately 30.9% from approximately 30.5% for the year ended 31 December 2017.

- Profit for the year ended 31 December 2018 amounted to approximately RMB53.5 million (2017: Profit of approximately RMB71.4 million). The adjusted net profit (excluding listing expenses and deferred tax expense arising from the declaration of special dividend) increased by 39.4% to approximately RMB105.7 million from approximately RMB75.8 million for the year ended 31 December 2017.

- As of 31 December 2018, cash and cash equivalents was approximately RMB708.1 million, representing an increase of 520.6% as compared to that as of 31 December 2017.

- The Board recommended payment of a final dividend of HK$18.0 cents per share in respect of the year ended 31 December 2018.

The board (the "**Board**") of directors (the "**Directors**") of Kaisa Property Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017.

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

*For the year ended 31 December 2018*

| | Notes | 2018<br>RMB'000 | 2017<br>RMB'000 |
|---|---|---|---|
| **Revenue** | 4 | **895,768** | 669,159 |
| Cost of services | 4 | **(618,730)** | (464,873) |
| **Gross profit** | | **277,038** | 204,286 |
| Other (losses) and gains, net | 5 | **(7,880)** | 1,253 |
| Selling expenses | | **(5,160)** | (4,763) |
| Administrative expenses | | **(152,188)** | (102,309) |
| **Operating profit** | | **111,810** | 98,467 |
| Impairment loss on investment in an associate | | **–** | (597) |
| Share of results of an associate | | **–** | (1,949) |
| Finance costs | 6 | **(13,898)** | (27,061) |
| Finance income | 6 | **12,723** | 27,257 |
| **Finance (cost)/income, net** | | **(1,175)** | 196 |
| **Profit before income tax** | 7 | **110,635** | 96,117 |
| Income tax expenses | 8 | **(57,125)** | (24,676) |
| **Profit and total comprehensive income for the year** | | **53,510** | 71,441 |
| **Profit and total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **54,056** | 71,441 |
| Non-controlling interests | | **(546)** | – |
| | | **53,510** | 71,441 |
| **Earnings per share attributable to owners of the Company (expressed in RMB)** | | | |
| Basic and diluted | 9 | **0.50** | 0.69 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2018*

| | *Notes* | **2018** **RMB'000** | 2017 *RMB'000* |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **7,920** | 6,933 |
| Intangible asset | *11* | **6,579** | 7,895 |
| Goodwill | | **5,534** | 5,534 |
| Other receivables | | **133** | 887 |
| Deferred tax assets | | **3,153** | 2,273 |
| | | **23,319** | 23,522 |
| **Current assets** | | | |
| Trade receivables | *12* | **54,416** | 27,622 |
| Other receivables and prepayments | *12* | **59,347** | 16,485 |
| Payments on behalf of residents | | **40,440** | 53,320 |
| Contract assets | | **40,576** | 24,491 |
| Amounts due from related parties | | **127,491** | 930,962 |
| Restricted cash | | **617** | 1,074 |
| Cash and cash equivalents | | **708,055** | 114,098 |
| | | **1,030,942** | 1,168,052 |
| **Current liabilities** | | | |
| Trade payables | *13* | **86,549** | 61,347 |
| Other payables and accruals | *13* | **204,836** | 202,238 |
| Contract liabilities | | **41,087** | 36,031 |
| Amounts due to fellow subsidiaries | | **29,256** | 227,736 |
| Dividend payable | | **128,000** | – |
| Other borrowings | | **–** | 325,000 |
| Income tax payable | | **33,237** | 25,849 |
| | | **522,965** | 878,201 |
| **Net current assets** | | **507,977** | 289,851 |
| **Total assets less current liabilities** | | **531,296** | 313,373 |

| | 2018 | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Non-current liabilities** | | |
| Other payables | **3,981** | 5,938 |
| Deferred tax liabilities | **21,145** | 1,974 |
| | **25,126** | 7,912 |
| **Net assets** | **506,170** | 305,461 |
| **EQUITY** | | |
| Share capital | **1,232** | –* |
| Reserves | **505,502** | 305,479 |
| **Equity attributable to owners of the Company** | **506,734** | 305,479 |
| Non-controlling interests | **(564)** | (18) |
| **Total equity** | **506,170** | 305,461 |

* Amount less than RMB1,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2018*

## 1. CORPORATE INFORMATION

Kaisa Property 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 507, Kaisa Center, 66 Nanyuan Road, Futian, Shenzhen, the People's Republic of China (the "**PRC**"). The Company's share were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 6 December 2018.

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

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

The consolidated financial statements for the year ended 31 December 2018 were approved for issue by the board of directors on 25 March 2019.

Pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group on 19 December 2017. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" under the section headed "History, Development and Corporate Reorganisation" in the prospectus of the Company dated 26 November 2018 (the "**Prospectus**").

## 2. BASIS OF PREPARATION

These annual 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 disclosures 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.

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

The consolidated financial statements have been prepared on the historical cost basis.

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.

Prior to the completion of the Reorganisation, the immediate holding company directly owned the companies operating the Listing Business (the "**Operating Companies**") and other companies (namely Kaisa (Suizhong) Hotel Management Services Co., Ltd.* (佳兆業(綏中)酒店服務管理有限公司), Kaisa Shenzhen Yin Baobao E-commerce Co., Ltd.* (深圳市銀寶寶電子商務有限公司), Kaisa Lexiang Commercial Service Co., Ltd.* (佳兆業樂享商務服務有限公司) and Kaisa Leju Property Development Co., Ltd.* (佳兆業樂居物業發展有限公司) engaged in hotel operation business, e-commerce business and properties development business (the "**Carve-out business**"). The Reorganisation involved combinations of entities under common control of Kaisa Holdings before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to Kaisa Holdings that existed prior to the Reorganisation. Accordingly, the comparative information has been prepared by applying the principles of merger accounting in accordance with the Accounting Guideline No. 5, "Merger Accounting for Common Control Combinations" issued by the HKICPA.

Pursuant to the Reorganisation, (i) all assets and liabilities of the Carve-out business were transferred to the subsidiaries of Kaisa Holdings during the year ended 31 December 2017; and (ii) the equity interests of the Operating Companies were transferred to the Company. The Reorganisation of item (i) involves the following major steps:

(a) The equity interests of the Carve-out business were transferred back to subsidiaries of Kaisa Holdings and such equity transfer were completed during the year ended 31 December 2017. For the purpose of this report, the comparative information has been prepared as if the transfer had taken place on 1 January 2015. Accordingly, the results of the Carve-out business and all assets and liabilities directly related to the Carve-out business have been excluded in the comparative information.

