



佳兆業美好集團有限公司
KAISA PROSPERITY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號: 2168

2021 年報

ANNUAL REPORT

中國領先的城市綜合服務運營商

KAISA PROSPERITY

About Us 企業介紹

全國綜合實力排名12名

KAISA PROSPERITY RANKED 12th IN THE NATIONAL COMPREHENSIVE STRENGTH

物業服務資質

國家一級

SERVICE QUALITY

NATIONAL LEVEL ONE QUALIFICATION

進駐全國

58 城

SERVING IN

58 CITIES

管理面積

90.3 百萬平方米

GFA UNDER MANAGEMENT

90.3 MILLION sq.m.

品牌估值(人民幣)

64億

VALUATION

6.4 BILLION

在管項目

672 個

PROJECTS UNDER MANAGEMENT

672

為全國近

40 萬個

物業單位提供服務

ALL OVER THE COUNTRY

400,000

UNITS TO PROVIDE SERVICES

物業分公司

40+

BRANCH COMPANIES

40+



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Corporate Information

EXECUTIVE DIRECTORS

Mr. LIAO Chuanqiang (*Chairman*)
 Mr. LI Haiming
 Ms. GUO Li
 Mr. NIE Qiang (*appointed on 17 June 2022*)
 Ms. KWOK Hiu Ting (*Vice Chairwoman*) (*resigned on 6 December 2021*)
 Mr. WU Jianxin (*resigned on 17 June 2022*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Hongbai
 Ms. MA Xiumin
 Mr. CHEN Bin

AUDIT COMMITTEE

Mr. CHEN Bin (*Chairman*)
 Ms. MA Xiumin
 Mr. LIU Hongbai

REMUNERATION COMMITTEE

Mr. LIU Hongbai (*Chairman*)
 Mr. LIAO Chuanqiang
 Ms. MA Xiumin
 Mr. CHEN Bin

NOMINATION COMMITTEE

Mr. LIAO Chuanqiang (*Chairman*)
 Mr. LIU Hongbai
 Ms. MA Xiumin
 Mr. CHEN Bin

AUTHORISED REPRESENTATIVES

Mr. LIAO Chuanqiang
 Mr. YU Kwok Leung

COMPANY SECRETARY

Mr. YU Kwok Leung

REGISTERED OFFICE

Cricket Square
 Hutchins Drive
 P.O. Box 2681
 Grand Cayman, KY1-1111
 Cayman Islands

HEADQUARTERS IN THE PRC

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 Shenzhen
 PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F
 Lee Garden One
 33 Hysan Avenue
 Causeway Bay
 Hong Kong



Corporate Information

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Huaxia Bank, Nanyuan Branch
China Merchants Bank, Tianhe Branch
Industrial and Commercial Bank of China, Youyi Branch
Industrial and Commercial Bank of China, Huizhou Branch

LEGAL ADVISERS**As to Hong Kong and U.S. law:**

Sidley Austin

As to PRC law:

King & Wood Mallesons

As to Cayman Islands law:

Conyers Dill & Pearman

COMPLIANCE ADVISER

UOB Kay Hian (Hong Kong) Limited
6/F Harcourt House
39 Gloucester Road
Hong Kong

AUDITOR

Elite Partners CPA Limited

STOCK CODE

2168.HK

COMPANY'S WEBSITE

<http://www.jzywy.com>



Milestones in 2021

01 Stable development leads to long-lasting success

Outstanding projects



Yantai Yilian Energy Co., Ltd



Liuzhou Qiyuan Plaza



Dalian Xiali International Golf Club



Credit Card Center of Bank of Guangzhou



Guangdong Yuedian Zhongshan Thermal Power Plant



Southern China Property Hub Park

02 An award-winning brand

Ranked **12th** of Top 100 Property Management Companies in China

Ranked **9th** among China Listed Property Management Companies

Ranked **4th** of Top 50 China Property Management Companies in the Guangdong-Hong Kong-Macao Greater Bay Area

TOP8 of 2021 China Excellent Listed Property Management Company by Investment Value

2021 Leading Brand for Professional Operations of China Property Management Companies with a brand value of RMB **6.4 billion**

Benchmark Enterprise in Property Management in Guangdong Province

03 Diversified services and premium quality

Top 100 Property Management Companies with Highest Satisfaction in 1st Quarter 2021 (TOP6)

By Leju Finance

In 2021, Kaisa Prosperity continued to deepen its cooperation with the Health and Sports Development Center of China Customs Working Committee to conduct “Kaisa•Reunion (佳•團圓)”, “Love•Unforgettable (情•難忘)”, “Heart•Fly High (心•飛揚)” and “Happiness•Sharing (悅•分享)” under the community cultural activities themed “Kaisa’s neighbour | Kaisa’s Family | Good Life+ (佳鄰•佳親|美好生活)” and organized approximately 1,148 social and cultural services and 996 service activities serving more than 130,000 person.

Renovations

24 branch companies,

more than **700** projects

Rejuvenated **2,800** facilities

Replanted a greening area of

167,000m²

6,950 times of planting, pruning and maintenance

Soft upgrade of quality of

2,670 mainstream lines

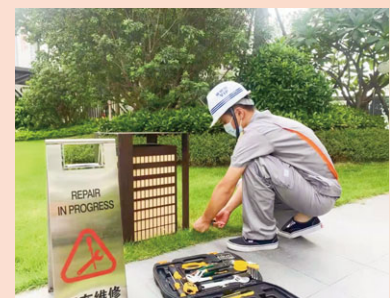
Replaced **5,000+** VI logos

More than **2,600** activities

involving all staff



Greening and planting



Maintenance of facilities



Snow cleaning



Community evening party

Milestones in 2021

04 Upgrade of K Series Living Brand

In June 2021, Kaisa Prosperity officially launched the new upgrade of "K Series Living" (小K生活) brand with full upgrade of products and services covering residential, commercial and office buildings, facilities and public infrastructures.



05 Jiake Intelligent brings smart living

In 2021, Jiake Intelligent contracted to an amount of approximately RMB326 million, representing a year-on-year increase of 46%. Contracts for third-party smart integrated solutions achieved an increase of approximately RMB144 million and 65 projects, representing a year-on-year increase of 164%. Sales of smart products increase of approximately RMB15 million.

Jiake Intelligent has also completed 171 projects for delivery in the year, increasing the number of projects under management to 216. Its business covers smart hospitals, smart healthcare and cultural tourism town and signed strategic cooperation agreements with a number of renowned enterprises. It has newly established its footprints of smart business in 13 cities and entered Western China for the first time by reaching cooperation for the Winter Olympics Town Project in Zhangjiakou. In 2021, Jiake Intelligent was awarded the Smart Security Excellent Solution Award and Qualification Certificate of Authoritative Testing Organization and has been included in the List of high quality suppliers in Guangdong-Hong Kong-Macao Greater Bay Area.



Signing Ceremony with Shanghai Aipu Waton

06 Joint construction and shared benefits Cooperation in urban services brings mutual benefits

As a leading operator of comprehensive urban integrated services in China, Kaisa Prosperity leveraged smart IOT hardware technology and premium services to continually expand the coverage of urban services to further include urban services such as hospitals, charging stations, schools and natural gas companies, in order to realize growth with the city.

热烈祝贺
佳兆业美好旗下大树物业

成功签约

嘉兴市公交及国鸿充电站
物业服务项目

热烈祝贺
佳兆业美好

成功签约

广西(柳州)职业技能公共实训基地
综合服务项目

热烈祝贺
佳兆业美好

成功签约

桐乡港华天然气有限公司
保安服务项目

07 Establish a line of defence against the epidemic and treat the prevent of the epidemic as our own responsibility

Within the **672** projects under management in **58** cities nationwide, we served approximately **352,000** property owners and households and published **3,694** posts about the situation and prevention of the pandemic, execution of policies and closed management, reaching a disinfection rate of **100%** and zero infection within the Company. We assisted government authorities to conduct nucleic acid test and administrate more than **670** doses of vaccine and received more than **90** written appreciations and recognitions from the government, property associations and property owners.

Due to the outbreaks of COVID-19 around China in 2021, as a leading property management company, Kaisa Prosperity always bears in mind its corporate mission and responsibilities and serve the public and property owners with full dedication. In the cities where anti-epidemic measures are being put in place, Kaisa Prosperity promptly activated the emergency response with scientific methods. With the hard work of its frontline property management employees, Kaisa Prosperity is able to build up the last defence against COVID-19.



08 Social welfare, responsibilities and commitment

Held **59** charity activities under the "Firefly Plan"





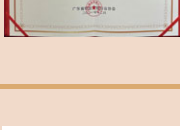
with **17,000** participants

Every small firefly makes up the light. In 2021, Kaisa Prosperity has organized the "Firefly Plan" for the ninth time which comprises 860 charity activities. We encourage every employee to help people in need and hope to arouse public awareness towards charity.



