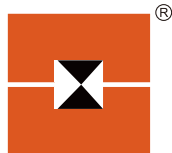


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Kaisa Prosperity Holdings Limited

佳兆業美好集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2168)

**UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Kaisa Prosperity Holdings Limited (“**Kaisa Prosperity**” or the “**Company**”) hereby announces the unaudited annual consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Revenue	4	2,666,440	1,730,149
Direct operating expenses		(1,877,541)	(1,202,510)
Gross profit		788,899	527,639
Selling and marketing expenses		(13,243)	(8,595)
Administrative expenses		(245,359)	(185,293)
Provision for loss allowance on financial and contract assets		(195,990)	(10,986)
Other gains/(losses), net	5	4,890	(7,323)
Operating profit		339,197	315,442
Fair value losses on financial assets at fair value through profit or loss		–	(7,150)
(Loss)/gain on disposal of financial assets at fair value through profit or loss		(159,301)	1,202
Loss on termination of an acquisition transaction		(63,920)	–
Gain on deemed disposal of a subsidiary		–	1,192
Share of results of associates		18,846	675
Finance income, net	6	228	1,223
Profit before income tax	7	135,050	312,584
Income tax expenses	8	(66,929)	(83,059)
Profit and total comprehensive income for the year		68,121	229,525
Profit and total comprehensive income attributable to:			
Owners of the Company		56,806	221,951
Non-controlling interests		11,315	7,574
		68,121	229,525
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
Basic	9(a)	0.37	1.51
Diluted	9(b)	0.36	1.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		25,131	18,888
Intangible assets		36,942	24,429
Goodwill		160,828	67,222
Right-of-use assets		17,306	5,938
Financial assets at fair value through other comprehensive income		15,000	–
Investment in associates		37,803	18,957
Other receivables		214,839	1,626
Deferred tax assets		57,929	8,177
		565,778	145,237
Current assets			
Financial assets at fair value through profit or loss		–	216,531
Trade receivables	<i>11</i>	738,521	401,415
Other receivables		390,456	58,618
Payments on behalf of residents		52,992	37,019
Contract assets		112,934	95,270
Amounts due from related parties		1,088	820
Restricted cash		517	1,515
Cash and cash equivalents		357,995	1,018,807
		1,654,503	1,829,995
Current liabilities			
Trade payables	<i>12</i>	247,820	215,317
Other payables	<i>12</i>	358,041	279,850
Contract liabilities		166,972	89,108
Amounts due to related parties		6,939	1,664
Lease liabilities		6,089	3,273
Income tax payable		90,102	70,209
		875,963	659,421
Net current assets		778,540	1,170,574
Total assets less current liabilities		1,344,318	1,315,811

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Non-current liabilities			
Other payables	12	31,722	19,768
Lease liabilities		12,430	2,768
Deferred tax liabilities		13,236	10,107
		<u>57,388</u>	<u>32,643</u>
Net assets		<u>1,286,930</u>	<u>1,283,168</u>
EQUITY			
Share capital		1,361	1,360
Reserves		1,233,616	1,250,099
		<u>1,234,977</u>	<u>1,251,459</u>
Equity attributable to owners of the Company		<u>1,234,977</u>	<u>1,251,459</u>
Non-controlling interests		51,953	31,709
		<u>1,286,930</u>	<u>1,283,168</u>
Total equity		<u>1,286,930</u>	<u>1,283,168</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

These unaudited 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 unaudited 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 unaudited 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 unaudited consolidated financial statements, if any, are disclosed in note 3.

The unaudited consolidated financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are stated at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited 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

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2021

In the current year, the Group has applied for the first time the following 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 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the 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 this announcement, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 17	Insurance Contracts and related amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 ²
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ⁴

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ 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

⁵ Effective for annual periods beginning on or after 1 April 2021

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 unaudited 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 2021 and 2020 are as follows:

Type of services	2021		2020	
	Revenue <i>RMB'000</i> (Unaudited)	Direct operating expenses <i>RMB'000</i> (Unaudited)	Revenue <i>RMB'000</i> (Audited)	Direct operating expenses <i>RMB'000</i> (Audited)
Property management services	1,196,469	893,109	793,776	582,844
Pre-delivery and consulting services	1,072,147	752,538	623,286	428,189
Community value-added services	182,164	90,211	135,308	68,148
Smart solution services	215,660	141,683	177,779	123,329
	2,666,440	1,877,541	1,730,149	1,202,510
			2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Revenue from contracts with customers				
– recognise over time			2,497,602	1,606,837
– recognise at a point in time			52,271	35,669
Revenue from other sources				
– rental income			116,567	87,643
			2,666,440	1,730,149

For the year ended 31 December 2021, revenue from Kaisa Holdings and its subsidiaries (the “**Kaisa Group**”) and its associates and joint ventures contributed 42% (2020: 43%) 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 2021 and 2020.

(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 2021 and 2020 are as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Within one year	131,126	120,759
More than one year	130,773	78,873
	261,899	199,632

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

4.2 Segment information

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

For the years ended 31 December 2021 and 2020, the Group engaged mainly in the provision of property management services, pre-delivery and consulting services, community value-added services and smart solution services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources allocations. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all the Group’s revenue were derived in the PRC for the years ended 31 December 2021 and 2020.