The Reorganisation of item (ii) involves the following steps:

(b) The Company was incorporated in the Cayman Islands and one share was transferred to Ye Chang Investment, being the offshore holding company of the Operating Companies, on October 13, 2017.

(c) On December 19, 2017, the Company acquired the entire issued capital of Xie Mao Investment Company Limited from Ye Chang Investment, the consideration was satisfied by the allotment and issue of 1 share of the Company to Ye Chang Investment. The Company became the holding company of the Operating Companies now comprising the Group.

* The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

## 3. ADOPTION OF NEW AND AMENDED HKFRSs

**New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018**

All HKFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2017.

**Issued but not yet effective HKFRSs**

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

| | |
|---|---|
| HKFRS 16 | Leases[1] |
| HKFRS 17 | Insurance Contracts[3] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement[1] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[1] |
| Amendments to HKFRS 3 | Definition of a Business[5] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015-2017 Cycle[1] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[2] |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments[1] |

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective date not yet determined
[5] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations.

Currently the Group classifies leases into operating leases. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a lease liability and a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As disclosed in note 14, as at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to approximately RMB7,681,000, the majority of which is payable either within one year after the reporting date.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

## 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 year ended 31 December 2018 is as follows:

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Revenue** | **Cost of services** | Revenue | Cost of services |
| | ***RMB'000*** | ***RMB'000*** | *RMB'000* | *RMB'000* |
| **Revenue from contracts with customers** | | | | |
| Property management services | **375,937** | **251,880** | 268,368 | 182,880 |
| Pre-delivery and consulting services | **355,599** | **253,021** | 295,788 | 210,725 |
| Community value-added services | **81,672** | **52,533** | 57,749 | 36,280 |
| Smart solution services | **82,560** | **61,296** | 47,254 | 34,988 |
| | **895,768** | **618,730** | 669,159 | 464,873 |

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Timing of revenue recognition under HKFRS 15** | | |
| Over time | **846,416** | 637,099 |
| **Revenue recognition not under HKFRS 15** | | |
| Car park rental income | **49,352** | 32,060 |
| | **895,768** | 669,159 |

For the year ended 31 December 2018, revenue from Kaisa Holdings and its subsidiaries (the "**Kaisa Holdings Group**") contributed approximately 50% (2017: 54%) of the Group's revenue. Other than the transactions with Kaisa Holdings Group, none of whom contributed 10% or more of the Group's revenue for the year ended 31 December 2018 and 2017.

*(b)* ***Unsatisfied long-term construction contracts***

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December are as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year | **50,841** | 44,651 |
| More than one year | **24,408** | 12,487 |
| | **75,249** | 57,138 |

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 chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group.

For the years ended 31 December 2018 and 2017, the Group engaged in the provision of property management services, pre-delivery and consulting services, community value-added services and smart solution services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. Accordingly, all the Group's revenue were derived in the PRC for the years ended 31 December 2018 and 2017.

As at 31 December 2018 and 2017, all of the non-current assets were located in the PRC.

## 5. OTHER (LOSSES) AND GAINS, NET

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Unconditional government subsidy income | **1,727** | 446 |
| Net losses on disposal of property, plant and equipment | **(51)** | (27) |
| Losses on deemed disposal of an associate | **–** | (64) |
| Provision for loss allowance *(notes 7)* | **(4,235)** | (2,395) |
| Reversal of provision for loss allowance *(notes 7)* | **–** | 187 |
| Trade receivables written off | **(1,593)** | (154) |
| Exchange (losses)/gains, net | **(3,465)** | 2,921 |
| Others | **(263)** | 339 |
| | **(7,880)** | 1,253 |

## 6. FINANCE INCOME AND COSTS

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Finance income** | | |
| Interest income from amount due from a fellow subsidiary | **12,723** | 27,257 |
| **Finance costs** | | |
| Interest expense of other borrowings | **(13,898)** | (27,061) |
| Finance (cost)/income, net | **(1,175)** | 196 |

## 7. PROFIT BEFORE INCOME TAX

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before income tax has been arrived at after charging/(crediting): | | |
| Advertising and promotion expenses | **5,160** | 4,763 |
| Auditor's remuneration | **1,190** | 670 |
| Business and other taxes | **4,809** | 3,466 |
| Business entertainment expenses | **2,456** | 1,874 |
| Cost in relation to smart solution services | **60,853** | 34,732 |
| Depreciation | | |
| – Included in cost of services | **1,734** | 1,845 |
| – Included in administrative expenses | **1,096** | 1,012 |
| Amortisation of intangible asset *(note 11)* | **1,316** | – |
| Legal and professional fees | **4,014** | 907 |
| Listing expenses | **30,182** | 4,376 |
| Operating lease | | |
| – Included in cost of services | **43,675** | 30,809 |
| – Included in administrative expenses | **4,598** | 2,240 |
| Office expenses | **9,519** | 6,593 |
| Provision for loss allowance | | |
| – Trade receivables | **3,168** | 2,131 |
| – Deposits, other receivables and payments on behalf of residents (excluding prepayments) | **1,067** | 264 |
| Reversal of provision for loss allowance | | |
| – Deposits, other receivables and payments on behalf of residents (excluding prepayments) | **–** | (187) |
| Staff costs – including directors' emoluments | | |
| – Included in cost of services | **342,874** | 252,570 |
| – Included in administrative expenses | **96,259** | 79,553 |
| Travelling | **4,037** | 4,373 |

## 8. INCOME TAX EXPENSES

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current income tax | | |
| – PRC Enterprise Income Tax | **38,834** | 25,266 |
| Deferred tax | | |
| – PRC Enterprise Income Tax | **18,291** | (590) |
| | **57,125** | 24,676 |

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.

**Hong Kong profit tax**

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

The two-tiered profits tax rates will be applicable to the subsidiary of the Group, Profit Victor Investment (Hong Kong) Limited for its annual reporting periods beginning on or after 1 January 2018.

**PRC Enterprise Income Tax**

Income tax provision of the Group in respect of operations in the PRC 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 enterprise income tax rate in the PRC is 25%. Certain operations of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% in years ended 31 December 2018 and 2017.

Shenzhen Jiake Intelligence Engineering Co., Ltd.* ("深圳市佳科智能工程有限公司") and Shenzhen Qijia Internet Technology Co., Limited* ("深圳市齊家互聯網科技有限公司") have already obtained its qualification as a "High and New Technology Enterprise" ("**HNTE**") in December 2017, and they are subject to a reduced preferential enterprise income tax rate of 15% for 3-year period from 2017 to 2019 and 2016 to 2018 respectively according to the applicable tax preference applicable to the HNTE.

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.