Honors and Awards

Awards received by Kaisa Prosperity in 2021

	<p>April 2021 2021 Top 100 Property Management Companies in China (Top 12)</p> <p>China Index Academy</p>		<p>September 2021 2021 Regional Brand for Property Management – the Guangdong-Hong Kong-Macao Greater Bay Area</p> <p>China Index Academy</p>
	<p>April 2021 2021 China Leading Property Management Companies in terms of Characteristic Services – Diversified Smart Businesses</p> <p>China Index Academy</p>		<p>September 2021 2021 Leading Brand for Property Management for Multiple Property Types</p> <p>China Index Academy</p>
	<p>May 2021 2021 China Excellent Listed Property Management Company by Investment Value</p> <p>China Index Academy</p>		<p>September 2021 2021 Property Management Companies in terms of Characteristic Services- Urban Services + Smart Operations</p> <p>China Index Academy</p>
	<p>May 2021 2021 China Excellent Listed Property Management Company by ESG Development</p> <p>China Index Academy</p>		<p>October 2021 2021 Well-known Property Management Enterprises in Great Bay Area</p> <p>Guangdong Property Management Association</p>
	<p>May 2021 2021 China Top 10 Listed Property Management Companies in terms of Non-residential Property Services</p> <p>China Index Academy</p>		<p>October 2021 2021 Property Management Company with Comprehensive Development Strength in Guangdong</p> <p>Guangdong Property Management Association</p>
	<p>May 2021 2021 China Top 10 Listed Property Management Companies in terms of Community Value-added Service Capabilities</p> <p>China Index Academy</p>		<p>December 2021 2021 Property Management Companies with Leading Market Position in the Guangdong-Hong Kong-Macao Greater Bay Area</p> <p>China Index Academy</p>
	<p>July 2021 2021 Quality Property Management Award</p> <p>Organizing Committee of China Property Award of Supreme Excellence and Quality Property Management Award (The Hong Kong Institute of Financial Analysts and Professional Commentators Limited)</p>		<p>December 2021 2021 Top 100 Blue-Chip Property Management Companies</p> <p>The Economic Observer</p>
	<p>September 2021 2021 Leading Brand for Professional Operations of China Property Management Companies</p> <p>China Index Academy</p>		<p>December 2021 2021 Top100 Property Management Company in Greater Bay Area in terms of Service Capabilities</p> <p>Shanghai E-house Real Estate Research Institute</p>

Chairman's Statement

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, as explained in the "Adjusted Profit for the Year" section, for the year ended 31 December 2021 increased by 13.9% to approximately RMB288.8 million from approximately RMB253.5 million for the year ended 31 December 2020.

Chairman's Statement

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, in 2021, 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.

* For identification purpose only

Chairman's Statement

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.

ACKNOWLEDGEMENT

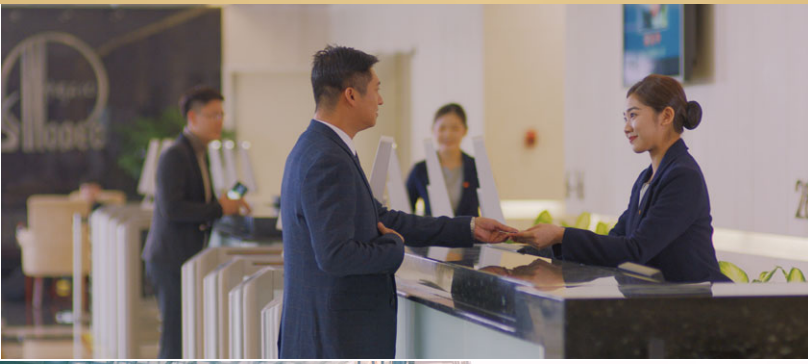
On behalf of the Board, I would like to extend my wholehearted gratitude to all of our staff members for their dedication and contribution, as well as our business partners for their full support.

Chairman

LIAO Chuanqiang

23 June 2022





Management Discussion and Analysis

Overall Performance

Total revenue for the year ended 31 December 2021 increased by approximately 54.1% to approximately RMB2,666.4 million from approximately RMB1,730.1 million for the year ended 31 December 2020.

Gross profit for the year ended 31 December 2021 increased by approximately 49.5% to approximately RMB788.9 million from approximately RMB527.6 million for the year ended 31 December 2020 and gross profit margin for the year ended 31 December 2021 remained stable at approximately 29.6% compared with that of approximately 30.5% for the year ended 31 December 2020.

Profit attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately RMB56.8 million.

The adjusted profit (excluding non-recurring items and share-based compensation) increased by approximately 13.9% to approximately RMB288.8 million for the year ended 31 December 2021 from approximately RMB253.5 million for the year ended 31 December 2020.



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 Greater 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

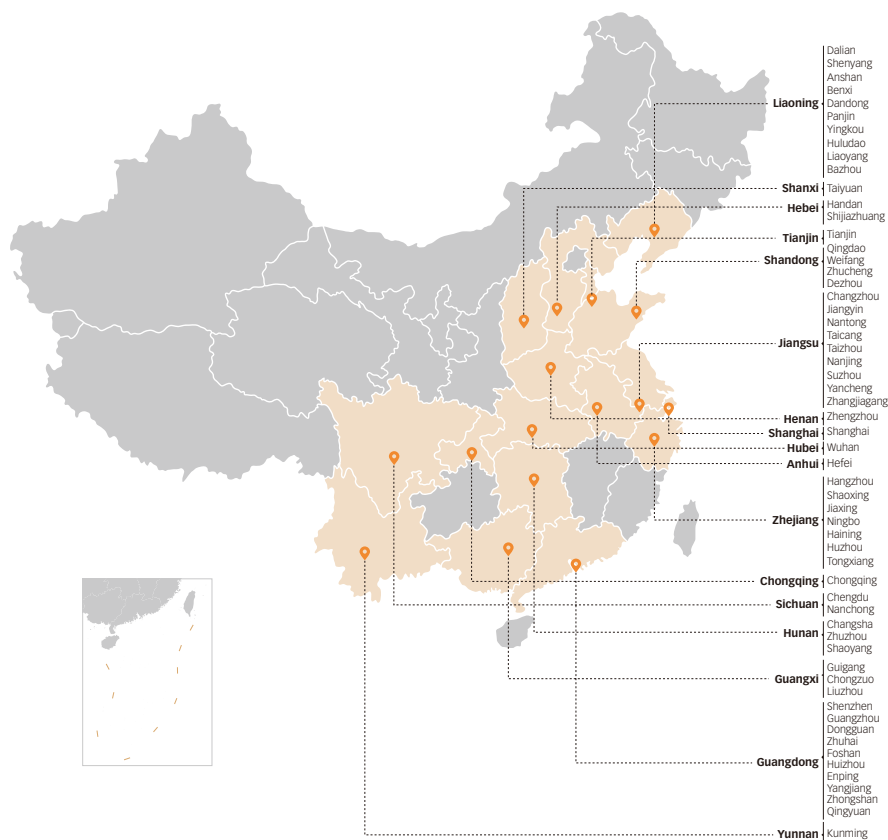
As of 31 December 2021, the Group's property management services covered 58 cities across 17 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 90.27 million sq.m. and a total of 672 managed properties, comprising 300 residential communities and 372 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

Geographic Coverage

The map below illustrates the geographic coverage of our managed properties as of 31 December 2021:



Management Discussion and Analysis

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 Greater 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, the projects under management of Zhejiang Ruiyuan had 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. The projects under management of Zhejiang Ruiyuan had 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	28,639	198	8,540	111
Acquisition	10,925	84	4,015	48
Termination	(6,791)	(45)	(1,268)	(28)
As of 31 December	90,267	672	57,494	435

Management Discussion and Analysis

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 Jiaying, 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				
	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				
	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

Management Discussion and Analysis

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				
	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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

During the year ended 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.

* For identification purpose only

Management Discussion and Analysis

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.

* For identification purpose only

Management Discussion and Analysis

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		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.

Management Discussion and Analysis

- 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			
	Gross Profit		Gross Profit		Amount	%
	Gross Profit	Margin	Gross Profit	Margin		
RMB'000	%	RMB'000	%	RMB'000	%	
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

Management Discussion and Analysis

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.

Management Discussion and Analysis

Adjusted Profit for the Year

Adjusted profit is defined as profit and total comprehensive income for the year before 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 13.9% to approximately RMB288.8 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)
Loss/(gain) on disposal of financial assets at fair value through profit or loss (Note 1)	159,301	(1,202)	(13,353.0)
Share option expense (Note 2)	13,414	25,174	(46.7)
Loss on termination of an acquisition transaction after tax	47,940	—	—
Adjusted profit for the Year	288,776	253,497	13.9

Note 1: 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 2: The share option expense arising from the grant of share option by the Company 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 RMB721.0 million from approximately RMB1,170.6 million as of 31 December 2020 to approximately RMB449.6 million as of 31 December 2021. As of 31 December 2021, the Group's current ratio (current assets/current liabilities) was approximately 1.51 (31 December 2020: approximately 2.78).

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

Management Discussion and Analysis

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.