As at 31 December 2021 and 2020, 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 GAINS/(LOSSES), NET

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Unconditional government subsidy income	8,937	12,417
Net losses on disposal of property, plant and equipment	(123)	(73)
Trade and other receivables and payment on behalf of residents written off as uncollectible	(423)	(1,276)
Exchange losses, net	(4,426)	(19,748)
Others	925	1,357
	4,890	(7,323)

6. FINANCE INCOME, NET

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Finance income		
Interest income from loans to third parties	<u>1,041</u>	<u>1,616</u>
Finance expenses		
Interest expense of lease liabilities	<u>(813)</u>	<u>(393)</u>
Finance income, net	<u>228</u>	<u>1,223</u>

7. PROFIT BEFORE INCOME TAX

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Profit before income tax has been arrived at after charging:		
Staff costs – including directors' emoluments		
– Included in direct operating expenses	1,120,644	533,533
– Included in administrative expenses	194,079	144,196
Cost in relation to smart solution services	140,677	122,587
Lease charges on short term leases	53,028	48,190
Other taxes	12,433	7,221
Business entertainment expenses	8,795	4,960
Depreciation		
– Property, plant and equipment	6,819	5,644
– Right-of-use assets	6,630	4,369
Amortisation of intangible assets	5,487	2,940
Legal and professional fees	6,458	8,139
Loss on termination of an acquisition transaction	63,920	–
Office expenses	17,018	15,057
Fair value losses on financial assets at FVTPL	–	7,150
Provision for loss allowance		
– Trade receivables	129,403	6,224
– Deposits, other receivables and payments on behalf of residents (excluding prepayments)	54,666	4,762
– Contract assets	11,921	–
Trade and other receivables and payments on behalf of residents written off as uncollectible	423	1,276
Travelling expenses	<u>4,862</u>	<u>4,304</u>

8. INCOME TAX EXPENSES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Current income tax		
– PRC Corporate Income Tax	117,297	86,540
Deferred tax	<u>(50,368)</u>	<u>(3,481)</u>
	<u>66,929</u>	<u>83,059</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 2021 and 2020. Those companies are qualified as the company under the development strategy of the PRC’s western region and are able to enjoy a preferential income tax rate of 15%.

Shenzhen Jiake Intelligence Technology Co., Ltd.* (“深圳市佳科智能科技有限公司”) has obtained the certificate of “High and New Technology Enterprise” (“HNTTE”) 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 HNTTE 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 Corporate Income Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be received on the immediate holding companies outside the PRC where their PRC subsidiaries declare dividend of profits earned after 1 January 2008. A lower 5% withholding tax rate can be applied to the immediate holding company of the PRC subsidiaries, which is incorporated in Hong Kong, according to the tax treaty arrangements between the PRC and Hong Kong.

The Company’s subsidiary, Profit Victor Investments (Hong Kong) Limited, is able to apply for the 5% withholding tax rate during the years ended 31 December 2021 and 2020.

Hong Kong Profit Tax

No Hong Kong Profit Tax has been provided for the years ended 31 December 2021 and 2020 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

Overseas income tax

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

* The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

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 2021 and 2020.

	2021 (Unaudited)	2020 (Audited)
Profit attributable to owners of the Company (<i>in RMB'000</i>)	56,806	221,951
Weighted average number of ordinary shares in issue	154,074,767	147,344,000
Basic earnings per share (<i>in RMB</i>)	0.37	1.51

During the year ended 31 December 2021 and 2020, the weighted average number of ordinary shares upon the placement for the purpose of calculating basic earnings per share has been adjusted for issue of shares under share option scheme and issue of shares in June 2020 respectively.

(b) Diluted earnings per share

	2021 (Unaudited)	2020 (Audited)
Weighted average number of ordinary shares in issue	154,074,767	147,344,000
Effect of issue of shares under adjustment for share option scheme (<i>note</i>)	1,719,165	2,753,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	155,793,932	150,097,000
Diluted earnings per share (<i>in RMB</i>)	0.36	1.48

Note:

For the year ended 31 December 2021 and 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.

10. DIVIDEND

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Dividends recognised as distribution during the year:		
2020 final dividend of HK\$69.00 cents (2019: HK\$52.00 cents) per ordinary share	88,482	73,145

Note:

- (a) Subsequent to the Reporting date, the Board of Directors has resolved not to declare a final dividend (2020: HK\$69.00 cents per share) for the year ended 31 December 2021.

11. TRADE RECEIVABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade receivables		
– Third parties	270,319	170,366
– Related parties	<u>621,189</u>	<u>251,855</u>
	891,508	422,221
Less: loss allowance for trade receivables	<u>(152,987)</u>	<u>(20,806)</u>
	<u>738,521</u>	<u>401,415</u>

Notes:

- (a) All of the Group's trade receivables are denominated in RMB. The directors consider that the fair value of trade receivables 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 0 days to 90 days to its customers.

The ageing analysis of the trade receivables before loss allowances as at 31 December 2021 and 2020 based on the invoice date is as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Within 180 days	644,208	341,615
181-365 days	171,038	34,519
1-2 years	55,364	25,459
2-3 years	12,711	10,267
Over 3 years	<u>8,187</u>	<u>10,361</u>
	<u>891,508</u>	<u>422,221</u>

12. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade payables		
– Third parties	236,635	192,648
– Related parties	11,185	22,669
	<u>247,820</u>	<u>215,317</u>
Other payables		
Consideration payables for acquisition of subsidiaries	45,536	22,398
Accrued staff costs	106,861	112,632
Other tax payables	5,754	2,987
Deposits received	76,555	54,011
Receipt on behalf of residents	134,137	66,655
Others payables and accruals	20,920	40,935
	<u>389,763</u>	<u>299,618</u>
Total other payables		
Less: non-current portion		
Other payables	(4,781)	(6,544)
Consideration payables for acquisition of subsidiaries	(26,941)	(13,224)
	<u>(31,722)</u>	<u>(19,768)</u>
Total other payables under non-current portion		
Current portion	<u>358,041</u>	<u>279,850</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 2021 and 2020 is as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Within 90 days	178,472	172,197
91-180 days	39,766	20,088
181-270 days	17,511	7,593
271-365 days	7,742	4,273
Over 365 days	4,329	11,166
	<u>247,820</u>	<u>215,317</u>

13. LEASE COMMITMENTS

The Group as lessee

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Within one year	2,959	6,375
In the second to fifth years	<u>–</u>	<u>167</u>
	<u>2,959</u>	<u>6,542</u>

As at 31 December 2021, the Group leases staff quarters and offices with a lease period of one to twelve months (2020: one to twelve months).