## 9. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the year ended 31 December 2018.

| | **2018** | 2017 |
|---|---|---|
| Total profit attributable to owners of the Company *(in RMB'000)* | **54,056** | 71,441 |
| Weighted average number of ordinary share in issue | **107,049,277** | 104,000,000 |
| Basic earnings per share (note) *(in RMB)* | **0.50** | 0.69 |

*Note:* The earnings per share as presented above is calculated using the weighted average number of ordinary share of 107,049,277, and 104,000,000 shares for the years ended 31 December 2018 and 2017 respectively on the assumption that the corporate reorganization (details are set out in the section headed "History, Reorganization and Corporate Structure" of the Prospectus) and the capitalization issue had been completed on 1 January 2017.

**(b) Diluted earnings per share**

Diluted earnings per share is the same as basic earnings per share as the Group has no dilutive potential ordinary shares for the years ended 31 December 2018 and 2017.

## 10. DIVIDEND

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Dividends attributable for the year | **128,000** | – |

During the year ended 31 December 2018, the Company declared dividends of RMB128,000,000 to their then shareholders before the Reorganisation was completed.

At the Board meeting held on 25 March 2019, the directors proposed to declare a final dividend for the year ended 31 December 2018 of the amount RMB21,622,000. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, which will be distributed out of the Company's retained earnings.

## 11. INTANGIBLE ASSET

| | **Mobile application** |
|---|---|
| | *RMB'000* |
| **Cost** | |
| As at 1 January 2017 | – |
| Acquisition of a subsidiary | 7,895 |
| **As at 31 December 2017, 1 January 2018 and 31 December 2018** | 7,895 |
| **Accumulated amortisation** | |
| As at 1 January and 31 December 2017 and 1 January 2018 | – |
| Amortisation | 1,316 |
| **As at 31 December 2018** | 1,316 |
| **Net book amount** | |
| **As at 31 December 2018** | 6,579 |
| As at 31 December 2017 | 7,895 |

Mobile application represents an application runs as a platform that connects property managers, property owners and business providers and is amortised over the estimated useful life of 6 years with reference to its industry experience.

## 12. TRADE AND OTHER RECEIVABLES

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Trade receivables** | | |
| – from third parties | **62,039** | 32,077 |
| Less: loss allowance for trade receivables | **(7,623)** | (4,455) |
| | **54,416** | 27,622 |
| **Other receivables** | | |
| Other deposits | **4,164** | 4,403 |
| Refundable deposit for proposed acquisition | **44,000** | – |
| Prepayments | **1,118** | 2,623 |
| Prepaid listing expense | **–** | 1,623 |
| Payments on behalf of staff | **6,280** | 5,059 |
| Payments on behalf of residents under lump-sum basis | **5,295** | 4,405 |
| Others | **695** | 372 |
| Less: loss allowance for other receivables | **(2,072)** | (1,113) |
| Total other receivables | **59,480** | 17,372 |
| Less: other receivables under non-current portion | **(133)** | (887) |
| Current portion | **59,347** | 16,485 |

All the Group's trade and other receivables are denominated in RMB. The directors consider that the fair values of trade and other receivables under current portion are not materially different from their carrying amounts because balances have short maturity periods on their inception.

Property management services income is received in accordance with the terms of the relevant service agreements and due for payment upon the issuance of demand note. Pre-delivery and consulting services and smart solution services are received in accordance with the terms of the relevant service agreements, and the Group normally allows an average credit period ranged from 15 days to 45 days to its customers.

The ageing analysis of the trade receivables based on the invoice date is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 180 days | **41,079** | 16,288 |
| 181-365 days | **7,456** | 5,177 |
| 1-2 years | **6,213** | 5,822 |
| 2-3 years | **2,857** | 3,162 |
| Over 3 years | **4,434** | 1,628 |
| | **62,039** | 32,077 |

The Group applies the simplified approach to provide for expected credit loss ("**ECL**") prescribed by HKFRS 9. As at 31 December 2018, a provision of RMB7,623,000 (2017: RMB4,455,000) was made against the gross amount of trade receivables and a provision of RMB2,072,000 (2017: RMB1,113,000) was made against the gross amount of other receivables, respectively.

In December 2018, the Company entered into a memorandum of understanding with an independent third party to acquire shares of a company, a deposit of HKD50,000,000 (equivalent to approximately RMB44,000,000) was paid as deposit included under the current assets. The proposed acquisition may or may not materialize as no formally binding documentation has been entered into and negotiations are still in progress as at the date of this announcement.

## 13. TRADE AND OTHER PAYABLES

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Trade payables from third parties** | **86,549** | 61,347 |
| **Other payables** | | |
| Accrued listing expenses | **12,414** | 5,231 |
| Accrued staff costs | **68,798** | 55,578 |
| Other tax payables | **7,083** | 10,071 |
| Deposits received | **36,416** | 41,967 |
| Receipt on behalf of residents | **53,672** | 80,474 |
| Others | **30,434** | 14,855 |
| Total other payables | **208,817** | 208,176 |
| Less: other payables under non-current portion | **(3,981)** | (5,938) |
| **Current portion** | **204,836** | 202,238 |

Included in trade payables were amounts due to the Group's suppliers. The outstanding balances were trading in nature and no credit period were granted. Based on the invoice dates, the ageing analysis of the trade payables (excluding amounts due to related parties of trading in nature) were as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **68,375** | 52,573 |
| 91-180 days | **13,300** | 6,393 |
| 181-270 days | **2,510** | 570 |
| 271-365 days | **1,323** | 220 |
| Over 365 days | **1,041** | 1,591 |
| | **86,549** | 61,347 |

## 14. OPERATING LEASE COMMITMENTS

The Group as lessee

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

| | **2018** | 2017 |
|---|---:|---:|
| | ***RMB'000*** | *RMB'000* |
| **Buildings:** | | |
| Within one year | **6,074** | 4,918 |
| In the second to fifth years | **1,607** | 2,283 |
| Over five years | **–** | 250 |
| | **7,681** | 7,451 |

The Group leases properties under operating leases. 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 landlords/lessors. None of the leases include contingent rentals.

The Group as lessor

At the reporting date, the total future minimum lease payments receipts by the Group under non-cancellable operating leases are as follows:

| | **2018** | 2017 |
|---|---:|---:|
| | ***RMB'000*** | *RMB'000* |
| **Buildings:** | | |
| Within one year | **308** | 301 |
| In the second to fifth years | **396** | 607 |
| | **704** | 908 |

The Group leases properties under operating leases. 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

### Results Overview

On 6 December 2018, the Company was successfully listed on the Main Board of the Stock Exchange (the "**Listing**"), which implies our business model, competitive advantages and development prospects have been widely recognised by the international capital market. It has also helped the Group to gain a new momentum to embark on a new journey. During the year ended 31 December 2018 (the "**Year**"), our revenue increased by approximately 33.9% to approximately RMB895.8 million, as compared to that of approximately RMB669.2 million in 2017. The adjusted net profit (excluding listing expenses and deferred tax expense arising from the declaration of special dividend) of the Group increased by approximately 39.4% to approximately RMB105.7 million, as compared to that of approximately RMB75.8 million in 2017.