Right-of-Use Assets

As of 31 December 2021, the Group recorded right-of-use assets of approximately RMB217.3 million which are mainly used by the Group to provide property management services and sublease the non-residential properties for rental income.

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; (ii) the increase in trade receivables from pre-delivery and consulting service and smart solution services; and (iii) the increase in trade receivables from related parties primarily due to the impact of national macro policies, market conditions in the real estate industry and COVID-19 pandemic during the year.

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.

Management Discussion and Analysis

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	Actual use of Proceeds during 2019	Actual use of Proceeds during 2020	Unutilised	Actual use of proceeds during 2021	Unutilised
				Net Proceeds as at 1 January 2021		amount as at 31 December 2021
	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>	<i>RMB in million</i>	<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	–	–	–	–
	230.7	96.9	40.2	93.6	93.6	–

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 and United States Dollar 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 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 report, there were no other significant subsequent events up to the date of this report.

* For identification purpose only

Directors and Senior Management

1. EXECUTIVE DIRECTORS

Liao Chuanqiang (廖傳強), aged 42, is an executive Director and the Chairman of the Company, and the key decision maker of the Group. He is responsible for the management and business development of the Group, formulation and implementation of long-term strategies, including acquisition plans and corporate finance as well as the overall strategic planning, corporate management and business development of the Group. Mr. Liao joined the Group in October 2013 and has served in various positions in the Group, including our chairman, president, standing vice president and assistant to the general manager of the Group and the vice general manager of Kaisa Leju Property Development Co., Ltd. Mr. Liao has about 20 years of management experience in property management. Prior to joining the Group, Mr. Liao served in various positions in different leading real estate companies in China from 2002 to 2013, including the property management manager of Wuhan Guotou Property Development Co., Ltd., the manager of the property department of Shenzhen Lask JV Property Management Co., Ltd., the assistant to general manager of the property management department of Mingliu Investment Group (a property developer) and the vice general manager of Wanda Commercial Properties Co., Ltd. Mr. Liao graduated from Hubei University, where he obtained a bachelor's degree of administrative management in June 2002.

As at the date of this report, Mr. Liao had share options granted by the controlling shareholder of the Company, Kaisa Group Holdings Ltd. (Stock Code: 1638) ("Kaisa Holdings", together with its subsidiaries "Kaisa Group"), to subscribe for 4,129,708 shares of Kaisa Holdings, representing approximately 0.06% of the issued share capital of Kaisa Holdings. For details, please refer to the paragraph headed "Directors and Chief Executive's Interests in Securities" under the section headed "Report of Directors" of this report. Save as disclosed above, Mr. Liao was not interested in any shares (within the meaning of Part XV of the SFO).

Li Haiming (李海鳴), aged 47, is an executive Director of the Company. He is the Co-president of Kaisa Group. He has been appointed as the executive Director of Kaisa Group with effect from 6 April 2020. Mr. Li joined Kaisa Group in July 2002 and has served in various positions, including the chairman of Changsha Branch and Shenzhen Branch of Kaisa Real Estate Group, the general manager of Kaisa Golden Bay International Resorts Company* (金沙灣國際樂園集團), the vice president of Kaisa Real Estate Group (Shenzhen Region) and Kaisa Holdings, executive president of Kaisa Holdings, chief operating officer of Kaisa Group, etc. Before Mr. Li joined Kaisa Group, he had worked for Shenzhen General Institute of Architectural Design and Research Co., LTD* (深圳市建築設計研究院), and Tsinghua Architectural Design Co., LTD* (清華苑建築設計有限公司). Mr. Li graduated from the Party School of the Guangdong Provincial Committee of CPC (廣東省委黨校) in July 2000, majored in Enterprise Management. He also specialized in architecture and graduated from Chongqing Architecture and Engineering College (重慶建築工程學院) in July 1994.

As at the date of this report, Mr. Li had share options granted by the controlling shareholder of the Company, Kaisa Holdings, to subscribe for 9,054,386 shares of Kaisa Holdings, representing approximately 0.13% of the issued share capital of Kaisa Holdings. Save as disclosed above, Mr. Li was not interested in any shares (within the meaning of Part XV of the SFO).

Directors and Senior Management

Guo Li (郭麗), aged 40, is an executive Director of the Company and is responsible for overseeing the administration and human resources matters, procurement, media and investor relations of the Group. Ms. Guo joined the Kaisa Group in December 2007 and held senior positions in various business segments. She was primarily responsible for overseeing the administration and human resources affairs, such as human resources department, investment group and shipping group of the Kaisa Group. Since January 2018, Ms. Guo has been serving in the Group, and has about 15 years of experience in the real estate and related industries. Prior to joining the Kaisa Group, Ms. Guo worked as the head of customer services of Shenzhen Jinghua Hengxing Technology Co., Ltd from 2005 to 2007. Ms. Guo obtained a bachelor's degree in computer science and technology from Lanzhou University in July 2005 and graduated from Peking University Shenzhen Graduate School majored in corporate management in September 2017.

Nie Qiang (聶強), aged 40, is an executive Director of the Company. Mr. Nie is a senior vice president of Kaisa Group. Mr. Nie joined Kaisa Group in April 2010 and successively served as the general manager of the Shenzhen real estate company, the Shanghai regional vice president, the executive vice president and the president, and a vice president of Kaisa Group. Before joining the Kaisa Group, Mr. Nie worked in the China Water Resources and Hydropower Third Engineering Bureau Installation Branch Co., Ltd. (中國水利水電第三工程局安裝分局有限公司) and Fantasia China Group Co., Ltd. (花樣年集團(中國)有限公司). Mr. Nie graduated from North China University of Water Conservancy and Electronic Power (華北水利水電學院) with a bachelor's degree in mechanical design and manufacturing and the relevant automation in June 2004.

Directors and Senior Management

2. INDEPENDENT NON-EXECUTIVE DIRECTORS

Liu Hongbai (劉洪柏), aged 49, has been the independent non-executive Director since 12 November 2018 and is responsible for providing independent advice on the operations and management of the Group. Mr. Liu is currently the partner at Shenzhen Huatang Certified Public Accountants (General Partnership). Having nearly 29 years of experience in auditing and financial management, Mr. Liu was the partner at Shenzhen Hengda Certified Public Accountants (General Partnership) from 2005 to July 2014 and the branch manager at Agricultural Bank of China, Hengyang branch between 1993 and 2002. Mr. Liu graduated from Jiaying University in the PRC, where he obtained a diploma degree of finance in July 1993. He received a bachelor's degree of finance from The Open University of China in January 2017 and received a master's degree of Business Administration from Guangxi University in December 2021. Mr. Liu obtained the certificate of certified public accountant granted by Ministry of Finance of the PRC (the "MOF"), the title of senior accountant granted by the Ministry of Human Resources and Social Security, the certificate of certified public valuer granted by the MOF and the Ministry of Personnel of the PRC, the qualification of registered tax agent granted by the MOF and the Ministry of Personnel of the PRC, the qualification of certified internal auditor by The Institute of Internal Auditors and the certificate of qualified board secretary issued by the Shenzhen Stock Exchange.

Ma Xiumin (馬秀敏), aged 49, has been the independent non-executive Director since 12 November 2018 and is responsible for providing advice on the operations and management of the Group. Ms. Ma is currently the independent director of the board at AOTO Electronics Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002587) and the partner of Shenzhen Hengda Certified Public Accountants (General Partnership). Ms. Ma has nearly 20 years of experience in tax administration, accounting and internal control. She was an independent director of the board at Shenzhen Clou Electronics Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002121), from 2007 to 2013. Ms. Ma graduated from Central China University of Technology in the PRC, where she obtained a diploma degree of technical economics in July 1992. She also received a bachelor's degree of economic management from Zhongnan University of Economics and Law (formerly known as Zhongnan University of Economics) in June 1997. Ms. Ma obtained the qualification of intermediate accountant granted by the MOF, the certificate of certified public accountant granted by the MOF and the certificate of qualified independent director issued by the Shenzhen Stock Exchange.

Chen Bin (陳斌), aged 49, has been the independent non-executive Director since 12 November 2018 and is responsible for providing independent advice on the operations and management of the Group. Mr. Chen is now the partner at Shenzhen Liqin Certified Public Accountants (General Partnership). Mr. Chen graduated from Lanzhou University of Arts and Science (formerly known as Gansu United University) in the PRC, where he obtained a diploma degree of financial accounting in July 1994. He also obtained the certificate of certified public accountant granted by the MOF, the certificate of certified asset valuer granted by the MOF and the certificate of qualified independent director issued by the Shenzhen Stock Exchange. Mr. Chen has nearly 28 years of experience in financial auditing and economic consulting. He was the deputy director of Shenzhen Zhongxiang Certified Public Accountants (General Partnership) from 2008 to 2012, the independent non-executive director at First Dragoncom Agro-strategy Holdings Ltd from 2005 to 2006 and the financial controller at Shenzhen Qiaozhi Industrial Co., Ltd. from 1998 to 2008.