As at 31 December 2021, 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 RMB1,705,000 (2020: RMB442,000) in aggregate which are included in the table above.

The Group as lessor

At 31 December 2021 and 2020, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of buildings as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Within one year	3,319	1,727
In the second to fifth years	<u>10,944</u>	<u>–</u>
	<u>14,263</u>	<u>1,727</u>

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

2021 was a year full of challenges to the Company. The volatile COVID-19 epidemic situation in the first half of the year has posed extraordinary challenges to the Group in its daily operation. In the second half of the year, liquidity risk rose as the market slowed down. Adjustments to the policies related to the property market not only brought uncertainties to the external business environment of the Company but also challenged the operational independence of many property management service enterprises.

In addition to securing supply of projects from related parties, sustaining market competitiveness in satisfying demands from the expansion of scale has become a new proposition for enterprises. At the same time, there are policies which provide a solid foundation for property enterprises to undergo healthy development and support them in diversifying their businesses in the property management service industry.

With the roll-out of the three-child policy and apparent trend of population ageing, demand for elderly and nursery services will be largely increased. In 2021, the relevant authorities have successively promulgated policy documents supporting the industry development, encouraging “property services + living services” and promoting the offering of preferential policies in terms of financing and taxation. Meanwhile, upon the further implementation of “houses are not for speculation” and industry adjustments, the Company stayed committed to its mission and solidified its foundation. The Company re-streamlined its internal and external risks after several times of optimizations and formulated strategic approaches in response to the trend, so as to comply with new requirements and face new challenges under the new landscape.

Against the backdrop where prevention of COVID-19 becomes a new normal, the Group continued to deepen its penetration into the Guangdong-Hong Kong-Macau Greater Bay Area and focused on exploring new opportunities in the Yangtze River Delta Economic Rim, the Bohai Economic Rim and the Chengdu and Chongqing Economic Rim with high-standard property management services and wide application of smart products as the core strategy, while developing brand advantages with effective use of resources to achieve business expansion. Meanwhile, it has completed brand upgrade for its value-added business in 2021 and established the K Series Living System (小K生活服務體系), providing professional living services and laying a solid foundation for a complete experience for better living.

Facing a new development landscape in the property management industry in the future, the Group is well-prepared to embrace future opportunities and challenges and realise its corporate vision of “Serving Beautiful China”.

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 RMB936.3 million to RMB2,666.4 million in 2021, representing an increase of approximately 54.1% as compared with that in 2020. In particular, income from property management services amounted to RMB1,196.5 million; income from pre-delivery and consulting services amounted to RMB1,072.1 million; income from community value-added services amounted to RMB182.2 million; and income from smart solution services amounted to RMB215.7 million.

Profit attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately RMB56.8 million, representing a decrease of 74.4% as compared to same period in 2020 (2020: RMB222.0 million). The adjusted profit (excluding non-recurring items and share-based compensation) for the year ended 31 December 2021 increased by 54.3% to approximately RMB391.1 million from approximately RMB253.5 million for the year ended 31 December 2020.

Diversified Portfolios and Pragmatic Cooperation

Under the principles of developing comprehensive strengths, improving service standard and maintaining satisfaction level of property owners, the Group further developed its strengths in operating diversified business portfolios through reasonable adjustment of the proportion of residential and non-residential properties under management, in order to support the sustainable development of its business performance. Managing diversified portfolios of properties and maintaining a high level of participation in the upgrade of urban public ancillary services have been the core pillars supporting the Group's business development and the direction of strategic development in the future.

The Group's property services currently cover mid-to-high end residential communities, commercial complexes, office buildings, cultural and sports stadiums, industrial parks and urban facilities as well as public services. The Company upheld a comprehensive development strategy which covers multiple sectors, key areas and major business segments. With its strong integrating ability, it has completed a series of project developments and a joint venture platform. Leveraging its territorial advantages of regional companies and resources of the joint venture platform, the Group sought an entry point of local urban service markets to provide solutions for urban management services and core services and products, thereby gradually forming a unique brand advantage. It also took an early initiative to strengthen the layout of public infrastructure projects, mainly focusing on the property types including hospitals, schools, industry parks and government office buildings, while strengthening the cooperation with enterprises with state-owned background or private enterprises with established operations or property enterprises with no property holding in exploiting the second and third-tier cities surrounding the Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta Economic Rim, such as high ranking counties or certain county-level units with better fiscal income. All of these efforts have further enlarged the Group's business scale.

On the basis of the current expansion and based on the current policies, the Company made diversified developments such as integration with new emerging cities, service upgrade of city operation and maintenance and ecological protection, and increased cooperation in municipal services, landscape technology and intelligent information technology. Meanwhile, the Company had identified, sorted out and cultivated high-potential peers and upstream and downstream targets in the industry for potential cooperation. By putting emphasis on the upstream and downstream extension of the basic service industrial chain, the Company identified premium targets in the sectors of integrated services, value-added services and smart solutions, while enhancing its existing business portfolios, which in turn will further consolidate its position as a leading operator of comprehensive urban integrated services in China.

