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## **Kaisa Prosperity Holdings Limited**

**佳兆業美好集團有限公司**

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

**(Stock Code: 2168)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **FINANCIAL HIGHLIGHTS**

- Total revenue for the year ended 31 December 2020 increased by approximately 37.1% to approximately RMB1,730.1 million from approximately RMB1,261.9 million for the year ended 31 December 2019.
- Gross profit for the year ended 31 December 2020 increased by approximately 39.4% to approximately RMB527.6 million from approximately RMB378.4 million for the year ended 31 December 2019 and gross profit margin for the year ended 31 December 2020 remained stable at approximately 30.5% compared with that of approximately 30.0% for the year ended 31 December 2019.
- Profit attributable to owners of the Company for the year ended 31 December 2020 increased by 35.4% to approximately RMB222.0 million from approximately RMB163.9 million for the year ended 31 December 2019.
- The adjusted profit (excluding non-recurring items and share-based compensation) increased by approximately 49.2% to approximately RMB254.7 million for the year ended 31 December 2020 from approximately RMB170.7 million for the year ended 31 December 2019.
- As of 31 December 2020, cash and cash equivalents were approximately RMB1,018.8 million (2019: RMB753.9 million).
- The Board recommended payment of a final dividend of HK69.0 cents per share in respect of the year ended 31 December 2020 (2019: HK52.0 cents per share).

The board (the “**Board**”) of directors (the “**Directors**”) of Kaisa Prosperity Holdings Limited (“**Kaisa Prosperity**” or 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 2020, together with the comparative figures for the year ended 31 December 2019.

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

For the year ended 31 December 2020

		2020	2019
	Notes	RMB'000	RMB'000
<b>Revenue</b>	4	<b>1,730,149</b>	1,261,909
Direct operating expenses		<u>(1,202,510)</u>	<u>(883,498)</u>
<b>Gross profit</b>		<b>527,639</b>	378,411
Selling and marketing expenses		(8,595)	(9,172)
Administrative expenses		(185,293)	(155,850)
Provision for loss allowance on financial assets		(10,986)	(4,831)
Other (losses)/gains, net	5	<u>(7,323)</u>	<u>590</u>
<b>Operating profit</b>		<b>315,442</b>	209,148
Fair value losses on financial assets at fair value through profit or loss		(7,150)	(2,089)
Gain on disposal of financial assets at fair value through profit or loss		1,202	–
Gain on deemed disposal of a subsidiary	15	1,192	–
Share of results of associates		675	–
Finance income, net	6	<u>1,223</u>	<u>3,235</u>
<b>Profit before income tax</b>	7	<b>312,584</b>	210,294
Income tax expenses	8	<u>(83,059)</u>	<u>(43,225)</u>
<b>Profit and total comprehensive income for the year</b>		<u><b>229,525</b></u>	<u>167,069</u>
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		221,951	163,898
Non-controlling interests		<u>7,574</u>	<u>3,171</u>
		<u><b>229,525</b></u>	<u>167,069</u>
<b>Earnings per share attributable to owners of the Company (expressed in RMB per share)</b>			
Basic	9(a)	<b>1.51</b>	1.17
Diluted	9(b)	<u><b>1.48</b></u>	<u>1.17</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2020*

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	<b>2019</b> <b>RMB'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>18,888</b>	18,746
Intangible assets	<i>11</i>	<b>24,429</b>	29,514
Goodwill	<i>11</i>	<b>67,222</b>	48,378
Right-of-use assets		<b>5,938</b>	4,242
Financial assets at fair value through profit or loss		<b>–</b>	34,404
Investment in associates		<b>18,957</b>	–
Other receivables	<i>12</i>	<b>1,626</b>	135
Deferred tax assets		<b>8,177</b>	5,298
		<b>145,237</b>	140,717
<b>Current assets</b>			
Financial assets at fair value through profit or loss		<b>216,531</b>	–
Trade receivables	<i>12</i>	<b>401,415</b>	257,850
Other receivables	<i>12</i>	<b>58,618</b>	51,412
Payments on behalf of residents		<b>37,019</b>	31,151
Contract assets		<b>95,270</b>	55,991
Amounts due from related parties		<b>820</b>	1,008
Restricted cash		<b>1,515</b>	1,510
Cash and cash equivalents		<b>1,018,807</b>	753,945
		<b>1,829,995</b>	1,152,867
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>215,317</b>	181,562
Other payables	<i>13</i>	<b>279,850</b>	269,033
Contract liabilities		<b>89,108</b>	74,004
Amounts due to related parties		<b>1,664</b>	1,277
Lease liabilities		<b>3,273</b>	3,004
Income tax payable		<b>70,209</b>	49,966
		<b>659,421</b>	578,846
<b>Net current assets</b>		<b>1,170,574</b>	574,021
<b>Total assets less current liabilities</b>		<b>1,315,811</b>	714,738

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Other payables	13	<b>19,768</b>	13,274
Lease liabilities		<b>2,768</b>	1,238
Deferred tax liabilities		<b>10,107</b>	11,378
		<u><b>32,643</b></u>	<u>25,890</u>
<b>Net assets</b>		<u><b>1,283,168</b></u>	<u>688,848</u>
<b>EQUITY</b>			
Share capital		<b>1,360</b>	1,232
Reserves		<b>1,250,099</b>	663,234
		<u><b>1,251,459</b></u>	<u>664,466</u>
<b>Equity attributable to owners of the Company</b>		<b>1,251,459</b>	664,466
Non-controlling interests		<b>31,709</b>	24,382
		<u><b>1,283,168</b></u>	<u>688,848</u>
<b>Total equity</b>		<u><b>1,283,168</b></u>	<u>688,848</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 1. CORPORATE INFORMATION

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

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

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

The consolidated financial statements for the year ended 31 December 2020 were approved for issue by the board of directors on 18 March 2021.

## 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 of Hong Kong Limited (“**Listing Rules**”).

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

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss which is stated at fair value.

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

### 3. ADOPTION OF NEW AND AMENDED HKFRSs

#### **New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020**

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

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

#### **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 17	Insurance Contracts and related amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>5</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>6</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 <sup>2</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective date not yet determined

<sup>5</sup> Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>6</sup> Effective for annual periods beginning on or after 1 June 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 are not expected to have a material impact on the Group's consolidated financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION

##### 4.1 Revenue

- (a) Revenue mainly comprises of proceeds from provision of property management services, pre-delivery and consulting services, community value-added services and smart solution services. An analysis of the Group's revenue for the years ended 31 December 2020 and 2019 are as follows:

	2020		2019	
	Revenue	Direct	Revenue	Direct
	RMB'000	operating	RMB'000	operating
		expenses		expenses
		RMB'000		RMB'000
<b>Type of services</b>				
Property management services	793,776	582,844	559,555	406,599
Pre-delivery and consulting services	623,286	428,189	467,469	333,245
Community value-added services	135,308	68,148	121,481	64,305
Smart solution services	177,779	123,329	113,404	79,349
	<b>1,730,149</b>	<b>1,202,510</b>	<b>1,261,909</b>	<b>883,498</b>

	2020	2019
	RMB'000	RMB'000
<b>Timing of revenue recognition</b>		
Over time	1,694,480	1,242,829
A point in time	35,669	19,080
	<b>1,730,149</b>	<b>1,261,909</b>

For the year ended 31 December 2020, revenue from Kaisa Holdings and its subsidiaries (the “**Kaisa Group**”) and its associates and joint ventures contributed 43% (2019: 44%) of the Group's revenue. Other than the transactions with Kaisa Group and its associates and joint ventures, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the years ended 31 December 2020 and 2019.