Directors and Senior Management

3. SENIOR MANAGEMENT

Xie Junpeng (謝俊鵬), aged 40, was appointed as the vice president of the Group in December 2016 and is primarily responsible for quality control, engineering management, safety and intelligent engineering of the Group. Mr. Xie joined the Kaisa Group in February 2011 and served as the assistant to general manager and deputy general manager of the Kaisa Group's customer services department, the general manager of the customer services department of the real estate group, and was primarily responsible for overseeing the customer services, property management business and other businesses of the Kaisa Group. Prior to joining the Kaisa Group, Mr. Xie served in Shenxin Western Real Estate Co., Ltd., Shenzhen Vanke Property Management Services Company and LVGEM Management Group. Mr. Xie graduated from Guangdong University of Technology, where he obtained a bachelor's degree of civil engineering in July 2004, and obtained the professional qualification as an assistant engineer awarded by Shenzhen Bao'an District Personnel Bureau.

Xiao Yukang (蕭裕康), aged 37, was appointed as assistant president of the Group in November 2020 and is primarily responsible for investment and development and community value-added services of the Group. Mr. Xiao joined the Group in July 2008 and served as manager, deputy general manager and manager of investment and development department of the Group, and was primarily responsible for mergers and acquisitions and other businesses of the Group. Mr. Xiao graduated from Shenzhen University, where he obtained a bachelor's degree of Chinese language and literature in June 2008.

Cai Lifa (蔡立發), aged 39, was appointed as assistant president of the Group in November 2020 and is primarily responsible for quality control, engineering management, safety and landscaping of the Group. Mr. Cai joined the Group in March 2016 and served as assistant to the general manager of the Group's safety department, assistant to the general manager of the Group's quality and engineering management department, chairman of Jiaxing Dashu Property Management Company Limited. Prior to joining the Group, Mr. Cai served successively as deputy general manager in Evergrande Property Services Group Limited Jinan Company and Shandong Company. Mr. Cai graduated from China West Normal University, where he obtained a bachelor's degree of economics in July 2006, and obtained the professional qualification as a certified property manager.

Zeng Shuzhuang (曾淑莊), aged 40, was appointed as assistant president of the Group in April 2021 and is primarily responsible for the financial management matters of the Group. Ms. Zeng joined the Kaisa Group in June 2017 and served as a senior business manager and deputy business director of Shenzhen Kaisa Finance Group and deputy general manager of planning and finance department of financial management group. Prior to joining the Kaisa Group, Ms. Zeng worked in KPMG, Canasia Financial Inc. and at the headquarters of Vanke Group. Ms. Zeng obtained a bachelor of commerce from McMaster University, Canada in July 2005 and a master's degree in finance and investment from University of Nottingham, UK in April 2007. Ms. Zeng has a professional qualification of Chartered Financial Analyst.

Kou Yuguang (寇玉廣), aged 50, was appointed as assistant president of the Group in July 2021 and is primarily responsible for safety supervision and management. Prior to joining the Kaisa Group, Mr. Kou worked in Hunan People's Police School, Guangming Branch of Public Security Bureau of Shenzhen Municipality and Blue Beret Safety Education Development Shenzhen Co., Ltd. and Shenzhen Security Service Co., Ltd. Mr. Kou obtained a bachelor's degree in wushu sanda from Wuhan Institute of Sport in July 1995.

* For identification purpose only

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

I. ABOUT THIS REPORT

OBJECTIVES OF THE REPORT

This environmental, social and governance report (“this report” or the “ESG Report”) published by Kaisa Prosperity Holdings Limited and its subsidiaries (“Kaisa Prosperity”, the “Group” or “We”) aims to provide the performance of the Group in respect of the environmental, social and governance aspects in a transparent and open manner over the past year, so that the stakeholders can understand the progress and direction of the sustainable development of the Group.

REPORTING SCOPE

This report covers the period from 1 January 2021 to 31 December 2021 (the “Reporting Period” or the “Year”), which is in conformity with the Group’s financial year. This report focuses on the Group’s management approach, performance and measures in respect of the environmental, social and governance aspects. In particular, the environmental KPIs disclosed in this report cover 43 selected core functional units^{1,2} including its offices and 672 projects³, accounting for 95% of the Group’s total revenue while the social KPIs cover its overall business scope.

REPORTING PRINCIPLES

This ESG Report has been prepared in accordance with the requirements set out in the “Environmental, Social and Governance Reporting Guide” contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The disclosure in this report complies with the disclosure requirements of the “comply or explain” as set out in the Guide. This report was reviewed, confirmed and approved by the Board on 23 June 2022. During the process of preparation of this report, we summarized the Group’s performance in corporate and social responsibilities based on the principles of “Materiality, Quantitative, Balance and Consistency”. Please refer to the table below for our understanding and response to such reporting principles.

Reporting Principles	Implications	Our Responses
Materiality	If the directors decided that the threshold at which ESG issues become sufficiently important to investors and other stakeholders, they should be reported by the issuer.	The Group believes ESG report exerts significant influence on the investors and stakeholders. We disclosed the process of identifying important environmental, social and governance factors in the report, including the identification of stakeholders, and the use of the importance matrix for the assessment of material issues. Based on the communication mechanism with stakeholders and the principle of materiality, we identified important ESG-related factors, focused on them, and disclosed corresponding measures in the report.
Quantitative	The disclosure of KPIs needs to be measurable. The data of standards, methods and assumption or calculation on emissions and energy consumption, as well as standards for reporting emissions and energy consumption as well as conversion factors used shall be disclosed.	This report made quantitative disclosure about KPIs, and reported the standards, methods, assumption or data for calculation of emissions and energy consumption, as well as the conversion factors used and, where appropriate, effective comparisons.
Balance	The ESG report should provide an unbiased picture of the issuer’s performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.	This report discussed our achievements and challenges in sustainability.

¹ There are 43 functional units engaging in the Group’s core businesses (i.e. property management services, pre-delivery and consulting services, smart solutions services and community value-added services) in 2021. These 43 core functional units have been included in the reporting scope of environmental KPIs.

² The selected core functional units located in the Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta, Central China, West China and Bohai Economic Rim.

³ As the Group expanded its business in 2021, the reporting scope has been broadened as compared to that of 2020. The coverage of reporting scope for environmental KPIs has been increased from 31 to 43 functional units, and the number of projects under management has been increased from 435 to 672.

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Reporting Principles	Implications	Our Responses
Consistency	The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.	This report adopted, as much as practicable, consistent methodologies and provided explanation on any differences in the methods of computation adopted in 2020.

Source of Information

The information disclosed in this report is derived from the Group's formal documents, statistics or public information. The Board is responsible for the truthfulness, accuracy and completeness of its contents.

Way of Publication

This report is prepared in both Chinese and English and is available for viewing and downloading from the Company's website (www.jzywy.com) and the Stock Exchange's website (www.hkexnews.hk). In the event of discrepancies between the Chinese and English versions, the Chinese version shall prevail.

II. BOARD STATEMENT

On behalf of Kaisa Prosperity Holdings Limited ("Kaisa Prosperity", the "Group", "we" or "us"), I am pleased to publish the Environmental, Social and Governance Report for 2021 and announce the progress and achievements of the Group in sustainable development. As a leading urban integrated service operator in China, we uphold our service philosophy of full dedication and devotion to provide high quality services to property owners, customers and local community. In the meantime, Kaisa Prosperity continues to explore the development of smart services, enhance our innovative capability and comprehensive strengths in research and development and integrate resources of smart medical, smart education, smart transportation and smart industry, with a view to creating a benchmark for new intelligent city in the future.

Looking back in 2021, the COVID-19 epidemic had posed critical challenges to Kaisa Prosperity in the operations of property management services, consulting services, community value-added services and smart solution services. For property management services, our frontline employees continued to serve the Company with perseverance and fight at the anti-pandemic frontline to maintain safety and hygiene of properties and communities under management. As a pioneer in the industry, Kaisa Prosperity always bears in mind its corporate mission and responsibilities and serve the public and property owners with full dedication. In the cities where anti-epidemic measures are being put in place, Kaisa Prosperity promptly activated the emergency response with scientific methods. With the hard work of its frontline property management employees, Kaisa Prosperity is able to build up the last defence against COVID-19. We have served approximately 352,000 property owners and households and published 3,694 posts about the situation and prevention of the pandemic, execution of policies and closed-loop management, reaching a disinfection rate of 100% and zero infection within the Company. We assisted government authorities to conduct nucleic acid test and administrate more than 670 doses of vaccine and received more than 90 written appreciations and recognitions from the government, property associations and property owners. In addition, Kaisa Prosperity proactively responded to the central government's appeal to care for the health and safety of the public and donate anti-epidemic supplies to contribute efforts to the prevention of epidemic.