Expediting the contracting by Jiake Intelligent for expanding third-party cooperation

Shenzhen Jiake Intelligent Technology Co., Ltd. (“**Jiake Intelligent**”) (深圳市佳科智能科技有限公司), a smart solution service provider under the Group, has been included on the list of qualified suppliers by 297 real estate developers. During the Reporting Period, the Group continued to make efforts in the third-party intelligent market. In August 2021, Jiake Intelligent successfully entered into the Xi’an Nanmen Hopson One Intelligent Business Integrated Solution Project with Hopson Development Holdings, which is the first intelligent construction project of Jiake Intelligent in Xi’an and the first foothold of Jiake Intelligent in the intelligent market in Northwest China. In September 2021, it entered into the 2021-2023 Intelligent Strategic Procurement Agreement for Zhejiang Region with Sansheng Group. This cooperation not only lays a solid foundation for deepening the all-round cooperation between Jiake Intelligent and Sansheng Group in the Yangtze River Delta but also puts into practice the strategic goal of Jiake Intelligent to penetrate into Central China. In the fourth quarter of 2021, it entered into cooperation with Foresea Life Insurance* (前海人壽) in relation to the intelligent construction of Foresea Life Insurance Xi’an Hospital Project* (前海人壽西安醫院項目) and Foresea Life Insurance Warm Home for Elderly Project* (前海幸福公館養老服務項目) in Xi’an with a total contract value of RMB23.98 million, realizing a rapid leap in the intelligent medical sector as well as a new starting point for Jiake Intelligent to combine intelligent management with elderly services.

Brand upgrade of value-added services

During the Reporting Period, Kaisa Prosperity has upgraded its value-added services brand. Under the development concept of “Transformation + Services” and focusing on community needs, it has launched “K Series Living (小K生活)”, a community value-added service brand and optimized online platforms such as K Life APP and the official account. Subsequent online platforms will fully support the relevant business of “K Series Living” and provide property owners with all-round community living services. As the value-added business continued to grow, revenue and profit margin of “K Series Retail (小K零售)” business, excluding merchants and services under home decoration and renovation and agency services, increased, respectively.

OUTLOOK

In 2022, through years of development and accumulation of experience and after fluctuations and refinement, the property management industry will once again explore a more diversified and sustainable development strategy. The Group always believes that the industry as a whole is still in the early stages of industrialization with rapid growth and that its development will shift from management to services.

Focusing on the present, Kaisa Prosperity takes its responsibilities and missions endowed by this era and stands firmly in the forefront of the industry development. With dedication to working hard and making breakthroughs, the Group put its corporate mission of “Serving Beautiful China” into practice by working hand in hand with its partners to create greater value for society. With the advancement of technology, constructions of new infrastructure facilities such as digital transformation, intelligent upgrade and integration of innovation of urban construction will be further enhanced. Jiake Intelligent will tightly grasp the opportunities brought by the upgrade of ancillary urban services such as new infrastructure, internet of things and artificial intelligence, as well as the new trend of scientific and technological innovation of urban facilities to expand its development.

In the future, the Group will continue to operate solidly and steadily. In a continuously changing environment, the Company is confident in performing its corporate responsibilities and sailing through to bring returns to shareholders with better performance.

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 22 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 2021, the Group's property management services covered 58 cities across 17 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 90.27 million sq.m. and a total of 672 managed properties, comprising 300 residential communities and 372 non-residential properties, showing strong momentum in market expansion and diversified property portfolio. We focused on public urban services and moved towards holistic management services.

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

	As of 31 December	
	2021	2020
Contracted GFA ('000 sq.m.)	126,894	77,290
GFA under management ('000 sq.m.)	90,267	57,494
Number of managed property projects	672	435

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

	As of 31 December			
	2021		2020	
	GFA <i>(‘000 sq.m.)</i>	Number of projects	GFA <i>(‘000 sq.m.)</i>	Number of projects
Guangdong-Hong Kong-Macau Bay Area	17,809	99	14,563	78
Yangtze River Delta	53,744	481	27,536	285
Bohai Economic Rim	6,192	42	4,508	35
Western China	8,309	30	7,407	22
Central China	4,213	20	3,480	15
Total	90,267	672	57,494	435

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

In December 2020, the Group entered into an agreement on the acquisition of Zhejiang Ruiyuan. On 31 December 2020, Zhejiang Ruiyuan managed a total of 84 projects, with a contracted GFA of approximately 10.9 million square meters. On 1 January 2021, it was officially merged into the GFA under management of the Group. Zhejiang Ruiyuan managed a total of 155 projects, with a contracted GFA of approximately 12.6 million square meters for the year ended 31 December 2021.

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

	2021		2020	
	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	57,494	435	46,207	304
New engagement	30,013	200	8,540	111
Acquisition	9,551	82	4,015	48
Termination	(6,791)	(45)	(1,268)	(28)
As of 31 December	90,267	672	57,494	435

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

	Year ended/as of 31 December									
	2021					2020				
	(Unaudited)					(Audited)				
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	570,171	47.7	52,824	58.5	300	373,108	47.0	42,502	73.9	195
Non-residential properties	626,298	52.3	37,443	41.5	372	420,668	53.0	14,992	26.1	240
Total	1,196,469	100.0	90,267	100.0	672	793,776	100.0	57,494	100.0	435

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

	Year ended/as of 31 December									
	2021					2020				
	(Unaudited)					(Audited)				
Revenue (RMB'000)	GFA under management %	(^{'000} sq.m.)	%	Number of projects	Revenue (RMB'000)	GFA under management %	(^{'000} sq.m.)	%	Number of projects	
Property management services (lump-sum basis)	1,135,059	94.9	64,786	71.8	516	743,727	93.7	34,869	60.6	296
Property management services (commission basis)	61,410	5.1	25,481	28.2	156	50,049	6.3	22,625	39.4	139
Total	1,196,469	100.0	90,267	100.0	672	793,776	100.0	57,494	100.0	435

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.