##### (b) Unsatisfied performance obligations

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

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

For smart solution services, the transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December 2020 and 2019 are as follows:

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Within one year	<b>120,759</b>	90,449
More than one year	<b>78,873</b>	46,322
	<b><u>199,632</u></b>	<u>136,771</u>

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

#### 4.2 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (“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 2020 and 2019, the Group engaged mainly in the provision of property management services, pre-delivery and consulting services, community value-added services and smart solution services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources allocations. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating 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 2020 and 2019.

As at 31 December 2020 and 2019, except for the financial assets at fair value through profit or loss, most of the non-current assets were located in the PRC.

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

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Unconditional government subsidy income	<b>12,417</b>	4,356
Net losses on disposal of property, plant and equipment	<b>(73)</b>	(345)
Trade and other receivables and payment on behalf of residents written off as uncollectible	<b>(1,276)</b>	(6,538)
Dividend received from unlisted managed fund	–	978
Exchange (losses)/gains, net	<b>(19,748)</b>	1,859
Others	<b>1,357</b>	280
	<b><u>(7,323)</u></b>	<u>590</u>

## 6. FINANCE INCOME, NET

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Finance income</b>		
Interest income from loans to third parties	<u>1,616</u>	<u>3,376</u>
<b>Finance expenses</b>		
Interest expense of lease liabilities	<u>(393)</u>	<u>(141)</u>
Finance income, net	<u><b>1,223</b></u>	<u><b>3,235</b></u>

## 7. PROFIT BEFORE INCOME TAX

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before income tax has been arrived at after charging:		
Staff costs – including directors' emoluments		
– Included in direct operating expenses	533,533	440,172
– Included in administrative expenses	144,196	110,166
Cost in relation to smart solution services	122,587	78,821
Lease charges:		
– Short term leases and leases with lease term shorter than 12 months	48,190	43,786
Other taxes	7,221	5,870
Business entertainment expenses	4,960	3,633
Depreciation		
– Property, plant and equipment	5,644	4,706
– Right-of-use assets	4,369	3,822
Amortisation of intangible assets ( <i>note 11</i> )	2,940	2,352
Legal and professional fees	8,139	3,190
Office expenses	15,057	14,770
Fair value losses on financial assets at FVTPL	7,150	2,089
Provision for loss allowance		
– Trade receivables	6,224	2,972
– Deposits, other receivables and payments on behalf of residents (excluding prepayments)	4,762	1,859
Trade and other receivables and payments on behalf of residents written off as uncollectible	1,276	6,538
Travelling	<u>4,304</u>	<u>4,321</u>

## 8. INCOME TAX EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax		
– PRC Corporate Income Tax	86,540	41,028
Deferred tax	<u>(3,481)</u>	<u>2,197</u>
	<u><b>83,059</b></u>	<u><b>43,225</b></u>

## **PRC Corporate Income Tax**

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

The general corporate income tax rate in the PRC is 25%. Provision for the PRC Corporate Income Tax for Kaisa Property Management (Chengdu) Co., Ltd.\* (成都市佳兆業物業管理有限公司), Kaisa Property Management (Chongqing) Co., Ltd.\* (“重慶市佳兆業物業管理有限公司”) and Kaisa Property Management (Liuzhou) Co., Ltd.\* (“柳州佳兆業物業管理有限公司”) are calculated at 15% of the estimated assessable profits for both years ended 31 December 2020 and 2019. Those companies are qualified as the company under the development strategy of the PRC’s western region and are able to enjoy a preferential income tax rate of 15%.

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

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

## **PRC Withholding Income Tax**

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

The Company’s subsidiary, Profit Victor Investments (Hong Kong) Limited, is able to apply for the 5% withholding tax rate during the year ended 31 December 2020 and 2019.

## **Hong Kong Profit Tax**

No Hong Kong Profit Tax has been provided for the years ended 31 December 2020 and 2019 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

## **Overseas income tax**

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

\* English translation is for identification purpose only. The English names of the group companies incorporated in the PRC represent the best efforts by management of the Group in translating their Chinese names as they do not have official names in English.

## 9. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the years ended 31 December 2020 and 2019.

	2020	2019
Total profit attributable to owners of the Company ( <i>in RMB'000</i> )	221,951	163,898
Weighted average number of ordinary share in issue	<u>147,344,000</u>	<u>140,000,000</u>
Basic earnings per share (note) ( <i>in RMB</i> )	<u>1.51</u>	<u>1.17</u>

During the year ended 31 December 2020, the weighted average number of ordinary shares for the purpose of basis earnings per share has been adjusted for the issue of shares in June 2020.

### (b) Diluted earnings per share

	2020	2019
Weighted average number of ordinary shares in issue during the year	147,344,000	140,000,000
Effect of issue of shares under adjustment for share option scheme ( <i>note</i> )	<u>2,753,000</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>150,097,000</u>	<u>140,000,000</u>
Diluted earnings per share ( <i>in RMB</i> )	<u>1.48</u>	<u>1.17</u>

*Note:*

For the year ended 31 December 2020, the computation of diluted earnings per share for the year assume the conversion of the Company's outstanding share options granted on 19 July 2019 because the average market price of the shares is higher than the adjusted exercise price of those share options.

For the year ended 31 December 2019, the computation of diluted earnings per share for the year does not assume the conversion of the Company's outstanding share options granted on 19 July 2019 because the adjusted exercise price of those share options is higher than the average market price of the shares for the period from the date of grant to the reporting date which is regarded as anti-dilutive.

## 10. DIVIDEND

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Proposed final dividend	<u>88,928</u>	<u>65,200</u>

*Notes:*

- (a) A final dividend in respect of the year ended 31 December 2020 of HK69.00 cents (equivalent to approximately RMB57.73 cents) per share was proposed at the Board meeting on 18 March 2021, totalling approximately HK\$106,288,000 (equivalent to approximately RMB88,928,000) and was declared from share premium by the Company at the Board Meeting held on 18 March 2021.
- (b) A final dividend in respect of the year ended 31 December 2019 of HK52.00 cents (equivalent to approximately RMB46.60 cents) per share was proposed at the Board meeting on 26 March 2020, totalling approximately HK\$72,800,000 (equivalent to approximately RMB65,200,000).

Taken into account of the effect of issue of shares, a final dividend in respect of the year ended 31 December 2019 of RMB73,145,000 was declared from share premium by the Company and approved by the shareholders at the Annual General Meeting held in 16 June 2020. The dividend was settled in July 2020.

## 11. GOODWILL AND INTANGIBLE ASSETS

	Property management services segment RMB'000	Goodwill Community value-added services segment RMB'000	Sub-total RMB'000	Intangible assets			Total RMB'000
				Mobile application RMB'000	Customer relationships RMB'000	Sub-total RMB'000	
<b>Cost</b>							
As at 1 January 2019	–	5,534	5,534	7,895	–	7,895	13,429
Acquisitions of subsidiaries	42,844	–	42,844	–	25,287	25,287	68,131
As at 31 December 2019 and 1 January 2020	42,844	5,534	48,378	7,895	25,287	33,182	81,560
Acquisition of a subsidiary	24,378	–	24,378	–	2,900	2,900	27,278
Deemed disposal of a subsidiary	–	(5,534)	(5,534)	(7,895)	–	(7,895)	(13,429)
<b>As at 31 December 2020</b>	<b>67,222</b>	<b>–</b>	<b>67,222</b>	<b>–</b>	<b>28,187</b>	<b>28,187</b>	<b>95,409</b>
<b>Accumulated amortisation</b>							
As at 1 January 2019	–	–	–	1,316	–	1,316	1,316
Amortisation	–	–	–	1,316	1,036	2,352	2,352
As at 31 December 2019 and 1 January 2020	–	–	–	2,632	1,036	3,668	3,668
Amortisation	–	–	–	218	2,722	2,940	2,940
Deemed disposal of a subsidiary	–	–	–	(2,850)	–	(2,850)	(2,850)
<b>As at 31 December 2020</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,758</b>	<b>3,758</b>	<b>3,758</b>
<b>Net book amount</b>							
<b>As at 31 December 2020</b>	<b>67,222</b>	<b>–</b>	<b>67,222</b>	<b>–</b>	<b>24,429</b>	<b>24,429</b>	<b>91,651</b>
As at 31 December 2019	42,844	5,534	48,378	5,263	24,251	29,514	77,892

On 30 June 2020, the Group acquired 60% of the equity interests in the Ningbo Langtong (note 14) at a total consideration of RMB27,000,000. Total identifiable net assets of this entity acquired as at the acquisition date were amounted to RMB4,370,000, including identified customer relationships of RMB2,900,000 recognised by the Group.