As of 31 December 2018, the aggregated contracted gross floor area ("**GFA**") of the Company reached 32.2 million sq. m., representing an increase of approximately 8.4% as compared to that as of 31 December 2017. The aggregate GFA under management amounted to approximately 26.9 million sq. m., representing an increase of approximately 12.1% as compared to that as of 31 December 2017. During the Year, the Group managed a total of 132 properties, including 105 residential communities and 27 non-residential properties, offering quality property management services to approximately 160,000 property owners. As a national level one qualification property management enterprise, the Company has been awarded as "Top 100 Property Management Companies of China" by China Property Management Institute for consecutive years, and was ranked 12th in 2018.

Benefited from the long-term cooperation established between the Company and Kaisa Group Holdings Ltd., the Company's controlling shareholder, the Group has been strongly supported by its controlling shareholders with regard to the expansion of the property management business. As of 31 December 2018, income derived from residential property management accounted for approximately 22.7% of the overall income, and a significant portion of the Group's income was derived from the services provided by the Group particularly in Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta, Bohai Economic Rim, Central China and the Western China regions. In respect of non-residential properties, the Group strives to extend the services to cover new segments such as commercial properties, office buildings, arenas and stadiums, government buildings, public facilities and industrial parks. During the Year, there were 27 non-residential properties that were managed by the Group, such as stadiums and sports arenas, including Shenzhen Universiade Sports Centre, and government buildings. The Group has also achieved a breakthrough in providing property management services to cultural museums, exhibition halls, military public civic infrastructure projects and industrial parks. The diversified property management portfolio has widened the Group's service dimensions and revenue streams, and has also created new market business opportunities for the Group.

**Business Expansion**

In 2018, the Group signed a total of 16 new projects, with an additional GFA under management of 3.1 million sq. m. In addition, the Group signed 8 consultancy services projects. Meanwhile, the Group entered into the "Strategic Cooperation Agreement" with Taizhou Expressway Real Estate Development Co., Ltd.* (台州高速公路房地產開發有限公司) in June 2018 to establish comprehensive strategic cooperation in terms of property management and asset operation, deepening utilization of resources and business integration. In light of the considerable market size and prospects of the expressway service area, we swiftly enlarged the area served and operational revenue of the Group, and comprehensively enhanced the dual-brand advantages and industrial influence to focus on the joint development in Jiangsu and Zhejiang regions.

Furthermore, Shenzhen Jiake Intelligent Engineering Company Limited ("**Jiake Intelligent**")* (深圳市佳科智能工程有限公司), a subsidiary of the Group, entered into smart strategic cooperation agreements with four of Top 100 Real Estate Enterprises during the Year. As more industry-leading real estate enterprises have chosen to cooperate with the Group on a long-term basis, it not only symbolises that the development concept of the smart solution service is recognised by the industry players, but also lays a foundation for the Group to undertake new projects that are developed by independent property developers.

**Integrated Smart Solution – K Life Service Platform**

Driven by consumption upgrade, residents have increasingly higher expectations on the quality of property management services. In order to provide diversified products and services to the property owners and residents, the Group strives to offer community value-added services through both offline and online channels. In March 2018, the Group launched the K Life APP to consolidate the previous platforms and to offer an upgraded one-stop service. This APP has now covered all of the residential communities under the Group's management with approximately 600,000 registered users. To attract more property owners and residents to use the K Life APP, the Group has launched a membership and point bonus program and provided discounts at partnered merchants to its members, which improves user engagement.

**Optimised Management System**

To ensure the Group's delivery of consistent premium quality services across markets and enhance customer satisfaction and loyalty as well as market awareness of the Group's brand, the Group has designed a standardised service protocol to provide the Group's employees guidance in their day-to-day operations, and established a centralised information control center at its Shenzhen headquarters, comprising the call center, video surveillance command systems and other data integration control platforms, to achieve effective and efficient monitoring of the nationwide operations.

Moreover, with the aim of upgrading the Group's service quality and operational efficiency, the Group launched the proprietary K Service APP during the Year. Employees can conduct quality control, work allocation and facility management remotely, achieving the automation and visualisation of the Group's daily operation, and thereby improving service efficiency and reducing reliance on intensive labor. It is expected that with the support of cloud technology and big data analysis, each platform will be more effectively in performing data interchange and providing big data calculation results to facilitate the decision-making of the management.

## Outlook

Looking ahead, with both "National New-type Urbanisation Plan (2014-2020)" and the development of city clusters proposed in the Central Work Conference and the implementation of "Belt and Road", the government will promote the coordinated development of large, medium and small cities as well as small towns. The "13th Five-Year Plan" also outlines the goal of establishing 19 city clusters. The government has approved the development plans of nine city clusters, including the "middle reaches of the Yangtze River", "Harbin and Changchun" and "Chengdu and Chongqing".

The Outline Development Plan for the Guangdong-Hong Kong-Macau Greater Bay Area, which was officially published by the Central Government and the State Council of the PRC on 18 February 2019, set out the development of the Guangdong-Hong Kong-Macau Greater Bay Area as a global base of emerging industries, advanced manufacturing and modern service industries as well as a vibrant and internationally competitive world-class city cluster. Therefore, the rise of new city clusters will bring huge market and development opportunities for the property management service market.

The Group will actively seize market opportunities and continue to leverage its extensive experience and well-established service standards and management systems to strive to achieve breakthroughs in both management scale and profitability. The Group is currently reviewing its existing project resources in each region and analyzing market conditions, in order to strategically select the key regions for expansion and business layout and continue to scale up by means of large-scale strategic cooperation, merger and acquisition and bidding. Meanwhile, on top of the basis of all-segment expansion, the Group will expand its business scale in mid- to high-end markets by multiple channels, focusing on and developing quality non-residential projects, and thereby boosting the income derived from non-residential properties and further diversifying the revenue streams in order to enhance market influence and increase its market share.

In terms of community value-added business, the Group is committed to building a full-spectrum community ecological value chain. Through the collection, analysis and application of big data of customer services and based on customer needs, the Group focuses on "human, housings, vehicles and finance" in providing community scenario-based services. By integrating internal and external resources, developing innovative products and providing services, the Group aims to offer customers with more convenient and excellent services as well as promoting diverse development and nurture new profit growth points to reform the profit structure of its business.