The Group continued to explore the properties developed by independent third-party property developers. We further increased the proportion of cooperation on properties developed by independent third-party property developers in 2021. As of 31 December 2021, the Group managed approximately 56.6 million sq.m. of GFA under management of properties developed by independent third-party property developers, representing an increase of approximately 97.2% from approximately 28.7 million sq.m. as of 31 December 2020. In addition, the number of projects for properties developed by independent-third party developers increased from 317 as of 31 December 2020 to 517 as of 31 December 2021. With a 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 property projects by type of developers for the years/as of the dates indicated:

	Year ended/as of 31 December									
	2021					2020				
	(Unaudited)					(Audited)				
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	529,608	44.3	33,625	37.3	155	413,020	52.0	28,820	50.1	118
Properties developed by independent third-party property developers	666,861	55.7	56,642	62.7	517	380,756	48.0	28,674	49.9	317
Total	1,196,469	100.0	90,267	100.0	672	793,776	100.0	57,494	100.0	435

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 2021, the Group's revenue generated from providing pre-delivery and consulting services amounted to approximately RMB1,072.1 million, which accounted for approximately 40.2% of the total revenue for the year ended 31 December 2021, representing an increase of approximately 72.0% as compared to approximately RMB623.3 million in 2020. The 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.

Service Types

Pre-delivery Services

Pre-delivery services include the following categories:

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

Consulting Services

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

COMMUNITY VALUE-ADDED SERVICES

2021 was a challenging year. The pandemic happened from place to place at times. Sudden changes in the property market in the second half of the year together with changes in the New Civil Code and community resource supervision policies had a certain impact on community value-added services. In the process of change, the Company adjusted and responded in an active fashion. Under the development concept of "Transformation + Services" and focusing on community needs, the Company launched "K Series Living" community value-added services, making preparations for the professional development of subdivided business categories.

Community value-added services recorded a revenue of RMB182.2 million in 2021, representing an increase of approximately 34.6% as compared with 2020, including a revenue of RMB61.8 million from parking lots, representing an increase of approximately 16.7% as compared with 2020, and a revenue of RMB120.4 million from K Series Living (community home living services) in 2021, representing an increase of approximately 46.2% as compared with 2020.

A STEADY GROWTH OF RESOURCE BUSINESS

With the strengthening of internal control and clearer legal responsibilities, the revenue of parking lot business and "K-Space (小K空間)" business (community advertising, venues, shops, etc.) increased by 17% and 18% respectively in 2021. The Group strengthened its internal control management, developed management systems and standardized charging modes on one hand, and conducted compliance construction to make sure that the use of resources complies with the requirements of current laws and markets on the other. The Civil Code of the People's Republic of China had been implemented in 2021 and certain documents issued by eight ministries and commissions put forward stricter normative requirements for community management. Thanks to the past healthy resource management and use mode and clear legal responsibilities, the Group's community public resource business has not been significantly impacted, the utilization rate of community public resources has increased, and the pricing of such resources is more in line with the market requirements.

DEVELOPMENT AND INNOVATION OF OPERATION BUSINESS

In order to better develop community living services and meet the living needs of property owners and residents, the Group launched “K Series Living” of community value-added services in June 2021, which mainly covers ten businesses, namely, K-Lease & Sale* (小K租售), K-Decoration* (小K美居), K-Delivery* (小K到家), K-Commercial and Office Buildings* (小K商寫), K-Choice Goods* (小K優選), K-Wealth* (小K有財), K-Vehicles* (小K愛車), K-Education* (小K教育), K-Health Care* (小K康養) and K-Cultural Tourism* (小K文旅), providing all-round community living services for owners and residents. As of 31 December 2021, the number of registered users of the online platform reached 450 thousand, 12% of them were monthly active users of the platform, and the annual platform GMV exceeded RMB100 million.

Key businesses under K-Retail* (小K零售) have been developing rapidly. K-Retail mainly covers fresh food, daily necessities and delivery services. We will gradually promote the self-operation and joint operation of housekeeping, battery charging, drinking water, advertising and other businesses, while gradually improve professional ability, strengthen operation level, improve service scope and expand business income, so as to better meet the living needs of property owners and residents.

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 remains focused 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 2021, revenue from smart solution services was approximately RMB215.7 million, representing an increase of 21.3% year-on-year. The gross profit amounted to approximately RMB74.0 million, representing an increase of 35.9% year-on-year, and the gross profit margin was 34.3%, which was an increase of 3.7 percentage points year-on-year. In 2021, the overall business contract volume amounted to approximately RMB326.0 million. Among them, the intelligent third-party business achieved an increase of approximately RMB144.0 million, while the intelligent product sales business achieved an increase of approximately RMB15.0 million during the year.

THIRD-PARTY MARKET CONTINUES TO DEVELOP

Jiake Intelligent has been on the list of qualified suppliers by 297 real estate developers. In August 2021, Jiake Intelligent successfully entered into the Xi'an Nanmen Hopson One Intelligent Business Integrated Solution Project with Hopson Development Holdings, which is the first intelligent construction project of Jiake Intelligent in Xi'an and the first foothold of Jiake Intelligent in the intelligent market in Northwest China. In September 2021, it entered into the 2021-2023 Intelligent Strategic Procurement Agreement for Zhejiang Region with Sansheng Group. This cooperation not only lays a solid foundation for deepening the all-round cooperation between Jiake Intelligent and Sansheng Group in the Yangtze River Delta but also puts into practice the strategic goal of Jiake Intelligent to penetrate into Central China. In the fourth quarter of 2021, it entered into cooperation with Foresea Life Insurance* (前海人壽) in relation to the intelligent construction of Foresea Life Insurance Xi'an Hospital Project* (前海人壽西安醫院項目) and Foresea Life Insurance Warm Home for Elderly Project* (前海幸福公館養老服務項目) in Xi'an with a total contract value of RMB23.98 million, realizing a rapid leap in the intelligent medical sector as well as a new starting point for Jiake Intelligent to combine intelligent management with elderly services.