During the year ended 31 December 2019, the Group acquired several property management companies. Total identifiable net assets of these entities acquired as at their respective acquisition dates amounted to RMB49,521,000, including identified customer relationships of RMB25,287,000 recognised by the Group.

The excess of the consideration transferred and the amount of the non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill.

## 12. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
<b>Trade receivables</b>		
– Third parties	170,366	127,968
– Related parties	251,855	144,176
	<u>422,221</u>	<u>272,144</u>
Less: loss allowance for trade receivables	(20,806)	(14,294)
	<u>401,415</u>	<u>257,850</u>
<b>Other receivables</b>		
Other deposits	24,605	12,178
Prepayments	2,969	6,594
Loan to a third party ( <i>note (c)</i> )	15,941	15,193
Payments on behalf of staff	8,577	7,781
Payments on behalf of residents under lump-sum basis	14,139	10,236
Others	90	2,335
Less: loss allowance for other receivables	(6,077)	(2,770)
	<u>60,244</u>	<u>51,547</u>
Total other receivables	60,244	51,547
Less: other receivables under non-current portion	(1,626)	(135)
	<u>58,618</u>	<u>51,412</u>
<b>Current portion</b>	<u>58,618</u>	<u>51,412</u>

### Notes:

- (a) All of the Group's trade and other receivables are denominated in RMB except for loan to a third party. The directors consider that the fair values of trade and other receivables under current portion are not materially different from their carrying amounts because these balances have short maturity periods on their inception.
- (b) Property management services income is received in accordance with the terms of the relevant service agreements and due for payment upon the issuance of demand note. Pre-delivery and consulting services and smart solution services are received in accordance with the terms of the relevant service agreements, and the Group normally allows an average credit period ranged from 15 days to 90 days to its customers.
- (c) As at 31 December 2020, loan to a third party is unsecured and interest-bearing at 12% per annum, with the repayment date being extended from 26 June 2020 to 26 June 2021.

The ageing analysis of the trade receivables before loss allowances as at 31 December 2020 and 2019 based on the invoice date is as follows:

	2020 RMB'000	2019 RMB'000
Within 180 days	341,615	221,160
181-365 days	34,519	21,642
1-2 years	25,459	17,587
2-3 years	10,267	5,146
Over 3 years	10,361	6,609
	<u>422,221</u>	<u>272,144</u>

### 13. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Trade payables</b>		
– Third parties	192,648	140,712
– Related parties	22,669	40,850
	<u>215,317</u>	<u>181,562</u>
<b>Other payables</b>		
Consideration payables for acquisition of subsidiaries	22,398	27,328
Accrued staff costs	112,632	93,471
Other tax payables	2,987	1,324
Deposits received	54,011	54,116
Receipt on behalf of residents	66,655	68,032
Others payables and accruals	40,935	38,036
	<u>299,618</u>	<u>282,307</u>
Total other payables		
	<u>299,618</u>	<u>282,307</u>
Less: non-current portion		
Other payables	(6,544)	(3,026)
Consideration payables for acquisition of subsidiaries	(13,224)	(10,248)
	<u>(19,768)</u>	<u>(13,274)</u>
Total other payables under non-current portion		
	<u>(19,768)</u>	<u>(13,274)</u>
<b>Current portion</b>	<u>279,850</u>	<u>269,033</u>

Included in trade payables were amounts due to the Group's suppliers. The outstanding balances were trading in nature and credit periods ranging from 30-180 days were granted. Based on the invoice dates, the ageing analysis of the trade payables as at 31 December 2020 and 2019 is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	172,197	124,092
91-180 days	20,088	22,316
181-270 days	7,593	11,015
271-365 days	4,273	7,370
Over 365 days	11,166	16,769
	<u>215,317</u>	<u>181,562</u>

## 14. ACQUISITION OF A SUBSIDIARY

### Acquisition of Ningbo Langtong

On 30 June 2020, the Group acquired 60% equity interest in Ningbo Langtong Property Service Company Limited\* (寧波朗通物業服務有限公司) (“**Ningbo Langtong**”) at total consideration of RMB27,000,000. The Ningbo Langtong is principally engaged in the provision of property management services to industry parks and commercial properties. Goodwill of RMB24,378,000 arose from expected future development of Ningbo Langtong’s business and improvement on market coverage.

The following table summarises the consideration paid for Ningbo Langtong, and the fair value of assets and liabilities assumed at the acquisition date.

	<b>2020</b> <b>RMB’000</b>
Debtors, deposits and other receivables	6,528
Property, plant and equipment	398
Deferred tax assets	133
Intangible assets	2,900
Cash and bank balances	525
Trade and other payables	(4,749)
Deferred tax liabilities	(725)
Income tax payables	(640)
	<hr/>
Total identifiable net assets at fair value	4,370
Less: non-controlling interests	(1,748)
	<hr/>
Identifiable net assets acquired	2,622
Goodwill	24,378
	<hr/>
Total purchase consideration	27,000
Consideration transferred	27,000
Consideration payable	(12,150)
	<hr/>
Purchase consideration settled in cash	14,850
Cash and bank balances in a subsidiary acquired	(525)
	<hr/>
Cash outflow on acquisition of a subsidiary	<b>14,325</b>

#### Notes:

- (i) Ningbo Langtong contributed revenues of RMB21,523,000 and net profit of RMB2,637,000 to the Group for the period from 1 July 2020 to 31 December 2020. If the acquisition had occurred on 1 January 2020, the Group’s consolidated revenue and consolidated profit for the year would have been increased by RMB16,352,000 and increased by RMB1,204,000 respectively.
- (ii) Intangible assets of customer relationship of RMB2,900,000 in relation to the acquisition of Ningbo Langtong has been recognised by the Group.

## 15. DEEMED DISPOSAL OF A SUBSIDIARY

### Deemed disposal of the Kaisa Technology Group Co., Ltd

During the year ended 31 December 2020, the Group entered into a capital injection agreement with Shenzhen Chunyu Information Consulting Co., Ltd\* (深圳市春榆信息諮詢有限公司) (“**Chunyu Information**”), a wholly owned subsidiary of Kaisa Holdings, for the capital injection to Kaisa Technology Group Co., Ltd\* (深圳佳兆業科技集團有限公司) (formerly known as 深圳市齊家互聯網科技有限公司) (“**Kaisa Technology**”). Upon the capital injection, the Group’s equity interests in Kaisa Technology has been diluted from 92.26% to 45.20%. Kaisa Technology is principally engaged in the provision of software development services. Upon the completion of the deemed disposal, it ceased to be the subsidiary of the Group and was then accounted for as an associate of the Group using equity method. The fair value of the retained interests in Kaisa Technology at the date on which the control was lost is regarded as the cost on initial recognition of the investment in an associate.