Jiake Intelligent, a subsidiary of the Group ("Jiake") has been committed to the research and development of smart cities over the years. Through real-time monitoring market development demand, it is able to observe iterative routines of smart products and enhance service quality. Jiake spares no efforts in creating a safe, convenient, comfortable, smart and modern community. In 2021, the high-altitude parabolic AI monitoring system and high-altitude parabolic management platform which were developed by Jiake, have been installed in certain communities. Smart community senseless access products and smart community management platform which were developed in the same year, have been serving more than 50 communities. The application of the platform not only provides a faster, more comprehensive and effective solution for the problems encountered in access management, but also reduces human resources and lead to sustainable development. Leveraging its own resources, coupled with new technologies such as 5G and IOT, it deeply penetrated into the segment market of smart community. With the existing basic resources and data in the community, it aimed to create a highly efficient integrated smart community management platform. At the same time, it developed two WeChat mini-programs, namely "Jiake Smart Access" and "Jiake Smart Visitor System" and further upgraded and extended its smart products by newly launching smart thermometer, an Iterative product, and Smart Super Computer AI Monitoring Control.

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The Board makes efforts to facilitate the inclusion of the concept of sustainable development in the operations of Kaisa Prosperity. The Board is responsible for formulating ESG strategies and overseeing and managing the associated risks to ensure the effectiveness of the internal control system. In addition, the Board together with all departments regularly review and update the existing internal policies in respect of environmental protection, human resources management, anti-corruption, product liabilities and supply chain management, driving the Group's operation towards sustainable and new intelligent development. Leveraging its energy system of the properties under its management, the Group will continue to transform into a low-carbon development mode and implement a waste classification and recycle plan. In terms of community, we will continue to organize various charity activities which enable our staff and the public to make contribution to environmental protection and the community.

Furthermore, as the Group attaches great importance to the possible negative effects on the environment caused by its operations, it has formulated a series of environmental protection measures and cost reduction targets to build a green and smart community. Through the monitoring of key indicators during the year, the Group has reached respective cost reduction targets in its core business and hopes to further reduce the negative effects on the natural environment caused by its operations. All of these goals cannot be achieved without the dedicated efforts of our staff, customers and the public in the community, which supports our vision of sustainable development. With our achievements in pursuing sustainable development, Kaisa Prosperity was awarded the honour of "2021 China Excellent Listed Property Management Company by ESG Development".

And lastly, Kaisa Prosperity will continue to collect feedbacks from and cooperate with various parties, in order to optimise our property management and smart services and create long-term value for the Group and the smart city in pursuit of the sustainable development goal.

Liao Chuanqiang (*Chairman*)

June 2022

Environmental, Social and Governance Report

III. ABOUT THE GROUP

About us

As of 31 December 2021, the Group's property management services covered 58 cities in China, with a total of 672 managed properties and a total GFA under management reaching 90.27 million sq.m.; our services cover high-end communities, commercial complex, office buildings, cultural and sports centre, industrial parks and urban ancillary and public services. It has more than 40 branch companies and subsidiaries and more than 10,000 employees and outsourced employees serving more than 400,000 property units across the nation. Our current businesses involve basic services, pre-delivery and consulting services, community value-added services and smart solution services.

Awards and Honors

As an enterprise with national level one qualification, Kaisa Prosperity has passed the ISO9001 quality management system certification. In 2021, Kaisa Prosperity received recognitions from authoritative organisations in the industry and the market with its high-quality services and core value, reflecting the confidence of various sectors in Kaisa Prosperity's brand. Awards and Honors received by us in 2021 are listed as below:

No.	Awarding Party	Awards
1	China Index Academy	2021 Top 100 Property Management Companies in China (Top 12)
2	China Index Academy	2021 China Leading Property Management Companies in terms of Characteristic Services – Diversified Smart Businesses
3	China Index Academy	2021 China Excellent Listed Property Management Company by Investment Value
4	China Index Academy	2021 China Excellent Listed Property Management Company by ESG Development
5	China Index Academy	2021 China Top 10 Listed Property Management Companies in terms of Non-residential Property Services
6	China Index Academy	2021 China Top 10 Listed Property Management Companies in terms of Community Value-added Service Capabilities
7	Organizing Committee of China Property Award of Supreme	2021 Quality Property Management Award
8	China Index Academy	2021 Leading Brand for Professional Operations of China Property Management Companies
9	China Index Academy	2021 Regional Brand for Property Management – the Guangdong-Hong Kong-Macao Greater Bay Area
10	China Index Academy	2021 Leading Brand for Property Management for Multiple Property Types
11	China Index Academy	2021 Property Management Companies in terms of Characteristic Services – Urban Services + Smart Operations
12	Guangdong Property Management Association	2021 Property Management Companies in the Guangdong-Hong Kong-Macao Greater Bay Area
13	Guangdong Property Management Association	2021 Property Management Company with Comprehensive Development Strength in Guangdong
14	The Economic Observer	2021 Top 100 Blue-Chip Property Management Companies
15	Shanghai E-house Real Estate Research Institute	2021 Top 100 Property Management Company in Greater Bay Area in terms of Service Capabilities

Environmental, Social and Governance Report

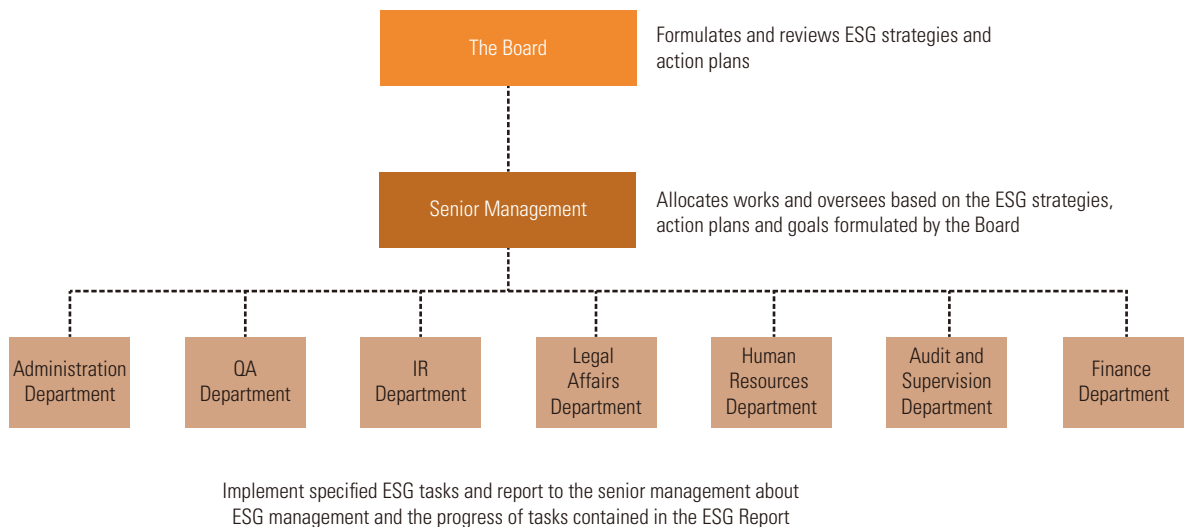
IV. SUSTAINABLE DEVELOPMENT PHILOSOPHY AND GOVERNANCE

Development Goals of Sustainable Governance

As it forges ahead with steady business growth, the Group regards social and environmental responsibilities as one of the core values in its business operations. We are committed to becoming a sustainable property management enterprise, with an aim to create long-term value for all stakeholders and maintain high-quality services and operational standards, which will bring positive effect to the communities we are serving. We actively control the impacts on the environment and the communities caused during the process of operation, improve our information transparency and perform our environmental and social responsibilities, for the purpose of creating a green and sustainable future for our next generation.

Sustainable Governance Strategies

The Group has formed a top-down environmental, social and governance (“ESG”) structure in adhering to its sustainable development philosophy. The Board is responsible for formulating ESG strategies and assessing and determining the risks and goals associated with ESG, in order to ensure the effectiveness of risk management and internal control. The senior management is responsible for the job allocation and governance based on the ESG strategies, for the report to the Board about the progress of ESG tasks and for the Group’s annual ESG Report. The ESG Working Group comprising the Administration Department, Customer and Quality Assurance Department (“QA Department”), Media and Investor Relations Department (“IR Department”), Legal Affairs Department, Human Resources Department, Audit and Supervision Department, Planning and Finance Department (“Finance Department”) is responsible for performing ESG tasks, including collection of stakeholders’ opinions, internal and external materiality assessment, preparation of the ESG Report, and reporting to the senior management and the Board about the progress of ESG tasks and the preparation of the ESG Report.



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Board Engagement

The Board is committed to incorporating sustainability into its business development. It recognizes its responsibility in supervising the Group's ESG strategies, including:

- assessing and determining the risks associated, such as climate change with and opportunities arising from the Group's ESG issues;
- ensuring that an appropriate and effective risk management and internal control system is in place;
- formulating the Group's management approach, strategies, priority and goals of ESG;
- regularly reviewing the Group's ESG performance in relation to relevant goals; and
- approving the information disclosed in the Group's ESG Report.

The Board regularly evaluates, identifies and manages ESG risks, and explores potential opportunities through compliance with regulatory requirements and industry practices, bringing long-term value for the stakeholders. The Board also reviews the implementation of all ESG goals on a regular basis and adjusts the goals as appropriate and practicable, for the purpose of minimizing the impacts on the environment and the society brought by its development.