UPGRADE AND EXPANSION OF INTELLIGENT PRODUCTS

In 2021, Jiake Intelligent further upgraded and expanded its intelligent products, launched new self-developed products, e.g. intelligent temperature measurement products (iterative products), intelligent super brain AI monitoring systems and intelligent community integrated management platform, and reached a strategic cooperation relationship with Overseas Chinese Group* (華僑匯). The temperature measurement products have been launched on the Overseas Chinese Town Enterprise Centralized Procurement Platform* (華僑城企業集採平台). At the same time, with its own resources and combined with 5G, Internet of things and other new technical means, Jiake Intelligent has deeply cultivated the segment market of intelligent community, made full use of the existing basic community resources and data, integrated the scattered and isolated community businesses of multiple stakeholders in the community, and created an efficient, intelligent and comprehensive community management platform. Two Wechat mini programs "Jiake Intelligent Access Control System* (佳科智慧門禁)" and "Jiake Intelligent Visitor Management System* (佳科智能訪客系統)" have been developed simultaneously.

From 27 to 29 October 2021, Jiake Intelligent participated in the 2021 Guangzhou Smart Property Management Expo, a large-scale exhibition where various kinds of intelligent products have been introduced for the first time, attracting many exhibitors and visitors to visit and exchange views, and achieved remarkable results. At the same time, Jiake Intelligent Home finished display units in various areas including Shenzhen, Guangzhou, Zhongshan, Chengdu and Luoyang and tried to cooperate with decoration companies and home decoration design companies to develop smart home C-end market and achieve phased sales growth.

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 54.1% from approximately RMB1,730.1 million in 2020 to approximately RMB2,666.4 million in 2021.

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

	Year ended 31 December				Changes	
	2021		2020			
	(Unaudited)		(Audited)		RMB'000	%
RMB'000	%	RMB'000	%			
Property management services	1,196,469	44.9	793,776	45.9	402,693	50.7
Pre-delivery and consulting services	1,072,147	40.2	623,286	36.0	448,861	72.0
Community value-added services	182,164	6.8	135,308	7.8	46,856	34.6
Smart solution services	215,660	8.1	177,779	10.3	37,881	21.3
Total	2,666,440	100.0	1,730,149	100.0	936,291	54.1

- 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 such revenue increased by approximately 50.7% from approximately RMB793.8 million in 2020 to approximately RMB1,196.5 million in 2021. 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 72.0% from approximately RMB623.3 million in 2020 to approximately RMB1,072.1 million in 2021. 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 34.6% from approximately RMB135.3 million in 2020 to approximately RMB182.2 million in 2021. Such increase was primarily due to the growth in revenue of the Group's spatial resources leasing, housing rental and sale services, decoration and renovation, resulting from the increase in the number of the properties under management that in turn led to a larger customer base and business development potential as well as the deepening exploration of the potential of value-added services of the existing properties projects under management.
- Revenue from smart solution services, which primarily include fees for installation and maintenance services, increased by approximately 21.3% from approximately RMB177.8 million in 2020 to approximately RMB215.7 million in 2021. 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 56.1% from approximately RMB1,202.5 million in 2020 to approximately RMB1,877.5 million in 2021. Such increase was primarily attributable to the rapid growth of the business scale of the Group.

Gross Profit and Gross Profit Margin

The overall gross profit of the Group increased by approximately 49.5% from approximately RMB527.6 million in 2020 to approximately RMB788.9 million in 2021. The overall gross profit margin of the Group decreased by approximately 0.9 percentage points from approximately 30.5% in 2020 to approximately 29.6% in 2021. 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	
	2021		2020			
	(Unaudited)		(Audited)		Amount RMB'000	%
Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %			
Property management services	303,360	25.4	210,932	26.6	92,428	43.8
– Lump-sum basis	241,950	21.3	160,883	21.6	81,067	50.4
– Commission basis	61,410	100.0	50,049	100.0	11,361	22.7
Pre-delivery and consulting services	319,609	29.8	195,097	31.3	124,512	63.8
Community value-added services	91,953	50.5	67,160	49.6	24,793	36.9
Smart solution services	73,977	34.3	54,450	30.6	19,527	35.9
Total	788,899	29.6	527,639	30.5	261,260	49.5

1) *Property management services*

Gross profit margin of the Group's property management services dropped by approximately 1.2 percentage points from approximately 26.6% in 2020 to approximately 25.4% in 2021. The decrease was primarily due to an increase in (i) the proportion of the property management service charged over lump-sum basis with a lower profit margin as compared to those charged under commission basis and (ii) the staff costs and subcontracting costs to improve our service quality and enhance customer experience and satisfaction.

2) *Pre-delivery and consulting services*

Gross profit margin of the Group's pre-delivery and consulting services decreased by approximately 1.5 percentage points from approximately 31.3% in 2020 to approximately 29.8% in 2021. The decrease was mainly due to the continuous deepening of strategic cooperation with Kaisa Group for projects with various gross profit margins and the continued enhancement of the Group's service quality, resulting in a decrease in the segment's gross profit margin.