The following table summarises the net assets of Kaisa Technology disposed of during the current year and the financial impacts are summarised as follows:

	2020 RMB’000
Net assets disposed of:	
Debtors, deposits and other receivables	7,671
Property, plant and equipment	232
Right-of-use assets	1,780
Intangible assets	5,045
Cash and bank balances	510
Goodwill	5,534
Trade and other payables	(15,605)
Lease liabilities	(1,780)
Deferred tax liabilities	(1,261)
	<hr/>
	2,126
Non-controlling interests	264
	<hr/>
Net assets disposed of	2,390
Gain on deemed disposal	1,192
	<hr/>
Fair value of 45.20% retained interests	3,582
Net cash outflow arising on deemed disposal:	
Cash and bank balances disposal of	510
	<hr/>

*Note:* The fair value was determined by management with reference to the valuation report for the underlying assets. The remaining interests held by the Group is measured at fair value at the date the Group lost control over Kaisa Technology.

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

## 16. LEASE COMMITMENTS

### The Group as lessee

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

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Within one year	<b>6,375</b>	2,595
In the second to fifth years	<b>167</b>	–
	<b>6,542</b>	2,595

As at 31 December 2020, the Group leases staff quarters and offices with a lease period of one to twelve months (2019: twelve months).

As at 31 December 2020, the Group had committed to leases for staff quarters and offices in which the leases had not yet commenced. The total future cash outflows for these leases amounting to RMB442,000 (2019: Nil) in aggregate which are included in the table above.

### The Group as lessor

At 31 December 2020 and 2019, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of buildings as follows:

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Within one year	<b>1,727</b>	779
In the second to fifth years	–	51
	<b>1,727</b>	830

The lease run for an initial period of one to five years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective tenants. None of the leases include contingent rentals.

## **BUSINESS REVIEW AND PROSPECTS**

In 2020, the Coronavirus pandemic has wreaked havoc all over the world, threatening the economies of various countries. The outlook of economic recovery of many advanced economies in the short term is not promising. China, a leading country in the fight against the pandemic, has achieved steady economic progress. Supported by a positive economic environment, the PRC property management industry in 2020 has been developing rapidly in a market-oriented manner. With the favorable policy support, property management enterprises accelerated their business development to expand their service scopes and promote business upgrades. Meanwhile, the capital markets have provided strong support in 2020 to many property management enterprises to achieve their growth objectives and demonstrated their resource advantages to expedite their developments. 2020 can be defined as the year of major transformation of the industry as a whole.

During the year, Kaisa Prosperity achieved a sustainable development by way of strong internal organic growth and exploration of innovative win-win cooperation and partnership. At the same time, we continued to explore the development of intelligence services and improve our overall comprehensive strength in innovation, research and development. With the integration of resources in the fields of smart healthcare, smart education, smart transportation and smart industry, we strive to build a new benchmark of smart city in the future.

Meanwhile, the Group has put in place an effective and transparent governance system, building a solid business foundation. In the face of the new landscape in the property management industry in the future, we are well-prepared for the opportunities and challenges ahead.

### **Financial Highlights**

Benefitting from the long-term cooperation between the Group and its controlling shareholder, Kaisa Group, and the acquisitions in relation to the property management portfolio in the Yangtze River Delta Region, Bohai Economic Rim and Central China, the Group's revenue increased by approximately RMB468.2 million to RMB1,730.1 million in 2020, representing an increase of approximately 37.1% as compared with that in 2019. In particular, income from property management services amounted to RMB793.8 million; income from pre-delivery and consulting services amounted to RMB623.3 million; income from community value-added services amounted to RMB135.3 million; and income from smart solution services amounted to RMB177.8 million.

Driven by the increase in revenue, the profit attributable to owners of the Company for the year ended 31 December 2020 amounted to approximately RMB222.0 million, representing an increase of 35.4% as compared to same in 2019 (2019: RMB163.9 million). The adjusted profit (excluding non-recurring items and share-based compensation) for the year ended 31 December 2020 increased by 49.2% to approximately RMB254.7 million from approximately RMB170.7 million for the year ended 31 December 2019. Basic earnings per share amounted to RMB1.51, representing an increase of approximately 29.1% from that in 2019.

## **Multi-track expansion and business portfolio expansion to focus on project integration capabilities**

Currently, with the active consolidation of the property management industry, the Group focuses on expanding its ability to expand through competitive bidding. We implemented a multi-track expansion based on strategic appropriateness, investment and expansion of single projects, equity mergers and acquisitions and establishment of joint venture platforms are the three major expansion channels of the Group. By taking advantages of our regional project resources and market opportunities in different regions, the Group adjusted the key business focus regions and the strategy for expansion.

In 2020, the Group strived for a multi-channel strategic development, comprehensively enriched its business portfolio through active exploration of external channels such as mergers and acquisitions, and explored cooperation strategies through the establishment of a joint venture platform to realize its full business service advantages. The upgrade of the combined business units has become an indispensable core supporting force for the realization towards a China's leading urban integrated service operator.

During the year, in terms of mergers and acquisitions, the Group completed the acquisition of 60% equity of Ningbo Langtong Property Service Company Limited\* (寧波朗通物業服務有限公司) (“**Ningbo Langtong**”); in December, it entered into an agreement to acquire 60% equity of Zhejiang Ruiyuan Property Management Co., Ltd\* (浙江瑞源物業管理有限公司) (“**Zhejiang Ruiyuan**”). Through these two acquisitions, the Group was able to expand its business scale and market share in the field of property management services in the Yangtze River Delta region of China, laying a solid foundation for further expansion in the region. In addition, the Group could benefit from the regional advantages of the target companies and create synergy with the Group's past mergers and acquisitions, thereby enhancing the long-term business growth of the Group and bringing greater returns to shareholders. With their regional reputation, the target companies could also contribute to the Group's brand image and brand influence in the market. In terms of establishing joint venture platforms with third parties and expanding strategic partnerships, it would be an important means for the Group's expansion and development in 2020 and in the future. In May, the Group established an integrated service platform in Fengfeng Mining District in Handan, and entered into an overall strategic cooperation to introduce comprehensive urban integrated services. Through this pilot program, the Group materialized its strategy of providing comprehensive urban integrated services in the Bohai Economic Rim. The platform will contribute to various service sectors including municipal administration, buildings, parks, schools, hospitals and industrial parks, and further realize the transformation and upgrading of comprehensive urban integrated services through a multi-dimensional business layout with strong growth momentum.

## **Intelligent upgrade to strengthen technology empowerment**

Shenzhen Jiake Intelligent Engineering Co., Ltd.\* (深圳市佳科智能工程有限公司), a smart solution service provider under the Group, was transformed from an internal functional unit to an established market player, with coverage of the three major business segments of the Group, which are smart solution service output, product sales and smart homes. At the same time, Jiake Intelligent has entered into strategic cooperation agreements with a number of top 100 real estate companies, and has been included in the qualified supplier database by 268 real estate developers, making the Group's revenue sources more diversified. This lays a solid foundation of reputation for the Group to provide smart city solutions for more cities in the future, thereby creating shared values.

During the year, the Group achieved good results in the expansion of the intelligent third-party market. In February 2020, Jiake Intelligent successfully entered into low voltage electrical intelligence engineering work for the Huawei Bantian A2 Project in Shenzhen City, marking that the comprehensive strengths of the Group's intelligentization have been widely recognized by the market. In May, it successfully won a bidding in respect of Liuzhou Vincent Five-star International Hotel in Guangxi. The successful completion of such project was another breakthrough in the field of smart hotel. In July, it successfully expanded the combination of intelligent design and the sound and light equipment to create Guangzhou Baiyun City Plaza (廣州白雲城市廣場). In November of the same year, Jiake Intelligent successfully entered into the intelligent construction project of Foresea Life Insurance Nanning Hospital with a project contract value of approximately RMB23 million, successfully expanding the smart medical business. Meanwhile, the Group's intelligent product sales business has also made progress, achieving a contract amount of approximately RMB10.7 million this year.