V. COMMUNICATION WITH STAKEHOLDERS

The Group believes that understanding and responding to the concerns of stakeholders will not only help assess the impact of our decisions on ESG issues, but also shape and adjust our development and growth direction. The Group actively communicates with key stakeholders (including shareholders and investors, government, employees, customers, suppliers and communities) through different communication channels, such as reports, workshops, opinion surveys or other platforms, to understand their concerned matters in order to achieve common progress and development.

In 2021, the main stakeholders of the Group, their interests and concerns, communication channels and the action plans we have formulated are set out in the table below.

Stakeholder Group	Communication Ways/Channels	Major Concerns	Our Action Plans
Shareholders and investors	<ul style="list-style-type: none"> • General meetings • Publication of annual report • Public information disclosure 	<ul style="list-style-type: none"> • Maintenance of continuous profitability • Formulation of sustainable development strategies • Enhancement of transparency • Protection of the interest of shareholders and investors 	<ul style="list-style-type: none"> • To convene regular general meetings • To convene regular board meetings • To convene meetings with investors • To make statutory disclosure in a timely manner
The government	<ul style="list-style-type: none"> • Filing of tax returns • Reporting on policy implementation 	<ul style="list-style-type: none"> • Operational compliance • Payment of taxes in full according to the laws • Response to the government's policies • Support to local development 	<ul style="list-style-type: none"> • To comply with national laws and regulations • To maintain good relationship with local governments • To provide job opportunities • To pay taxes on time and in full according to the laws

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Stakeholder Group	Communication Ways/Channels	Major Concerns	Our Action Plans
Employees	<ul style="list-style-type: none"> Opinion surveys and questionnaires⁴ Workshops⁵ Intranet 	<ul style="list-style-type: none"> Career development Training opportunities Remuneration and benefits Corporate culture 	<ul style="list-style-type: none"> To organize trainings for professional development, occupational skills and safety procedures To understand employees' development needs and evaluate them in an impartial and objective way To create a competitive working environment To organize care and welfare activities for staff Staff mailboxes Company's intranet
Customers	<ul style="list-style-type: none"> Individual meeting⁶ Customer satisfaction survey⁷ Customer communication meeting⁸ 	<ul style="list-style-type: none"> A comfortable and safe living environment Timely services Safety of residents Protection of privacy Enhancement of property management quality 	<ul style="list-style-type: none"> To systemize and standardize our services To carry out regular satisfaction survey To promptly respond to and handle customer complaints To effectively protect customer privacy
Suppliers	<ul style="list-style-type: none"> Review and evaluation of the performance of suppliers Communication meetings Phone discussion 	<ul style="list-style-type: none"> Promotion of daily communication Performance of contract Openness and fairness 	<ul style="list-style-type: none"> To establish an open and transparent tendering system to provide suppliers with equal opportunity for competition To communicate and optimise project management on an ongoing and direct basis
The community	<ul style="list-style-type: none"> Media coverage Organization/participation in charitable activities 	<ul style="list-style-type: none"> Investment in charitable business Green operations Participation in community establishment Devotion to charity events Care for vulnerable groups 	<ul style="list-style-type: none"> To regularly organize charitable activities To conduct charity events To advocate energy saving and conservation

⁴ Five opinion surveys were conducted during the Reporting Period involving nearly 1,165 employees.

⁵ 53 workshops were organized during the Reporting Period involving nearly 236 employees.

⁶ Approximately 142,900 customers attended individual meetings.

⁷ Approximately 16,500 customers participated in satisfaction surveys.

⁸ Approximately 610 customers participated in communication meetings.

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VI. MATERIALITY ASSESSMENT

To determine the key points to be disclosed in this report, we have conducted materiality assessment on ESG issues with stakeholders. The procedures of the materiality assessment are set out as below:

Step One: Identification of potential ESG issues

The Group identified the following 21 issues in accordance with the disclosure requirements set out in the “Environmental, Social and Governance Reporting Guide” and based on the business characteristics and daily operation of Kaisa Prosperity. These issues are considered to have impacts on the environment and the society during our operation.

ESG Aspects	No.	ESG Issues
A. Environmental	Aspect A1: Emissions	1 Exhaust emissions
		2 Greenhouse gas emissions
		3 Waste management
	Aspect A2: Use of resources	4 Energy consumption
		5 Water consumption
		6 Paper consumption
	Aspect A3: Environmental and Natural Resources	7 Management of risks associated with Environmental and Natural Resources
B. Social	Aspect A4: Climate change	8 Climate change
	Aspect B1: Employment	9 Equal opportunity
		10 Employee benefits
	Aspect B2: Health and safety	11 Occupational health and safety
	Aspect B3: Development and training	12 Employee development
	Aspect B4: Labor standards	13 Prevention of child labor and forced labor
	Aspect B5: Supply chain management	14 Selection and evaluation of suppliers
		15 Control and management on environmental and social risks along the supply chain
		16 Service quality
	Aspect B6: Product responsibility	17 Complaint handling
		18 Protection of intellectual property rights
		19 Customer data privacy and data security
	Aspect B7: Anti-corruption	20 Anti-corruption and money laundering
	Aspect B8: Community investment	21 Community engagement

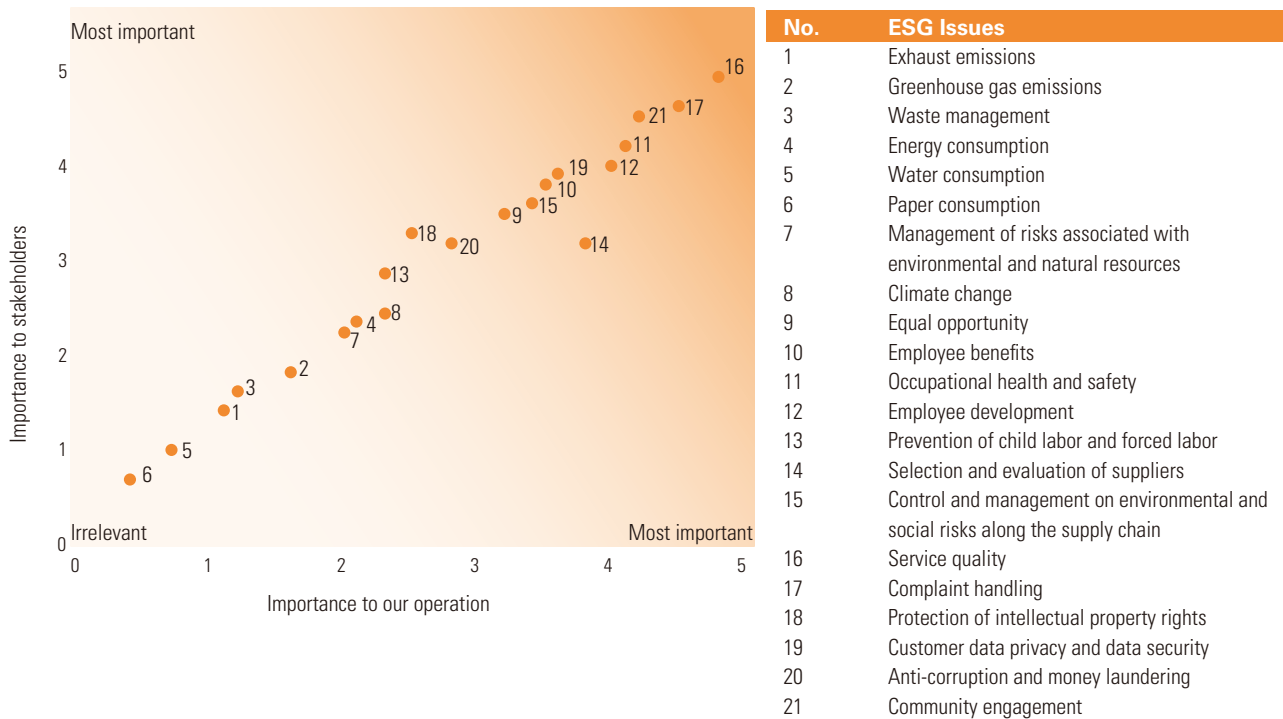
Step Two: Materiality Assessment

The Group’s management conducted internal meetings based on the opinions collected from the communications with stakeholders to score the degree of relevance and importance of every ESG issue from 0 to 5 marks (0 represents irrelevant; 5 represents most important).

Environmental, Social and Governance Report

Step Three: Priority

Based on the evaluation result, we prioritized the issues in two dimensions, namely, “importance to stakeholders” and “importance to our operation” and prepared the materiality matrix as below:



According to the results of materiality assessment, service quality, complaint handling, community engagement, occupational health and safety and employee development are regarded as the most concerned issues of stakeholders and the Group. While taking into account environmental and social responsibilities, the Group will pay more attention to the above areas, and strive to achieve continuous improvement and sustainable business development.