Meanwhile, the Group will continue to develop one-stop service platforms by leveraging the K Life APP to integrate community value-added products and services and enhance customers' satisfaction and optimise their experience as well as to promote operational efficiency in order to increase the Group's core competitiveness in the mid- to high-end property management segment. The Group will also continue to develop smart solution services to actively expand the business of smart homes and smart communities.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

As one of the leading comprehensive property management service providers in China, the Group focuses on mid- to high-end properties, in particular the quality projects in the Guangdong-Hong Kong-Macau Bay Area and Yangtze River Delta with enormous potential for economic growth. The Group has been providing property management services for almost 20 years since 1999, and since then has established a strong footprint in the Guangdong-Hong Kong-Macau Bay Area, 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 2018, the Group's property management services covered 38 cities across 13 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 26.8 million sq.m. and a total of 132 managed properties, comprising 105 residential communities and 27 non-residential properties.

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

| | **As of 31 December** | |
|---|---|---|
| | **2018** | 2017 |
| Contracted GFA *('000 sq.m.)* | **32,190** | 29,668 |
| GFA under management *('000 sq.m.)* | **26,869** | 24,008 |
| Number of managed properties | **132** | 119 |

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

| | 31 December | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | **GFA (’000 sq.m.)** | **Number** | GFA (’000 sq.m.) | Number |
| Guangdong-Hong Kong-Macau Bay Area | **10,951** | **58** | 10,097 | 52 |
| Yangtze River Delta | **4,023** | **30** | 3,144 | 27 |
| Bohai Economic Rim | **3,314** | **18** | 2,871 | 15 |
| Western China | **5,310** | **15** | 4,822 | 16 |
| Central China | **3,271** | **11** | 3,074 | 9 |
| Total | **26,869** | **132** | 24,008 | 119 |

**Types of Properties Managed**

The Group managed a diversified portfolio of properties covering mid- to high-end residential communities and non-residential properties, including commercial properties, office buildings, arenas and stadiums, government buildings, public facilities and industrial parks. Regarding the property management services, the Group adopted two revenue models under which property management fees are charged on 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 highly effective charging modes, the Group covered the expenses incurred in connection with providing property management services with the property management fees collected.

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 properties by type of properties for the years/as of the dates indicated:

| | Year ended/as of 31 December | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | | | | | 2017 | | | | |
| | **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 | **203,130** | **54.0** | **23,888** | **88.9** | **105** | 137,316 | 51.2 | 21,603 | 90.0 | 100 |
| Non-residential properties | **172,807** | **46.0** | **2,981** | **11.1** | **27** | 131,052 | 48.8 | 2,405 | 10.0 | 19 |
| Total | **375,937** | **100.0** | **26,869** | **100.0** | **132** | 268,368 | 100.0 | 24,008 | 100.0 | 119 |

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

| | Year ended/as of 31 December | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | | | | | 2017 | | | | |
| | **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) | **336,970** | **89.6** | **9,795** | **36.5** | **65** | 233,739 | 87.1 | 8,178 | 34.1 | 56 |
| Property management services (commission basis) | **38,967** | **10.4** | **17,074** | **63.5** | **67** | 34,629 | 12.9 | 15,830 | 65.9 | 63 |
| Total | **375,937** | **100.0** | **26,869** | **100.0** | **132** | 268,368 | 100.0 | 24,008 | 100.0 | 119 |

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

## Nature of the Property Developers Served

The properties under the Group's management were mainly developed by Kaisa Group Holdings Ltd. and its subsidiaries (collectively referred to as the "**Kaisa Group**") while the rest were developed by independent third-party property developers. During the Year, the Group won all the public tenders with respect to properties developed by the Kaisa Group for which we bid. Meanwhile, the Group increased cooperation with independent third-party property developers on properties developed by them in 2018. The GFA of properties developed by independent third-party property developers under the Group's management increased by approximately 30.3% from approximately 3.3 million sq.m. as of 31 December 2017 to approximately 4.3 million sq.m. as of 31 December 2018, and the number of projects also increased from 34 as of 31 December 2017 to 43 as of 31 December 2018, respectively.

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

| | Year ended/as of 31 December | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | | | | | 2017 | | | | |
| | **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 | **285,865** | **76.0** | **22,595** | **84.1** | **89** | 220,511 | 82.2 | 20,677 | 86.1 | 85 |
| Properties developed by independent third-party property developers | **90,072** | **24.0** | **4,274** | **15.9** | **43** | 47,857 | 17.8 | 3,331 | 13.9 | 34 |
| Total | **375,937** | **100.0** | **26,869** | **100.0** | **132** | 268,368 | 100.0 | 24,008 | 100.0 | 119 |

## PRE-DELIVERY AND CONSULTING SERVICES

Leveraging on the Group's property management expertise, the Group offered a wide range of pre-delivery and consulting services to address the 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 2018, the Group's revenue generated from providing pre-delivery and consulting services amounted to approximately RMB355.6 million, accounted for approximately 39.7% of the total revenue for the Year, representing an increase of approximately 20.2% as compared to approximately RMB295.8 million in 2017. In particular, approximately RMB333.6 million was generated from the Kaisa Group, accounted for approximately 93.8% of the total pre-delivery and consulting services revenue for the same year, representing an increase of approximately 20.4% as compared to approximately RMB277.0 million in 2017. Due to the increased market reputation and business influence accumulated by the Group over the years, the number of projects from independent third parties for pre-delivery and consulting services increased steadily from 22 in 2017 to 33 in 2018.

### 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 less extent management services, such as cleaning and maintenance services, for the construction sites of property development projects. During the early stages of projects, the Group deployed security staff to the construction sites to guard and maintain order at the sites and assigned cleaning staff to 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 a property management company with extensive experience in the industry, 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 great reputation by implementing the Group's management philosophy and successful operation models in their businesses, and therefore is able to expand the Group's consulting business to new markets and demonstrate its services quality and ability 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 necessities needs of the property owners and residents with comprehensive, tailor-made products and services to provide a more convenient life for the property owners and residents, and enhance their quality of life. The Group provided community value-added services, including car parking, space leasing and value-added services through the integration of offline and online channels.

For the rental of parking spaces business, the Group leased parking spaces of the residential communities and non-residential properties developed by the Kaisa Group, and subsequently generated rental income from sub-leasing these parking spaces. The Group recognised its operating profit after deducting the operating cost and the rents paid to the Kaisa Group from the rental income.