2020 was an important year for Jiake Intelligent's business expansion and product upgrade. Driven by policies and catalyzed by the pandemic, the Group realized the establishment of a standardized service system from "design" to "operation and maintenance", independently developed smart home products, created its own brand, and opened up sales markets; based on the demand for property management and control needs, it formed a smart community management and control platform to penetrate into the transformation of old communities in cities and towns; with the needs in education, medical care, transportation and other industries as the cores, it made use of perspective applications to strengthen technology empowerment.

## **Outlook**

In view of the current situation, in order to continue to enhance our competitiveness and increase market value, the Group strives to explore new trends in the development of the industry, respond to government policies and build brand value. We are determined to promote the development of the property management industry and to provide the industry with reasonable and healthy growth, as well as an extensive promotion of property management value to create more value. Looking into the future, the Group will maintain our past business advantages, and further grasp the opportunities for transformation and upgrading of urban public services through multi-point layout with momentum. At the same time, we will increase cooperation with state-owned platforms to cultivate in depth from the pilot cities and gradually spread it across the country and other core business districts. We are building a government-enterprise joint venture platform, while actively carrying out government-enterprise cooperation, undertaking the functions of property cities, and creating a comprehensive urban integrated service model.

Looking into the future, the Group plans to extend its diversified investment and development by building on its existing property management portfolio, expanding our business portfolio and introducing high-quality upstream and downstream companies along the industrial chain for business extensions. Meanwhile, we will sort out and cultivate high-potential targets in advance, and carry out targeted cooperation. We will invest in high-quality projects in the community value-added services and smart solution service industries to strengthen and upgrade our existing business.

The Group is committed to assuming corporate responsibilities, with cultivation and enhancement of the Company's core competitiveness. We optimize the business layout, enhance profitability as well as anti-risk capabilities, so as to achieve healthy and sustainable high-quality development of the Company in return to the society and shareholders with better results.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

As one of the leading comprehensive property management service providers in China, the Group specializes in providing comprehensive urban integrated services to mid- to high-end properties and focuses on the metropolitan cluster regions that are supported by the national macro-strategic policies and have high economic development vitality. The Group has been providing property management services for 21 years since 1999, and since then has established a strong footprint in the Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta, Bohai Economic Rim, Western and Central China with enormous potential for economic growth, covering a wide range of properties and providing property owners and residents with tailored quality services through the one-stop service platform to enhance their quality of life and satisfaction.

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

### PROPERTY MANAGEMENT SERVICES

As of 31 December 2020, the Group's property management services covered 51 cities across 15 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 57.5 million sq.m. and a total of 435 managed properties, comprising 195 residential communities and 240 non-residential properties, showing strong momentum in market expansion and diversified property portfolio. We focused on public urban services and moved towards holistic management services.

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

	As of 31 December	
	2020	2019
Contracted GFA ('000 sq.m.)	77,290	53,800
GFA under management ('000 sq.m.)	57,494	46,207
Number of managed properties	435	304

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

	As of 31 December			
	2020		2019	
	GFA ( <i>'000 sq.m.</i> )	Number of projects	GFA ( <i>'000 sq.m.</i> )	Number of projects
Guangdong-Hong Kong-Macau Bay Area	14,563	78	12,391	63
Yangtze River Delta	27,536	285	20,940	190
Bohai Economic Rim	4,508	35	3,776	22
Western China	7,407	22	5,978	18
Central China	3,480	15	3,122	11
Total	<b>57,494</b>	<b>435</b>	<b>46,207</b>	<b>304</b>

The Group continued to expand its business through obtaining new service engagements and acquisitions of other property management companies.

In July 2020, the Group completed the acquisition of Ningbo Langtong. On the acquisition date, Ningbo Langtong had a total of 48 projects under management, amounting to GFA under management of approximately 4 million sq.m..

In December 2020, the Group entered into the agreement in relation to the acquisition of Zhejiang Ruiyuan. As of 31 December 2020, Zhejiang Ruiyuan had a total of 85 projects under management, amounting to contracted GFA of approximately 11 million sq.m., which will be consolidated into the Group's GFA under management upon completion subsequent to 31 December 2020.

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

	2020		2019	
	GFA under management ( <i>'000 sq.m.</i> )	Number of projects	GFA under management ( <i>'000 sq.m.</i> )	Number of projects
As of 1 January	46,207	304	26,869	132
New engagement	8,540	111	3,790	30
Acquisition	4,015	48	16,300	153
Termination	(1,268)	(28)	(752)	(11)
As of 31 December	<b>57,494</b>	<b>435</b>	<b>46,207</b>	<b>304</b>

## Types of Properties Managed

The Group managed a diversified portfolio of properties covering mid- to high-end residential communities and non-residential properties, including commercial properties, office buildings, arenas and stadiums, government buildings, public facilities and industrial parks. Starting from Guangxi, Handan, Yancheng, Yangzhou and Jiaxing, we expanded the cooperation with government platform and our urban services business. 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 revenue models, the Group managed to cover the expenses incurred in connection with providing property management services.

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

	Year ended/as of 31 December									
	2020					2019				
	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	373,108	47.0	42,502	73.9	195	296,051	52.9	33,785	73.1	164
Non-residential properties	420,668	53.0	14,992	26.1	240	263,504	47.1	12,422	26.9	140
Total	793,776	100.0	57,494	100	435	559,555	100.0	46,207	100	304

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 projects by revenue model for the years/as of the dates indicated:

	Year ended/as of 31 December									
	2020					2019				
	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)	743,727	93.7	34,869	60.6	296	515,100	92.1	27,195	58.9	202
Property management services (commission basis)	50,049	6.3	22,625	39.4	139	44,455	7.9	19,012	41.1	102
Total	793,776	100.0	57,494	100	435	559,555	100.0	46,207	100	304

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.

As the properties under management of the Group depended on Kaisa Group's development, we continued to explore the properties developed by independent third-party property developers. During the twelve months ended 31 December 2020, the Group won all the public tenders with respect to properties developed by the Kaisa Group for which the Group bid. At the same time, we further increased the proportion of cooperation on properties developed by independent third-party property developers in 2020. As of 31 December 2020, the Group managed approximately 28.7 million sq.m. of GFA under management of properties developed by independent third-party property developers, representing an increase of approximately 33.5% from approximately 21.5 million sq.m. as of 31 December 2019. In addition, the number of projects increased from 204 as of 31 December 2019 to 317 as of 31 December 2020. With a more reasonable layout of the property industry, the Group has been able to undertake engagement a wide range of property projects and provide competitive services and products. The overall development of the Group is promising.

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

	Year ended/as of 31 December									
	2020					2019				
	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	413,020	52.0	28,820	50.1	118	335,842	60.0	24,754	53.6	100
Properties developed by independent third-party property developers	380,756	48.0	28,674	49.9	317	223,713	40.0	21,453	46.4	204
Total	793,776	100.0	57,494	100.0	435	559,555	100.0	46,207	100.0	304

## 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 2020, the Group's revenue generated from providing pre-delivery and consulting services amounted to approximately RMB623.3 million, which accounted for approximately 36.0% of the total revenue for the year ended 31 December 2020, representing an increase of approximately 33.3% as compared to approximately RMB467.5 million in 2019. In particular, approximately RMB543.0 million was generated from the provision of services to Kaisa Group and its associates and its joint ventures, which accounted for approximately 87.1% of the total pre-delivery and consulting services revenue for the year ended 31 December 2020, representing an increase of approximately 32.3% as compared to approximately RMB410.4 million in 2019. Due to the enhanced 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 55 as of 31 December 2019 to 78 as of 31 December 2020.