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VII. ENVIRONMENTAL ASPECTS

Kaisa Prosperity attaches great importance to the possible negative impacts caused by its operations on the natural environment and hence environmental control has become part of the development strategies which the Group formulates. By implementing a series of environmental protection measures, we actively incorporate the environmental protection concepts into our core business, thereby effectively using the natural resources and reducing the pollution to the environment.

A1: Emissions

The Group strictly complies with the laws and regulations such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固定廢棄物污染環境防治法》), Prevention and Control of Atmospheric Pollution of the PRC (《中華人民共和國大氣污染防治法》) and "Thirteenth Five-Year" Work Plan for Greenhouse Gas Emission Control (《「十三五」控制溫室氣體排放工作方案》), which clearly state the requirements in relation to the emission of pollutants and energy-saving management for enterprises. In view of this, we formulated and strictly implemented the internal policies such as the Kaisa Prosperity Group Office Supplies Management System (《佳兆業美好集團辦公用品管理制度》) and the Notice on Cost Reduction and Strict Economy of the Whole Group (《關於全集團節衣縮食、厲行節約的通知》), which regulate emissions and discharge of exhaust gas, waste water, waste solids and greenhouse gas generated in office areas. In addition, we provided clear guidelines on the daily environmental protection for our staff, starting with the details such as management of use of electricity, water, paper, office supplies, and business vehicles and are devoted to promoting various emission reduction and energy saving projects in the course of daily operation. Our concrete green office measures include:

- Encouraging our staff to implement energy and water saving in the course of daily operation;
- Encouraging the setting of air-conditioning temperature to 24-26 degree Celsius;
- Encouraging the adoption of natural light and reduction of the use of unnecessary lighting systems;
- Requesting our staff to switch off the air-conditioners and computers when they leave office, so as to reduce daily electricity consumptions in the office;
- Reiterating that the old-for-new principle should be pursued when requisitioning the office supplies such as stationeries, computer accessories and computers;
- Reducing paper consumption by using black-and-white and double-side printing modes and using recycled paper;
- Checking the usage of the supplies regularly and considering the feasibility of maintenance and internal resources deployment before purchase or replacement; and
- Providing waste sorting and recycling facilities within the office area to engage our staff to sort wastes at source, thereby raising the collection volume for recyclable materials and reducing the disposal volume of wastes.

Air Emissions

The main sources of our air emissions are the boilers at the community swimming pools and central air-conditioning and heating system, gas stoves in staff canteen, emergency electric generators, weeding machines, chain saws and leaf blowers used in garden greening, as well as fuel oil consumption of business vehicles. During the Reporting Period, the emissions of nitrogen oxides, sulphur oxides, inhalable particulates, fine particulates, carbon monoxide and hydrocarbon generated by the Group amounted to approximately 689.02 kilograms, 219.72 kilograms, 136.36 kilograms, 129.09 kilograms, 3,710.55 kilograms and 462.97 kilograms, respectively. Our air emissions increased slightly as compared to that of last year, among which the number of the projects under our management covered increased from 435 last year to 672 this year.

Greenhouse gases

During the Reporting Period, the total greenhouse gas emission of the Group amounted to 122,337.76 tons of carbon dioxide equivalents (CO₂e), of which direct greenhouse gas emissions (Scope 1⁹) amounted to approximately 996.99 tons of CO₂e with the main sources from boilers at the central air-conditioning and heating system, emergency electric generators and business vehicles; indirect greenhouse gas emissions (Scope 2¹⁰) amounted to approximately 120,492.68 tons of CO₂e with the main sources from electricity purchased externally; other greenhouse gas emissions (Scope 3¹¹) amounted to approximately 848.09 tons of CO₂e with the main sources from the use of electricity by the government departments during the treatment process of drinking water and sewage. To reduce the impact from greenhouse gas emissions over the environment, we encourage our staff to reduce the use of small passenger vehicle and to adopt video conference meeting instead. In addition, we planted a total of 2,138 native trees and shrubs in the surrounding areas of its offices, successfully reducing approximately 49.17 tons of carbon dioxide and carbon footprint generated during the operation of business.

To further reduce the emission of greenhouse gas, the Group has for the first set an emission reduction target in the ESG report last year, which sets out the target to reduce carbon dioxide equivalent emissions by 10% within 5 years. As of the end of the Reporting Period, the Group has reduced carbon dioxide equivalent emissions by approximately 3%.

⁹ Scope 1 covers the greenhouse gas emissions directly generated from the businesses owned or controlled by the Group.

¹⁰ Scope 2 covers the "indirect energy" greenhouse gas emissions generated from the electricity, heat energy, refrigeration and vapour consumed internally (purchased or obtained) by the Group.

¹¹ Scope 3 covers all other indirect greenhouse gas emissions generated outside the area of the Group, including emissions from the upstream and downstream.

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Wastes

We responded actively to the local governments' policies by implementing waste recycle and classification at all projects under our management and strictly complied with the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" in handling wastes during our operations. The Group also set up the Standardized Guidelines for Classification of Garbage Chamber (《分類垃圾房標準化指引》) internally to teach its tenants how to sort and implement 3R Principles, i.e. "Reduce", "Reuse" and "Recycle" of wastes.

For hazardous wastes, we implement unified collection and designated storage, and hand them over to a third-party service provider with relevant qualifications for processing to control or eliminate hazards. We implemented the following measures in the projects under management:

- All hazardous wastes are handled by a nationally recognized and qualified waste treatment company;
- All hazardous waste management strictly abides by the principle of "classified recycling, centralized storage, and unified treatment";
- Separate and recycle wastes according to the type of waste, and label the type and name of the waste outside the container that contains the waste; and
- All kinds of wastes are kept in designated places.

For non-hazardous wastes, we sort and recycle the recyclables to improve the utilization rate of resources to reduce pollution. We will also set up recycling bins in property communities to encourage property owners to actively participate in garbage sorting and recycling. During the Reporting Period, the Group generated 1.06 tons of hazardous waste, including ink cartridges, printer cartridges, lamps, light bulbs and batteries; the total amount of non-hazardous waste was approximately 1.25 tons, which were mainly office waste.

To effectively reduce the emissions of hazardous wastes and non-hazardous wastes, the Group has, for the first time, set out in its last ESG report the goals of reducing the emissions of hazardous wastes and non-hazardous wastes by 10% within 5 years and striving to achieve the goals of "zero accidents" and "zero injuries". As at the end of the Reporting Period, emissions of hazardous wastes and non-hazardous wastes by the Group reduced by 2% and 4%, respectively and there are no incidents or casualties related to waste handling.

A2: Use of Resources

Improving the efficiency of use of resources to save energy consumption is another way of environmental protection that the Group places significant emphasis on. In order to fulfil our corporate environmental protection responsibilities, we review and assess the efficiency and effectiveness of the environmental protection plan from time to time, which has enabled us to strike an optimum balance between environmental protection and business growth.

Environmental, Social and Governance Report

Use of Energy

Our direct energy consumptions are mainly from the natural gas, liquefied petroleum gas, diesel and gasoline used in the fixed source equipment and business vehicles; indirect energy consumptions are mainly from electricity, vapour, town gas and natural gas purchased externally. In hopes of reducing the impact of carbon footprints, we encourage our staff to use video conferencing or teleconferencing systems to reduce the needs for business trips. Where business trips are necessary, staff should take mass transit transportation such as airport coaches or railways as much as possible so as to avoid the considerable amount of carbon dioxide emitted during a flight on a plane or a journey on a taxi. Apart from this, our property management and operation highly depends on energy consumption and strictly complies with the Law of the People's Republic of China on Energy Conservation (《中華人民共和國節約能源法》) and the Assessment Method for Implementation of Energy Consumption of Kaisa Prosperity Group (《佳兆業美好集團能耗執行情況考核辦法》) as its internal code. During the Reporting Period, the total energy consumption of the Group amounted to approximately 151,384,000 kWh.

To effectively control the consumption of electricity and increase energy efficiency, the Group has implemented the following energy-saving measures:

- continued to introduce more environmental friendly equipment and components for new and existing projects with reference to the latest industry guidelines;
- explored the use of smart meter to enhance management of energy performance;
- used alternatives with high energy efficiency to replace the existing lighting and power equipment upon the end of their life cycle;
- adopted reasonable operating and control method and advanced energy-saving equipment;
- adopted a static var generator to enhance the power factor of power supply and distribution system and electrical equipment;
- conducted an analysis on the monthly energy consumption report and report on any abnormal energy consumption in a timely manner;
- imposed punishment on units which are found to have excessive energy consumption and offered incentives to units which perform a good energy consumption control on a quarterly basis ; and
- promptly reported, prevented and rectified any energy wastage.

To further realise reduction of energy consumption, the Group has, for the first time, set out in its last ESG report the goals of reducing total power consumption by 8% within 5 years. As at the end of the Reporting Period, total power consumption by the Group reduced by 3%.