3) *Community value-added services*

Gross profit margin of the Group's community value-added services rose by approximately 0.9 percentage points from approximately 49.6% in 2020 to approximately 50.5% in 2021. The increase was primarily due to an increase in the proportion of our spatial resources leasing, housing rental and sales, and decoration and renovation, 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 3.7 percentage points from approximately 30.6% in 2020 to approximately 34.3% in 2021. The increase was primarily due to the increase in number of contracts which carry different gross profit margins.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by approximately 53.5% from approximately RMB8.6 million in 2020 to approximately RMB13.2 million in 2021, The increase was mainly due to the Group's increased market expansion efforts.

Administrative Expenses

Administrative expenses of the Group increased by approximately 32.4% from approximately RMB185.3 million in 2020 to approximately RMB245.4 million in 2021. The growth rate was lower than the growth rate of the Group's revenue during the year, mainly due to the implementation of sound cost control measures to improve the Group's operational efficiency.

Income Tax Expenses

Income tax expenses of the Group decreased by approximately 19.5% from approximately RMB83.1 million in 2020 to approximately RMB66.9 million in 2021, primarily due to the increase of deferred tax resulting from the increase of provision for loss allowance on financial and contract assets.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year of the Group decreased by approximately 70.3% from approximately RMB229.5 million in 2020 to approximately RMB68.1 million in 2021, primarily due to (i) an increase in the provision for loss allowance on financial and contract assets; (ii) a loss on disposal of financial assets at fair value through profit or loss; and (iii) a loss on termination of an acquisition transaction.

Adjusted Profit for the Year

Adjusted profit is defined as profit and total comprehensive income for the year before provision for loss allowance on receivables due from related parties after tax, loss/gain on disposal of financial assets at fair value through profit or loss, share option expense, loss on termination of acquisition of a subsidiary after tax. The Company believes that separate analysis, excluding the impact of the cost items, adds clarity to the constituent parts of the Group's results of operations and provides additional useful data 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 54.3% to approximately RMB391.1 million for the year ended 31 December 2021 from approximately RMB253.5 million for the year ended 31 December 2020. The reconciliation of the adjusted profit for the year are set out as below:

	Year ended 31 December		changes %
	2021 RMB'000	2020 RMB'000	
Profit and total comprehensive income for the year	68,121	229,525	(70.3)
Provision for loss allowance on financial and contract assets due from related parties after tax (<i>Note 1</i>)	102,276	–	–
(Gain)/Loss on disposal of financial assets at fair value through profit or loss (<i>Note 2</i>)	159,301	(1,202)	(13,353.0)
Share option expense (<i>Note 3</i>)	13,414	25,174	(46.7)
Loss on termination of an acquisition transaction after tax	47,940	–	–
Adjusted profit for the Year	391,052	253,497	54.3

Note 1: Provision for loss allowance on financial and contract assets due from related parties arising from loss allowance on trade receivables from related parties and contract assets from related parties.

Note 2: Loss/Gain on disposal of financial assets at fair value through profit or loss arising from the general weakened market sentiment due to market uncertainties affecting the value of the Group's investments.

Note 3: 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 2021, the Group's cash and bank balances were approximately RMB358.0 million, represented a decrease of approximately RMB660.8 million from approximately RMB1,018.8 million as of 31 December 2020, primarily due to purchase of right-of-use assets, deposit paid in relation to the agency of sales of carparks and payments of dividends.

The Group maintained a sound financial position despite the net current assets of the Group decreased by approximately RMB392.1 million from approximately RMB1,170.6 million as of 31 December 2020 to approximately RMB778.5 million as of 31 December 2021. As of 31 December 2021, the Group's current ratio (current assets/current liabilities) was approximately 1.89 (31 December 2020: approximately 2.78).

As of 31 December 2021, the Group did not have any other loans or borrowings.

Treasury Policy

The Directors of the company will continue to follow a prudent policy in managing the Group's cash and cash equivalents and maintain a strong and healthy liquidity position to ensure that the Group is well positioned to capture future growth opportunities.

Goodwill

As of 31 December 2021, the Group recorded goodwill of approximately RMB160.8 million, as a result of the completion of the acquisitions of Jiaying Dashu Property Management Company Limited* (嘉興大樹物業管理有限公司), Jiangsu Hengyuan Property Management Company Limited* (江蘇恒源物業管理有限公司) in 2019, Ningbo Langtong Property Management Company Limited* (寧波朗通物業服務有限公司) in 2020 and Zhejiang Ruiyuan Property Management Company Limited* (浙江瑞源物業管理有限公司) in 2021. According to the impairment assessment made by the management of the Company, there was no indication of any impairment of goodwill and hence no impairment provision is required for the Year.

Trade Receivables

Trade receivables mainly arise from property management fees, pre-delivery and consulting service fees and smart solution service fees. Trade receivables of the Group increased by approximately RMB337.1 million from approximately RMB401.4 million as of 31 December 2020 to approximately RMB738.5 million as of 31 December 2021, 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.

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 RMB16.0 million from approximately RMB37.0 million as of 31 December 2020 to approximately RMB53.0 million as of 31 December 2021, primarily due to the increase in the total GFA the Group managed under commission basis.

Trade and Other Payables

Trade payables mainly represent the obligations to pay suppliers for procurements in the ordinary course of business. The balances of trade payables of the Group increased by approximately RMB32.5 million from approximately RMB215.3 million as of 31 December 2020 to approximately RMB247.8 million as of 31 December 2021, primarily due to our business expansion.