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

## **COMMUNITY VALUE-ADDED SERVICES**

In 2020, the Group's community value-added services focused on "home living services", aiming at enhancing operational capabilities and improving service capabilities and profitability of major businesses at major locations. The Group organised its business from a service-oriented perspective, with a view to deepening its development gradually, building a professional brand of individual services as well as improving service quality and professionalism. Certain businesses have been affected by the pandemic and policies to varying degrees and temporarily slowed down the pace of progress. However, during the reporting period, the total revenue of community value-added services still recorded a growth of 11.4%, reaching approximately RMB135.3 million. After excluding the car parking lot and software development; revenue of community service business increased by 65.7% to approximately RMB78.0 million. The professionalism and profitability of community service business have been steadily improving.

## **SMART SOLUTION SERVICES**

Jiake Intelligent has always adhered to the development concepts of "customer first, quality first and innovation" to improve our overall comprehensive strength of innovative research and development. It continued to make efforts in various business fields such as smart medical care, smart education, smart transportation and smart industry, and integrated resources. At the same time, Jiake Intelligent remain focus on deepening the third-party market and expanded its business presence and project formats continuously to facilitate the construction of smart cities. In the future, it is committed to providing overall solution services for smart cities and setting a benchmark in the field of smart cities.

As of 31 December 2020, revenue from smart solution services was approximately RMB177.8 million, representing an increase of 56.8% year-on-year. The gross profit amounted to approximately RMB54.5 million, representing an increase of 59.9% year-on-year, and the gross profit margin was 30.6%, which was an increase of 0.6 percentage points year-on-year. In 2020, the overall business contract volume amounted to approximately RMB218.9 million. Among them, the intelligent third-party business achieved an increase of about RMB55.1 million, while the intelligent product sales business achieved an increase of about RMB10.7 million.

## **Achievement in the intelligent third-party market expansion**

Jiake Intelligent has been endorsed as a qualified supplier by 268 real estate developers including Zhongliang Real Estate, Helenbergh Real Estate, Lixun Real Estate, Baoneng Group, Zhangtai Group, etc, and was recommended by top 100 companies for 121 times. In February 2020, Jiake Intelligent successfully contracted with Huawei Technologies Co., Ltd. (hereinafter “**Huawei**”), one of the world’s top 100 enterprises, in respect of the low voltage electrical intelligence engineering work for the Huawei Bantian A2 Project in Shenzhen City. Such collaboration with Huawei signified that the comprehensive strength of Jiake Intelligent has advanced to a new level, laying sound credibility and reputation for its business undertaking capacity in the future. In May 2020, Jiake Intelligent successfully won a bidding in respect of Liuzhou Vincent Five-star International Hotel, with a total contract amount of approximately RMB6.9 million. The successful completion of such project collaboration was another milestone of Jiake Intelligent in the field of smart hotel, which showed the owner’s affirmation to Jiake Intelligent in the areas of its professional standards, management philosophies, construction qualities, after-sales maintenance, etc. In August 2020, it entered into a contract for Fujian Fuqing Zhongliang Shoufu No. One Mansion Project (福建福清中梁首府壹號公館), and therefore, Jiake Intelligent officially entered the Fujian market. In November 2020, it entered into a contract for the intelligent project of Foresea Life Insurance Nanning Hospital with a contract value of approximately RMB23.0 million. Jiake Intelligent and Baoneng Group had reached a cooperation consensus, representing that Jiake Intelligent has achieved breakthroughs in two comprehensive strengths in terms of business undertaking and broadened format. In December 2020, it entered into the commercial project of the 12th phase of Kunhai of Helenberg Real Estate, with a project contract value of approximately RMB7.0 million.

## **Expansion into the sales of intelligent products and the strategic cooperation**

Since the establishment of the business segment of sales of intelligent products in early 2020, a total contract amount of RMB10.7 million was achieved in 2020. Since early 2020, the Coronavirus pandemic has been raging around the world, Jiake Intelligent promptly launched temperature detectors that are fully automatic, non-contact, abnormal warning, remote multi-person monitoring and highly accurate, providing protection at the communities, schools, hospitals, commercial buildings, office buildings, stations, etc. In July 2020, the new business segment was successfully expanded, combining the intelligent design with sound and light equipment to create the “Guangzhou Baiyun City Plaza Marketing Center” (廣州白雲城市廣場營銷中心), a marketing center in Guangzhou for social media influencers. In October of the same year, we have achieved a significant breakthrough in the smart home business segment by successfully signing a contract for the project of supply and installation of household products for smart home decoration services in Kaisa Lushan No. 1 in Chengyu area. The project value reached 38.6% of the annual sales target.

In October 2020, Jiake Intelligent and Beijing Rongxin Zhihe Investment Group\* (北京融信智合投資集團) reached a strategic cooperation agreement and formally established a joint venture to jointly develop the intelligent market in North China. In November 2020, it obtained the qualification of “Grade I Professional Contractor of Electronic and Intelligent Engineering” (電子與智能化工程專業承包一級). The successful upgrade of the enterprise qualification affirms the comprehensive strengths, technical level and core competitiveness of Jiake Intelligent in the field of electronic and intelligent engineering, which has laid a solid foundation for the company’s business promotion and market expansion in the future. In December 2020, it passed the “Shenzhen High and New Technology Enterprise Qualification” (深圳市高新技術企業資格認定), which reflects the continuous progress of Jiake Intelligent in all aspects in the past three years and marks the authoritative certification of the company’s competitiveness technological innovation development.

## 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 37.1% from approximately RMB1,261.9 million in 2019 to approximately RMB1,730.1 million in 2020.

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

	Year ended 31 December				Changes	
	2020		2019			
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management services	793,776	45.9	559,555	44.3	234,221	41.9
Pre-delivery and consulting services	623,286	36.0	467,469	37.1	155,817	33.3
Community value-added services	135,308	7.8	121,481	9.6	13,827	11.4
Smart solution services	177,779	10.3	113,404	9.0	64,375	56.8
Total	1,730,149	100.0	1,261,909	100.0	468,240	37.1

- Revenue from property management services, which primarily include property management fees for providing security, cleaning and gardening and property repair and maintenance services to residential communities, commercial properties and public facilities, and the revenue increased by approximately 41.9% from approximately RMB559.6 million in 2019 to approximately RMB793.8 million in 2020. Such increase was primarily attributable to the increase in the total GFA under management resulting from the business expansion through organic growth and acquisition of third-party property management companies.

- Revenue from pre-delivery and consulting services, which primarily include fees for construction sites management, display units and property sales venues management and consulting services, and the revenue increased by approximately 33.3% from approximately RMB467.5 million in 2019 to approximately RMB623.3 million in 2020. 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.
- Revenue from community value-added services, which primarily include fees generated from the car parking, space leasing and value-added services through both offline and online channels, increased by approximately 11.4% from approximately RMB121.5 million in 2019 to approximately RMB135.3 million in 2020. Such increase was primarily due to the growth in the Group's space leasing and housing rental and sale services, resulting from the increase in the number of the properties under management that in turn led to a larger customer base.
- Revenue from smart solution services, which primarily include fees for installation and maintenance services, increased by approximately 56.8% from approximately RMB113.4 million in 2019 to approximately RMB177.8 million in 2020. 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.

### **Direct Operating Expenses**

The direct operating expenses of the Group primarily comprises staff costs, subcontracting costs, construction costs, carpark leasing expenses, utility expenses, office expenses, community cultural expenses, other taxes and others. The direct operating expenses increased by approximately 36.1% from approximately RMB883.5 million in 2019 to approximately RMB1,202.5 million in 2020. Such increase was primarily attributable to our business expansion through organic growth and acquisition of third-party property management companies in 2020.