For the space leasing business, the Group, on the one hand, accelerated the strategic cooperation with large-scale brand advertisers and vertical and professional community service providers by entering into nationwide strategic agreements with companies such as Focus Media, Hive-Box and Nongfu Spring, in relation to elevator advertising, express courier cabinets and self-service vending machines, which has been implemented in all branches, in order to reduce the vacancy rate of spatial resources and increase the income from space leasing business. On the other hand, the Group extended the development and implementation of new types of resources operating business by placing localised barrier gate and lightbox advertisements and providing vehicle services at idle area such as access and garage to create new stream of revenue.

The rental and sales business has covered 17 cities, including Shenzhen, Guangzhou, Shanghai, Hangzhou, Chengdu and Wuhan with a total of 53 rental and sales stores and service locations. The annual commission income was approximately RMB12.6 million for the Year. In the future, the Group will continue to strengthen professional cultivation and establish new teams to expand the scale of service locations of the community under management, whilst increasing the investment in first-hand property agency and cross-regional joint business, exploring business opportunities of housing bank and carpark agency, and implement and promote such businesses nationwide in accordance with local market conditions.

For the community financial business, based on the comprehensive consideration of increasing revenue and minimising risks exposure, the Group has formed strategic partnership with professional wealth management companies to expand its wealth management business to the Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta, Central China, Western China and the Bohai Economic Rim, in order to realise a national layout with Shenzhen as its base. By taking root in the community, the Group is able to offer customised services to cater for the needs of its property owners and residents. In addition, the Group and the wealth management companies jointly developed and designed customised fund products and household insurance products for the community, combining financial services with property management fees deduction and consumption discounts. Not only did it satisfy user's financial needs and increase their stickiness, it also increased the collection of property management fees and income from community value-added services. Meanwhile, the Group also continuously explored cooperation with third-party financial institutions such as banks, small loan companies and payment channels to enhance the convenience of community financial services and meet the needs of property owners and residents for more diversified financial services. At present, the Group has carried out community financial business in eight cities including Shenzhen, Nanjing, Chengdu and Dongguan. In 2018, the annual gross investment of customers for the community financial services reached nearly RMB400.0 million.

In addition, the Group has begun to explore the business realm of community education and training based on the features and conditions of each community. The Group explored various forms of operation, such as promotion at communities, joint operation and brand authorisation, with third-party professional education institutions in addition to leasing venues while continuing to seek suitable institutions to conduct in-depth cooperation by means of strategic cooperation, investment and acquisition.

**Utilisation of the K Life Mobile APP**

In order to provide diverse products and services to property owners and residents, the Group actively explored and integrated online and offline resources. In March 2018, the Group further launched the new K Life APP to consolidate the previous platform and to offer an upgraded one-stop service based on the previous "Community Butler" mobile APP developed by Shenzhen Qijia Internet Technology Co. Limited ("**Qijia Technology**")* (深圳市齊家互聯網科技有限公司).

Leveraging on the research and development capabilities owned by Qijia Technology, a subsidiary of the Group, and the Group's experience and understanding of customers' needs gained over the years, the Group, on the one hand, is committed to speeding up the enhancement and upgrade of all hardware facilities and equipment in the community (e.g. access control, vehicle access control and elevator control), enabling the online operation of the original basic property management service functions. After the property owners and residents have registered and verified their identities on the K Life platform, they can browse the latest property notices and announcements, report any incidents or maintenance matters, check the bills of property management fee and make payments, perform access control and apply for parking cards and pay the parking fee on the mobile end. On the other hand, the Group has also extensively and prudently selected quality suppliers to cooperate through the K Life platform, in order to offer property owners and residents with comprehensive day-to-day products and services, including fresh food, household goods and housekeeping services, with a view to combining property management services with community value-added services to further enhance the living experience of property owners and residents.

In order to attract more property owners and residents to use the one-stop K Life service platform, the Group launched the "K Member" membership system in mid-2018 and selected quality products and service providers nationwide to provide members with local and seasonal exclusive discounts. By integrating community value-added products and services, users' stickiness and customers' satisfaction will be boosted and the Group's revenue base will be diversified while the core competency in mid- to high-end property management segment will be expanded, which will also enable the Group to increase its engagement level with property owners and residents.

As at the end of 2018, the relevant services of K Life platform had covered all of the residential communities under the Group's management with approximately 0.6 million registered users, and the proportion of verified households reached 70%. In the future, the Group will further optimise the design of the K Life platform and focus on exploring and optimising more community living scenarios to enhance the well-being and satisfaction of property owners and residents.

## SMART SOLUTION SERVICES

With a goal to build smart home and smart community, the Group provided smart solution services to property developers through collaboration with qualified third-party contractors and Jiake Intelligent, which specialises in the provision of electronic smart solution services. The smart solution services provided by the Group primarily include automation and other hardware and equipment installation services. As of 31 December 2018, the Group rendered its smart solution services to 471 residential communities and 47 non-residential properties.

The Group provided smart solution services to third-party property developers in accordance with their requirements. Through providing smart solution services, the Group is able to diversify its revenue sources and develop business relationships with property developers who have engaged or may subsequently engage the Group to provide property management services when the property developments are delivered. Such services generally involve the procurement, design, installation and maintenance of devices such as building automation system, passenger flow statistics system, security monitoring systems, visual intercom system, wireless intercommunication system, intelligent parking system and smart card application system for use in high-end office buildings, commercial complexes, hotels and residential properties.

As of 31 December 2018, we had 109 smart solution service contracts in progress or to be commenced with a total contract value of approximately RMB80.3 million. The Group also signed smart strategic cooperation agreements with four of PRC Top 100 Real Estate Enterprises during the Year. These strategic cooperation agreements will bring new revenue sources to the Group in the future.

## 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 33.9% from approximately RMB669.2 million in 2017 to approximately RMB895.8 million in 2018.

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

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2018** | | 2017 | | Changes | |
| | ***RMB'000*** | **%** | *RMB'000* | % | *RMB'000* | % |
| Property management services | **375,937** | **42.0** | 268,368 | 40.1 | 107,569 | 40.1 |
| Pre-delivery and consulting services | **355,599** | **39.7** | 295,788 | 44.2 | 59,811 | 20.2 |
| Community value-added services | **81,672** | **9.1** | 57,749 | 8.6 | 23,923 | 41.6 |
| Smart solution services | **82,560** | **9.2** | 47,254 | 7.1 | 35,306 | 74.7 |
| Total | **895,768** | **100.0** | 669,159 | 100.0 | 226,609 | 33.9 |

- 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 the revenue increased by approximately 40.1% from approximately RMB268.4 million in 2017 to approximately RMB375.9 million in 2018. Such increase was primarily attributable to the increase in the total GFA under management resulting from the business expansion through organic growth as well as increase in the average property management fee rates.