Other payables mainly consist of accrued staff costs, deposits received, consideration payables for acquisition of subsidiaries and receipt on behalf of residents. The accrued staff costs relate to the employees' salary and related expenditure. The deposits received primarily relate to the deposits the Group received from property owners in the managed properties charged on a lump-sum basis for any additional repairs and maintenance expense the Group might incur due to their property decoration. Receipt on behalf of residents relates to the remaining property management fees the Group received in the managed properties charged on a commission basis and the Group managed such fees collectively in its headquarters. The balances of other payables of the Group increased by approximately RMB78.1 million from approximately RMB279.9 million as of 31 December 2020 to approximately RMB358.0 million as of 31 December 2021, primarily due to our business expansion.

Proceeds from the Listing

The Company has been 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 2021, the Group fully utilized approximately RMB230.7 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 Net Proceeds had been 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 2021, the Net Proceeds had been applied as follows:

Intended use of Net Proceeds as stated in the Prospectus	Planned use of proceeds <i>RMB in million</i>	Actual use of Proceeds during 2019 <i>RMB in million</i>	Actual use of Proceeds during 2020 <i>RMB in million</i>	Unutilised Net Proceeds as at 1 January 2021 <i>RMB in million</i>	Actual use of proceeds during 2021 <i>RMB in million</i>	Unutilised amount as at 31 December 2021 <i>RMB in million</i>
(1) Acquire or invest in other property management companies	115.3	43.4	25.6	46.3	46.3	-
(2) Acquire or invest in companies engaged in property management related business	46.1	-	1.8	44.3	44.3	-
(3) Promote the K Life mobile APP and the community value-added products and services	23.1	18.3	4.8	-	-	-
(4) Develop management digitalization service specialization	23.1	12.1	8.0	3.0	3.0	-
(5) General working capital	23.1	23.1	-	-	-	-
	<u>230.7</u>	<u>96.9</u>	<u>40.2</u>	<u>93.6</u>	<u>93.6</u>	<u>-</u>

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. There were no fewer than six placees. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the placees and their respective ultimate beneficial owners (if any) are professional, institutional, or other investors who are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules) or any of its respective associates (as defined in the Listing Rules). 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 intended to invest in businesses or targets that are related to its core businesses with such proceeds, as well as for working capital and general corporate purposes with the proceeds from the Placing Shares. During the period from completion of the placing to 31 December 2021 and during the period from 1 January 2021 to 31 December 2021, the net proceeds from placing had been utilized as to approximately RMB114.6 million and RMB37.6 million respectively for general working capital of the Group and as to RMB297.6 million and RMB16.4 million respectively for investments in equity securities, medium-term bond and unlisted managed funds, which was consistent with the purposes disclosed in the Company’s announcement dated 9 June 2020.

As of 31 December 2021, the net proceeds from placing had been fully utilized in accordance with the stated intended use in the announcement of the Company dated 9 June 2020.

Capital Commitments

As of 31 December 2021, the Group did not have any material capital commitment (31 December 2020: nil).

Pledge of Assets

As of 31 December 2021, none of the assets of the Group were pledged (31 December 2020: 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) entered into a sale and purchase agreement for the acquisition of 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 in January 2021, Zhejiang Ruiyuan becomes a subsidiary of the Company. For the year ended 31 December 2020 and 2021, and the six months ended 30 June 2021, Zhejiang Ruiyuan’s actual business performance has reached the relevant performance targets (namely, the First Performance Target and the Second Performance as defined in the announcement of the Company dated 27 December 2020) as contained in the announcement dated 27 December 2020.

Save as the acquisition mentioned above, the Group did not have any material acquisitions or disposals of assets during the year ended 31 December 2021.

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 2021.

Contingent Liabilities

As of 31 December 2021, the Group did not have any contingent liabilities (31 December 2020: nil).

Foreign Exchange Risk

The Group primarily conducts its business in the PRC and in Renminbi. As of 31 December 2021, cash and bank balances denominated in Hong Kong dollar (“**HKD**”) and United States Dollar (“**USD**”) was approximately RMB87.9 million, which are subject to foreign exchange exposure.

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

Employees and Benefits Policies

As of 31 December 2021, the Group had 12,871 employees (31 December 2020: 8,564 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

Save as disclosed in this announcement, there were no other significant subsequent 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 2021, 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 (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 unaudited consolidated annual results of the Company for the Reporting 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 2021.

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 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIVIDEND

The Directors do not recommend the payment of a final dividend for 2021 (2020: HK\$69.0 cents per share).

REVIEW OF UNAUDITED ANNUAL RESULTS

The unaudited annual results contained in this announcement have been reviewed by the Audit Committee of the Company.

PUBLICATION OF AUDITED RESULTS

As explained in the announcement of the Company dated 30 March 2022, there has been a delay in the audit process as a result of latest wave of COVID-19 outbreak. The Company will issue further announcement(s) in relation to (i) the audited results of the Group for the year ended 31 December 2021 as agreed by the Auditor and the material differences (if any) as compared with the unaudited annual results contained herein; and (ii) circumstances arising from the audit of the Group or financial statements which constitute price sensitive information. Based on the information currently available to the Company, the Company estimates that the audited results of the Group for the year ended 31 December 2021 will be published on or before 30 April 2022. The Company will make further announcement(s) as and when appropriate.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Company’s auditors. Holders of the securities of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

ANNUAL GENERAL MEETING

Following the completion of audit work, the Company will publish an announcement containing, among others, (i) the proposed date on which the forthcoming annual general meeting of the Company (the “AGM”) will be held, and (ii) the period during which the register of members of the Company will be closed in order to determine the Shareholders’ eligibility to attend and vote at the AGM.

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

The unaudited annual result announcement is published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.jzywy.com.

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

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

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Liao Chuanqiang, 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.*