## Gross Profit and Gross Profit Margin

The overall gross profit of the Group increased by approximately 39.4% from approximately RMB378.4 million in 2019 to approximately RMB527.6 million in 2020. The overall gross profit margin of the Group remained at a stable level of approximately 30.5% in 2020 as compared to approximately 30.0% in 2019. The table below sets forth the Group's gross profit and gross profit margin by business segment for the periods indicated:

	Year ended 31 December				Changes	
	2020		2019			
	Gross Profit	Margin	Gross Profit	Gross Profit	Amount	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>		
Property management services	210,932	26.6	152,956	27.3	57,976	37.9
– Lump-sum basis	160,883	21.6	108,501	21.1	52,382	48.3
– Commission basis	50,049	100.0	44,455	100.0	5,594	12.6
Pre-delivery and consulting services	195,097	31.3	134,224	28.7	60,873	45.4
Community value-added services	67,160	49.6	57,176	47.1	9,984	17.5
Smart solution services	54,450	30.6	34,055	30.0	20,395	59.9
Total	527,639	30.5	378,411	30.0	149,228	39.4

### 1) *Property management services*

Gross profit margin of the Group's property management services dropped by approximately 0.7 percentage points from approximately 27.3% in 2019 to approximately 26.6% in 2020. The decrease was primarily due to an increase in (i) the portion of the property management service charged under lump-sum basis with a lower profit margin as compared to those charged under commission basis and (ii) acquired projects developed by third-party developers, with a relatively low gross profit margin caused by more early-stage investment. Meanwhile, the contribution of acquired companies increased year-on-year.

### 2) *Pre-delivery and consulting services*

Gross profit margin of the Group's pre-delivery and consulting services increased by approximately 2.6 percentage points from approximately 28.7% in 2019 to approximately 31.3% in 2020. The increase was primarily due to our long-term strategic cooperation with developers, bringing economies of scale in pre-delivery services.

### 3) *Community value-added services*

Gross profit margin of the Group's community value-added services rose by approximately 2.5 percentage points from approximately 47.1% in 2019 to approximately 49.6% in 2020. The increase was primarily due to an increase in the proportion of our spatial resources leasing, housing rental and sales, decoration and renovation and community wealth, which have higher gross profit margins than the other community value-added services.

### 4) *Smart solution services*

Gross profit margin of the Group's smart solution services increased by approximately 0.6 percentage points from approximately 30.0% in 2019 to approximately 30.6% in 2020. The increase was primarily due to the increase in number of contracts which carry different gross profit margins and optimization of the organizational structure.

## **Selling and Marketing Expenses**

Selling and marketing expenses of the Group decreased by approximately 6.5% from approximately RMB9.2 million in 2019 to approximately RMB8.6 million in 2020, and the decrease was due to the impact of Coronavirus pandemic 2019, resulting in reduction in marketing activities.

## **Administrative Expenses**

Administrative expenses of the Group increased by approximately 18.9% from approximately RMB155.9 million in 2019 to approximately RMB185.3 million in 2020, primarily due to (i) the recognition of a share option expense of approximately RMB25.2 million arising from the grant of share option on 19 July 2019 and (ii) the Group's expansion in business scale and the increase in total GFA under management.

## **Income Tax Expenses**

Income tax expenses of the Group increased by approximately 92.4% from approximately RMB43.2 million in 2019 to approximately RMB83.1 million in 2020, primarily due to (i) the return of parts of the withholding income tax arising from the declaration of special dividend due to tax incentive in 2019 and (ii) the increase of income tax expenses arising from the rise of profit before income tax in 2020.

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

Profit and total comprehensive income for the year of the Group increased by approximately 37.4% from approximately RMB167.1 million in 2019 to approximately RMB229.5 million in 2020, primarily due to the business expansion in 2020.

## Adjusted Profit for the Year

Adjusted profit is defined as profit and total comprehensive income for the year before the withholding income tax returned arising from the declaration of special dividend in 2018 and share-based compensation charged to the statement of profit or loss. The Company believes that separate analysis excluding the impact of the cost items add clarity to the constituent parts of the Group's results of operations and provides additional useful information for investors to assess the operating performance of the Group's business. This is an unaudited non-HKFRS financial measure which may be defined differently from similar terms used by other companies.

The adjusted profit for the year increased by 49.2% to approximately RMB254.7 million from approximately RM170.7 million for the year ended 31 December 2019. The reconciliation of the adjusted profit for the year are set out as below:

	Year ended 31 December		Change %
	2020 RMB'000	2019 RMB'000	
Profit and total comprehensive income for the year	229,525	167,069	37.4
Return of withholding income tax ( <i>Note 1</i> )	–	(11,000)	
Share option expense ( <i>Note 2</i> )	25,174	14,650	
Adjusted profit for the Year	<u>254,699</u>	<u>170,719</u>	<u>49.2</u>

*Note 1:* The return of a portion of withholding income tax expense arising from the declaration of special dividend due to tax incentive entitled in the year ended 31 December 2019.

*Note 2:* The share option expense arising from the grant of share option on 19 July 2019.

## Liquidity, Capital Structure and Financial Resources

As of 31 December 2020, the Group's cash and bank balances were approximately RMB1,018.8 million, represented an increase of approximately RMB264.9 million from approximately RMB753.9 million as of 31 December 2019, primarily because of placing of existing shares and subscription of new shares.

The Group maintained a sound financial position. The net current assets of the Group increased by approximately RMB596.6 million from approximately RMB574.0 million as of 31 December 2019 to approximately RMB1,170.6 million as of 31 December 2020. As of 31 December 2020, the Group's current ratio (current assets/current liabilities) was approximately 2.78 (31 December 2019: approximately 1.99).

As of 31 December 2020, the Group did not have any other loans or borrowings except a loan to a third party.

## **Goodwill**

As of 31 December 2020, the Group recorded goodwill of approximately RMB67.2 million, as a result of the acquisition of Jiaxing Dashu, Jiangshu Hengyuan and Ningbo Langtong on 30 April 2019, 31 October 2019 and 30 June 2020, respectively. 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 and Prepayments**

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 RMB143.5 million from approximately RMB257.9 million as of 31 December 2019 to approximately RMB401.4 million as of 31 December 2020, 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 pre-delivery and consulting service fees primarily due to an increase in the number of projects and (iii) the increase in trade receivables from smart solution services resulting from its engineering business expansion.

Other receivables and prepayments mainly consist of deposits, prepayments, loan to a third party, 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 RMB7.2 million from approximately RMB51.4 million as of 31 December 2019 to approximately RMB58.6 million as of 31 December 2020, primarily due to the scale expansion of the Group.

## **Payments on behalf of Residents**

The Group made payments on behalf of residents of the managed residential communities under commission basis. Payments on behalf of residents represent working capital expenditures paid by the Group on behalf of the residential communities. The Group's payments on behalf of residents increased by approximately RMB5.8 million from approximately RMB31.2 million as of 31 December 2019 to approximately RMB37.0 million as of 31 December 2020, primarily due to the increase in the total GFA the Group managed under commission basis.

## **Trade and Other Payables and Accruals**

Trade payables mainly represent the obligations to pay suppliers for procurements in the ordinary course of business. The remaining balances of trade payables of the Group increased by approximately RMB33.7 million from approximately RMB181.6 million as of 31 December 2019 to approximately RMB215.3 million as of 31 December 2020, primarily due to our 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 and accruals of the Group increased by approximately RMB10.9 million from approximately RMB269.0 million as of 31 December 2019 to approximately RMB279.9 million as of 31 December 2020, primarily due to the increase in accrued staff costs because of our business expansion.