- 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 increased by approximately 20.2% from approximately RMB295.8 million in 2017 to approximately RMB355.6 million in 2018. Such increase was primarily attributable to the existing customers' continued rolling out of new property projects and the Group's efforts to engage more with independent third-party property developers.

- 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, and the revenue increased by approximately 41.6% from approximately RMB57.7 million in 2017 to approximately RMB81.7 million in 2018. Such increase was primarily due to the rapid growth in the Group's rental of parking spaces, space leasing and property rental services, resulting from the increase in the number of the Group's managed properties which provided a larger customer base.

- Smart solution services, which primarily include fees for installation and maintenance services, and the revenue increased by approximately 74.7% from approximately RMB47.3 million in 2017 to approximately RMB82.6 million in 2018. Such increase was primarily due to an increase in the number of projects, mainly driven by the Group's continued efforts in exploring new customers.

## Cost of Services

The cost of services of the Group primarily comprises staff costs, subcontracting costs, construction costs, carpark leasing expenses, utility expenses, office expenses, community cultural and marketing expenses and other taxes and others. The cost of services increased by approximately 33.1% from approximately RMB464.9 million in 2017 to approximately RMB618.7 million in 2018. Such increase was substantially in line with the growth rate of the revenue, primarily due to the parallel increase in the cost resulted from the Group's business expansion.

## Gross Profit and Gross Profit Margin

The overall gross profit of the Group increased by approximately 35.6% from approximately RMB204.3 million in 2017 to approximately RMB277.0 million in 2018. The increase in gross profit of each segment is in line with the increase in revenue of each segment, primarily due to the increase in gross profit resulted from the expansion of the Group's business scale. The overall gross profit margin of the Group increased from approximately 30.5% in 2017 to approximately 30.9% in 2018. Such increase is caused by the changes in gross profit margins of all segments. The table below sets forth the Group's gross profit and gross profit margin by business segment for the years indicated:

| | **Year ended 31 December** | | | | | |
|---|---|---|---|---|---|---|
| | **2018** | | 2017 | | Changes | |
| | **Gross Profit** | **Gross Profit Margin** | Gross Profit | Gross Profit Margin | Amount | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* | *RMB'000* | *%* |
| Property management services | **124,057** | **33.0** | 85,488 | 31.9 | 38,569 | 45.1 |
| – Lump-sum basis | **85,090** | **25.3** | 50,859 | 21.8 | 34,231 | 67.3 |
| – Commission basis | **38,967** | **100.0** | 34,629 | 100.0 | 4,338 | 12.5 |
| Pre-delivery and consulting services | **102,578** | **28.8** | 85,063 | 28.8 | 17,515 | 20.6 |
| Community value-added services | **29,139** | **35.7** | 21,469 | 37.2 | 7,670 | 35.7 |
| Smart solution services | **21,264** | **25.8** | 12,266 | 26.0 | 8,998 | 73.4 |
| Total | **277,038** | **30.9** | 204,286 | 30.5 | 72,752 | 35.6 |

1) *Property management services*

Gross profit margin for the Group's property management services increased by approximately 1.1% from approximately 31.9% in 2017 to approximately 33.0% in 2018. Such gross profit margin is primarily affected by the average fee rates charged for the Group's property management services and cost of services per sq.m. per month for providing such services. Such gross profit margin remained stable with a slight increase in 2018 as new projects generally have higher average contracted value and 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 remained at a relatively stable level of approximately 28.8% in both 2017 and 2018.

3) *Community value-added services*

Gross profit margin of the Group's community value-added services decreased by approximately 1.5% from approximately 37.2% in 2017 to approximately 35.7% in 2018. The decrease was primarily due to an increase in the portion of the car parking services, which have lower gross profit margin than the other community value-added services.

4) *Smart solution services*

Gross profit margin for the Group's smart solution services remained relatively stable at approximately 26.0% in 2017 and approximately 25.8% in 2018.

**Selling Expenses**

Selling expenses of the Group increased by approximately 8.3% from approximately RMB4.8 million in 2017 to approximately RMB5.2 million in 2018, and the aggregated amount remained relatively stable.

**Administrative Expenses**

Administrative expenses of the Group increased by approximately 48.8% from approximately RMB102.3 million in 2017 to approximately RMB152.2 million in 2018, primarily due to (i) the increase in the staff costs as well as the increase in office and travel expenses resulted from the increase in the business scale of the Group; and (ii) the recognition of listing expenses of approximately RMB30.2 million.

**Income tax**

Income tax of the Group increased by approximately 131.2% from approximately RMB24.7 million in 2017 to approximately RMB57.1 million in 2018, primarily due to (i) the increase in the profit before income tax; and (ii) the accrued withholding tax of approximately RMB22.0 million for the Year.

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

Profit and total comprehensive income for the year of the Group decreased by approximately 25.1% from approximately RMB71.4 million in 2017 to approximately RMB53.5 million in 2018, primarily due to (i) the listing expenses of approximately RMB30.2 million; and (ii) the accrued withholding tax of approximately RMB22.0 million for the Year.

**Liquidity, Finance and Capital Resources**

As of 31 December 2018, the Group's cash and bank balances increased by approximately RMB594.0 million from approximately RMB114.1 million as of 31 December 2017 to approximately RMB708.1 million, primarily due to (i) collection of the receivables; (ii) proceeds from the Listing.

The financial situation remained stable. As of 31 December, 2018, the Group's net current assets increased by approximately RMB218.1 million from approximately RMB289.9 million as of 31 December 2017 to approximately RMB508.0 million. As of 31 December 2018, the Group's current ratio (current assets/current liabilities) was approximately 1.97 times (31 December 2017: approximately 1.33 times).

As of 31 December 2018, the Group did not have any loans or borrowings.

**Goodwill**

As of 31 December 2018, the Group recorded goodwill of approximately RMB5.5 million, as a result of acquisition of a subsidiary, Qijia Technology, on 28 December 2017. 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.

**Trade and Other Receivables**

Trade receivables mainly arise from property management fees, pre-delivery and consulting service fees and smart solution service fees. Trade receivables of the Group increased by approximately RMB26.8 million from approximately RMB27.6 million as of 31 December 2017 to approximately RMB54.4 million as of 31 December 2018, primarily due to (i) the increase in trade receivables from property management services as a result of the increase in the total GFA under management; and (ii) the increase in trade receivables from smart solution services resulting from its engineering business expansion.

Other receivables mainly consist of deposits, payments on behalf of staff and payments on behalf of residents under lump-sum basis. Total other receivables and prepayments of the Group increased by approximately RMB42.8 million from approximately RMB16.5 million as of 31 December 2017 to approximately RMB59.3 million as of 31 December 2018, primarily due to the refundable deposit paid for a proposed acquisition.