### Proceeds from the Listing

The Company was listed on the Main Board of the Stock Exchange on 6 December 2018 (the “**Listing Date**”) and issued 35,000,000 new shares. After deducting the underwriting fees and relevant expenses, net proceeds from the listing (the “**Net Proceeds**”) amounted to approximately HK\$262.1 million (equivalent to approximately RMB230.7 million). As of 31 December 2020, the Group utilised approximately RMB137.1 million of the Net Proceeds from the Listing in accordance with the purposes set out in the prospectus dated 26 November 2018 (the “**Prospectus**”). The Directors expect that the unused Net Proceeds will be applied in the manner consistent with that detailed in the Prospectus and as set forth below:

During the period from the Listing Date to 31 December 2020, the Net Proceeds had been applied as follows:

Intended use of Net Proceeds as stated in the Prospectus	Planned use of proceeds RMB in million	Actual use of proceeds during 2019 RMB in million	Unutilised Net Proceeds as at 1 January 2020 RMB in million	Actual use of proceeds during the year RMB in million	Unutilised amount as at 31 December 2020 RMB in million
(1) Acquire or invest in other property management companies	115.3	43.4	71.9	25.6	46.3
(2) Acquire or invest in companies engaged in property management related business	46.1	–	46.1	1.8	44.3
(3) Promote the K Life mobile APP and the community value-added products and services	23.1	18.3	4.8	4.8	–
(4) Develop management digitalization service specialization	23.1	12.1	11.0	8.0	3.0
(5) General working capital	23.1	23.1	–	–	–
	<u>230.7</u>	<u>96.9</u>	<u>133.8</u>	<u>40.2</u>	<u>93.6</u>

With respect to the Net Proceeds for the usage set out in items (4) above, it is expected that the Net Proceeds will be utilised on or before 31 December 2021. With respect to the Net Proceeds for the usage set out in items (1) and (2) above, it is expected that the Net Proceeds will be utilised before 31 December 2022. Given the impacts of the COVID-19 on the global economy and trade environment, the Company will continue to seek suitable targets for acquisitions and investments or cooperation. It will adopt a prudent and flexible approach for utilizing the Net Proceeds effectively and efficiently for the long term benefit and development of the Group.

The unutilised Net Proceeds have been placed as bank balances with licensed banks in Hong Kong as at the date of this announcement.

### **Proceeds from the placing of shares**

On 23 June 2020, the Company issued 14,000,000 ordinary shares (the “**Placing Shares**”) at an issue price of HK\$32.55 per share. The nominal value of the Placing Shares is HK\$140,000. The net price per Placing Share after deduction of commission and other expenses is HK\$32.21 per share. The placees of the Placing Shares were independent of the directors, chief executive or substantial shareholders of the Company or any of their respective associates. On 9 June 2020, being the date of the placing agreement, the closing price per share was HK\$33.65. The Company raised net proceeds of approximately HK\$451,542,000 from the placing. The Company intends to invest in businesses or targets that are related to its core businesses with such proceeds. During the period from completion of the placing to 31 December 2020, the net proceeds had been utilised as to approximately RMB77.0 million as general working capital of the Group and as to RMB216.5 million in various short and medium-term bonds listed in Singapore, which was consistent with the purposes disclosed in the Company’s announcement dated 9 June 2020. With respect to the remaining unutilised net proceeds, the company will adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long term benefit and development of the Group.

It is intended that the remaining unutilised will be utilised on or before 31 December 2021 in accordance with the stated intended use in the announcement of the Company dated 9 June 2020.

The unutilised net proceeds have been deposited to licensed financial institutions in Hong Kong as at the date of this announcement.

### **Capital Commitments**

As of 31 December 2020, the Group do not have any material capital commitment.

### **Asset Charges**

As of 31 December 2020, none of the assets of the Group were pledged (31 December 2019: nil).

## **Material Acquisitions and Disposals of Assets**

### ***Acquisition of the equity interest in Zhejiang Ruiyuan***

On 27 December 2020, Kaisa Property Management (Shenzhen) Company Limited\* (佳兆業物業管理(深圳)有限公司) acquired 60% equity interest in Zhejiang Ruiyuan at total consideration of RMB107,706,000. Zhejiang Ruiyuan is principally engaged in the business of property management including residential properties, commercial properties and other non-residential properties. After the completion of such acquisition, Zhejiang Ruiyuan will become a subsidiary of the Company.

Save as the acquisition mentioned above, the Group did not have any material acquisitions or disposals of assets for the year ended 31 December 2020.

## **Significant Investment Held and Future Plans for Material Investment and Capital Assets**

For the year ended 31 December 2020, the Group did not have any significant investment, and there was no plan for other material investments or additions of capital assets as at the date of this announcement.

## **Gearing Ratio**

Gearing ratio is calculated by dividing the total interest-bearing borrowings by total equity at the end of the respective period. The gearing ratio of the Group was nil both as of 31 December 2020, and as of 31 December 2019.

## **Contingent Liabilities**

As of 31 December 2020, the Group did not have any contingent liabilities.

## **Foreign Exchange Risk**

The Group primarily conducts its business in the PRC and in Renminbi. As of 31 December 2020, cash and bank balances denominated in Hong Kong dollar (“**HKD**”) and United States Dollar (“**USD**”) were approximately RMB248.2 million; loan to a third party in HKD and financial assets at fair value through profit or loss in HKD and USD were approximately RMB15.9 million and RMB216.5 million, respectively, which are subject to foreign currency exposure.

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

## Employees and Benefits Policies

As of 31 December 2020, the Group had 8,564 employees (31 December 2019: 8,137 employees). Employee's remuneration is determined based on the employee's performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programs, and will make necessary adjustments in order to be in line with remuneration levels in the industry norm. In addition to basic salaries, employees may be granted with discretionary bonus and cash awards based on individual performance. The Group offers training to its employees so as to enable them to acquire basic skills to perform their duties and to upgrade or improve their production techniques. Furthermore, on 18 June 2019 (the "**Adoption Date**"), the Company adopted a share option scheme (the "**Share Option Scheme**"). Details of the Share Option Scheme are set out in the circular of the Company dated 29 April 2019.

## Subsequent events

There were no other significant events up to the date of this announcement.

## CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance. An internal corporate governance policy was adopted by the Board aiming at providing greater transparency, quality of disclosure as well as more effective risk and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board with regular assessments. The Company believes that its commitment to high-standard practices will translate into long-term value and ultimately maximise returns to shareholders. The Company's management pledges to build long-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner. The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

During the year ended 31 December 2020, the Company complied with all the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the below 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.

Mr. Liao Chuanqiang is the chairman of the Board. Under the leadership of Mr. Liao, our Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committee, and there 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 has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2020.

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 year ended 31 December 2020, saved for the placing of shares on 23 June 2020 as mentioned above, 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.

## DIVIDENDS

Taking into account the Group's business development needs and shareholders' investment return, at the Board meeting held on 18 March 2021, the Directors proposed to declare a final dividend of HK69.0 cents per share for 2020 (2019: HK52.0 cents per share) to all persons registered as holders of shares of the Company on Friday, 25 June 2021. 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 Friday, 16 July 2021.

## CLOSURE OF REGISTER OF MEMBERS

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

- (1) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Wednesday, 16 June 2021, the register of members of the Company will be closed on Friday, 11 June 2021 to Wednesday, 16 June 2021, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 10 June 2021.
- (2) 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, 22 June 2021 to Friday, 25 June 2021, 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, 21 June 2021.

## ANNUAL GENERAL MEETING

The AGM will be held on 16 June 2021 and a notice convening the AGM will be published and dispatched in the manner as required by the Listing Rules on the Stock Exchange in due course.

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

The annual report of the Company for the Year will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company at [www.jzywy.com](http://www.jzywy.com) in due course.

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

Hong Kong, 18 March 2021

*As at the date of this announcement, the executive Directors are Mr. Liao Chuanqiang, Ms. Kwok Hiu Ting, Mr. Li Haiming, Mr. Wu Jianxin and Ms. Guo Li; 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.*