**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 decreased by approximately RMB12.9 million from approximately RMB53.3 million as of 31 December 2017 to approximately RMB40.4 million as of 31 December 2018, primarily due to (i) the Group's limitation of new payment to the residential communities under commission basis; and (ii) the acceleration of collection of such payments.

### Amounts due from Related Parties

Amounts due from related parties of the Group decreased by approximately RMB803.5 million from approximately RMB931.0 million as of 31 December 2017 to approximately RMB127.5 million as of 31 December 2018, primarily due to the collection of the non-trade nature amounts due from related parties and the trade nature amounts due from related parties which were overdue.

### Trade and Other Payables

Trade payables mainly represent the obligations to pay suppliers for procurements in the ordinary course of business. Trade payables of the Group increased by approximately RMB25.2 million from approximately RMB61.3 million as of 31 December 2017 to approximately RMB86.5 million as of 31 December 2018, primarily attributable to an increase in purchase of subcontracting services, materials and utilities for the Group's business expansion.

Other payables and accruals mainly consist of accrued staff costs, deposits received and receipt on behalf of residents. The accrued staff costs relate to the employees' salary and related expenditure. The deposits received primarily relate to the deposits the Group received from property owners in the managed properties charged on a lump-sum basis for any additional repairs and maintenance expense the Group might incur due to their property decoration. Receipt on behalf of residents relates to the remaining property management fees the Group received in the managed properties charged on a commission basis and the Group managed such fees collectively in its headquarters. The remaining balances of other payables of the Group remained at a stable level of approximately RMB204.8 million as of 31 December 2018, as compared to approximately RMB202.2 million as of 31 December 2017, primarily due to (i) the increase in the remaining balance of accrued staff costs as a result of business expansion; and (ii) the decrease in receipt on behalf of residents resulting from the Group's timely repayment to the communities under the commission basis.

### Amounts due to Fellow Subsidiaries

Amounts due to fellow subsidiaries of the Group decreased by approximately RMB198.4 million from approximately RMB227.7 million as of 31 December 2017 to approximately RMB29.3 million as of 31 December 2018, primarily due to the Group's repayment of the non-trade nature amounts due to fellow subsidiaries.

### Other Borrowings

As of 31 December 2018, all the borrowings of the Group were fully settled (2017: RMB325.0 million).

**Proceeds from the Listing**

The Company was listed on the Main Board of the Stock Exchange on 6 December 2018 and issued 35,000,000 new shares. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing amounted to approximately HK$262.1 million (equivalent to approximately RMB230.7 million). Such proceeds will be applied in the manner consistent with that in the Prospectus and none of them has been utilized as of 31 December 2018:

- Approximately 50% will be used to acquire or invest in other property management companies which have comparable market positions with the Group (which has not been utilized);

- Approximately 20% will be used to acquire or invest in companies which are engaged in property management related business and companies which provide community value-added products and services complementary to those of the Group (which has not been utilized);

- Approximately 10% will be used to develop and promote the K Life mobile APP and the community value-added products and services (which has not been utilized);

- Approximately 10% will be used to develop the "management digitalization, service specialization, procedure standardization and operation automation" (which has not been utilized); and

- Approximately 10% will be used to provide funding for the working capital and other general corporate purposes (which has not been utilized).

**Asset Charges**

As of 31 December 2018, none of the assets of the Group were pledged.

**Gearing Ratio**

Gearing ratio is calculated by dividing the total interest-bearing borrowings by total equity at the end of the respective year. The gearing ratio of the Group was nil as of 31 December 2018, and approximately 106.4% as of 31 December 2017, primarily due to the repayment of all the borrowings of the Group during the Year.

**Contingent Liabilities**

As of 31 December 2018, the Group did not have any contingent liabilities.

**Foreign Exchange Risk**

The Group conducts substantially its business in the PRC and in Renminbi. Cash and bank balances denominated in Hong Kong dollars were approximately RMB202.6 million as of 31 December 2018 and thus was subject to foreign exchange risk.

The Group currently does not hedge its foreign exchange risk, but is continuous monitoring the foreign exchange exposure and 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 2018, the Group had approximately 5,279 employees (31 December 2017: approximately 4,285 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 adjustment in order to be in line with the 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 the production techniques of existing employees.

## 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. Details of the corporate governance practices will be disclosed in the Company's annual report for the Year. The Board is of the view that, since the Listing of the Company on 6 December 2018 (the "**Listing Date**"), the Company has complied with all the code provisions on the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for the following deviation:

According to paragraph A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the role of the chairman and chief executive officer of the Company should be separate and should not be performed by the same individual.

Under the leadership of Mr. LIAO Chuanqiang, the Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committee, and there are three independent non-executive Directors on the Board offering independent perspective, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

## 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 annual results of the Company for the Year had been reviewed by the Audit Committee, which consist 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 adopted the Model Code for Securities Transaction by Directors of Listed Issuers (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 from the Listing Date up to 31 December 2018.

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

Shares of the Company became listed on the Stock Exchange on 6 December 2018 by way of global offering. Details of the global offering are set out in the prospectus of the Company dated 26 November 2018.

Save as disclosed above, from the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## SCOPE OF WORK OF THE AUDITORS

The figures in respect of this preliminary announcement of the Group's results for the Year have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Grant Thornton Hong Kong 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 Grant Thornton Hong Kong Limited on this announcement.

## DIVIDEND

During the Year, the Company declared dividends of RMB128,000,000 to their then shareholders before the Reorganisation was completed. Such dividend distribution has not been completed.

Taking into account the Group's business development needs and shareholders' investment return, at the Board meeting held on 25 March 2019, the Directors proposed to declare a final dividend of HK$18.0 cents per share to all persons registered as holders of shares of the Company on Friday, 31 May 2019. Subject to the approval of the Shareholders of the Company at the forthcoming annual general meeting (the "**AGM**"), the dividend will be paid on or about Thursday, 18 July 2019.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(i) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the AGM to be held on Tuesday, 21 May 2019, the register of members of the Company will be closed on Thursday, 16 May 2019 to Tuesday, 21 May 2019, 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 Wednesday, 15 May 2019; and

(ii) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Tuesday, 28 May 2019 to Friday, 31 May 2019, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the 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, 27 May 2019.

## ANNUAL GENERAL MEETING

The AGM will be held on 21 May 2019 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 Property Holdings Limited**
**LIAO Chuanqiang**
*Chairman*

Hong Kong, 25 March 2019

*As at the date of this announcement, the executive Directors are Mr. LIAO Chuanqiang, Ms. GUO Li, Mr. WENG Hao and Mr. WU Jianxin; 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.*