Environmental, Social and Governance Report

Water Consumption

As a property management service enterprise, owing to rather huge water consumption by the Group as a result of the services such as greening and public swimming pool maintenance, the Group adopts water-saving irrigation such as sprinkling irrigation and micro-irrigation to carry out green irrigation and reduce water consumption in gardening. We also test if there is any leakage in water pipes on a regular basis and carry out daily maintenance for water equipment, to prevent waste of the water resource from evaporation, emission, dripping or leakage. During the Reporting Period, the water consumption of the Group amounted to approximately 978,036.7 m³. In terms of discharge of sewage, the Group only conducts sewage treatment at the hospitals under its management. It has formulated and strictly implemented the Operation Guidelines for Sewage Treatment (《污水處理操作指引》) and complied with the Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and standards for discharge of sewage at the place of operations to ensure meeting sewage standard.

As it is known to the Group that most of the districts where our businesses are located are facing water shortage issue, we have adopted the following water-saving measures to further monitor the use of water:

- installed flow restrictors, gas filling devices or other water-saving equipment at the tap to reduce water consumption;
- explored the use of smart water meter to monitor the use of water;
- optimized the technologies of existing methods of greening maintenance and used sprinkler irrigation to reduce water consumption;
- promoted water conservation to the property owners of our projects under management;
- conducted an analysis on the monthly water consumption report and report on any abnormal water consumption in a timely inanner; and
- promptly reported, prevented and rectified any water wastage.

Last year, we have set out a KPI of water efficiency which targets to reduce total water consumption by 10% within 5 years. As at the end of the Reporting Period, total water consumption by the Group reduced by 1.5%.

We do not encounter any problems in sourcing water for our daily operations, as our domestic water is provided by local water supply companies.

A3: Environmental and Natural Resources

Although the Group's business does not exert a profound impact on the natural environmental and natural resources, we understand that natural resources are scarce. Hence, our concerns on emission and consumption reduction are not limited to office premises only, but also be extended to cover the environmental protection activities in the community in the course of business where property owners are encouraged to take part in such activities, including:

- Gradually replacing with energy-saving water pumps and lighting systems to reduce waste of energy;
- Transplanting the green plants discarded by the property owners in the green belt of the community to reduce carbon emissions;
- Organizing waste-sorting activities in the community to exchange used items (e.g. old batteries, discarded plastic bottles, and discarded clothes, etc.) for green potted plants and environmentally-friendly products; and
- Collecting used products for recycle and delivering them to relevant local professional organizations to give away to those in need to support environmental protection and for charitable purposes.

Environmental, Social and Governance Report

A4: Climate Change

Kaisa Prosperity has been aware of the worsening consequences of global warming, which poses a huge and profound impact and challenge to both mankind and the global environment. The phenomenon arising from climate change such as extreme weather, rising temperatures and ocean warming are also threatening the stability of the Group's business and operations. In view of this, we have responded how we addressed the climate change with reference to the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD).

Governance

The duties and responsibilities of all units are set out as below in accordance with the sustainable development framework of the Group:

Personnel	Duties
The Board	<ul style="list-style-type: none"> formulates the ESG approach, strategies, priority and goals; assesses and determines the risks associated with and opportunities arising from the ESG issues; reviews the implementation of all ESG goals on an annual basis at least; and is now studying the feasibility of and drafting the "Climate Change Policy" (《氣候變化政策》) to identify actions to respond to the climate change.
Senior management	<ul style="list-style-type: none"> arrange the works related to ESG strategies; oversee the works on sustainable development, including works related to the climate change; and coordinate the annual ESG Report.
The ESG Working Group comprising the Administration Department, QA Department, IR Department, Legal Affairs Department, Human Resources Department, Audit and Supervision Department and Finance Department	<ul style="list-style-type: none"> executes the Board's resolution on ESG issues; performs ESG works, including collection and management of KPIs related to the environment and society; reports to the senior management and the Board on ESG works and compilation of report; and formulates and executes management policies and specific measures on sustainable development.

Environmental, Social and Governance Report

Risk Management

We have identified a series of risks associated with climate change caused to our operations and the action plans in addressing these risks:

Risks	Potential impact
<p>Substantial Risks</p> <p>Acute substantial risks (weather-related events such as storms, floods, fires, or heat waves)</p>	<ul style="list-style-type: none"> Precipitation and floods may cause damage to the structure of the building and increase operation and maintenance costs; and Typhoons may increase the risk of power shortages and the possibility of temporary office closures, resulting in business interruptions and reduced revenue.
<p>Chronic substantial risks (long-term climate changes, such as temperature changes, rising sea levels, reduced water sources, loss of biodiversity and changes in land and soil productivity)</p>	<ul style="list-style-type: none"> Rising temperatures may cause heatstroke increasing the risk of industrial injuries and costs of cooling; and Rising sea levels may cause flooding, causing damage to infrastructure and facilities, and increasing the cost of repairing damaged facilities.
<p>Transition Risks</p> <p>Technology risks</p>	<ul style="list-style-type: none"> Energy-efficient technology is the key to mitigating climate change and the core element of future development. If we fail to master renewable energy or energy conservation and emissions reduction technologies, business development will be affected.
<p>Market risks</p>	<ul style="list-style-type: none"> Tenants and property owners are increasingly turning to businesses that integrate sustainable development philosophy into their operations. If we fail to integrate sustainable development strategies into our business and effectively deal with climate change issues, we may lose our competitive advantage.
<p>Reputation risks</p>	<ul style="list-style-type: none"> If the operation process has a damaging impact on the climate, it may be difficult to attract and retain property owners, employees, business partners and investments.
<p>Legal risks</p>	<ul style="list-style-type: none"> Policies and regulations related to climate change are becoming stricter. If the existing compliance procedures and business operations may not fully comply with the new legal and regulatory requirements, there may incur additional compliance costs and affect the reputation of the Group.

In order to alleviate the substantial risks caused by climate change, Kaisa Prosperity has installed flood gates for properties with higher flood risk, and regularly inspects manholes, drains, doors and windows, etc. to ensure that manholes and drainages remain unblocked to reduce the impact of floods or rising sea levels. Extreme weather may also cause power shortages. In view of this, we conduct regular inspections and test the backup power generators to reduce the risk of business interruption. Regarding to climate-related transition risks, Kaisa Prosperity understands that mastering renewable energy or energy conservation and emissions reduction technologies will be essential the future development of the business. Therefore, we actively transit into a low-carbon development business model to meet the expectations of tenants and customers and increase their loyalty. We also pay close attention to the update of climate change regulatory laws and actively monitor our compliance procedures to avoid violating relevant regulations or industry standards that may affect our reputation and incur additional litigation costs.

Environmental, Social and Governance Report

VIII. SOCIAL ASPECTS

B1: Employment

The Group's core talent concept is "Having both ability and political integrity and taking the integrity as the first". We believe that employees are one of the important assets for the enterprises' sustainable development. Kaisa Prosperity has strictly complied with the laws and regulations related to staff employment such as Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) and Employment Promotion Law of the People's Republic of China (《中華人民共和國就業促進法》), which safeguard the lawful interests of our staff in terms of working hours system, leave and holiday system, welfare and remuneration management, dismissal of staff, signing of labour contracts, etc. To achieve effective linking up and monitoring of such requirements, we formulated internal policies such as Kaisa Prosperity Recruitment Management Policy (《佳兆業美好集團招聘管理制度》), Kaisa Prosperity Staff Remuneration Management Policy (《佳兆業美好集團員工薪酬管理制度》), Kaisa Prosperity Welfare Management Policy (《佳兆業美好集團福利管理制度》), Kaisa Prosperity Social Insurance Implementation Rules (《佳兆業美好集團社會保險實施細則》), Kaisa Prosperity Employers' Liability Service Agreement (《佳兆業美好集團僱主責任險服務協議》), Staff Wage Level Standard Table (《員工工資級別標準對應關係表》), Kaisa Prosperity Regulations on Managing Employees' Overtime Work Policy (《佳兆業美好集團員工加班管理規定》), and Kaisa Prosperity Performance Assessment Management Policy (《佳兆業美好集團績效考核管理制度》), etc. Also, the administration and human resources department conducts review and revision to the systems on an annual basis, striving for offering a reasonable, fair and discrimination-free working atmosphere for our staff, so that the staff can work energetically under an environment with sound corporate culture to realize mutual growth and development between the staff and the Group.

Recruitment and Promotion

Kaisa Prosperity strictly implements the internal requirements under the Kaisa Prosperity Recruitment Management Policy (《佳兆業美好集團招聘管理制度》) with regard to recruitment and selection of personnel so as to ensure the overall human resources level. In the course of recruitment, we first conduct observation and judgement as for whether the candidate possesses integrity and credibility as well as self-disciplinary cooperative spirit, whereas failing candidates will not be hired. The Group also adheres to the employment principle of hiring by merit rather than nepotism, meaning that staff members with relative relationships shall not work in the same company, or work in the position under the same business system with superordinate-and-subordinate working relations, or hold positions with business association. Meanwhile, we also attempt to introduce a methodology for information technology evaluation into recruitment so as to avoid subjectivity and randomness as much as possible and at the same time to avoid taking the personalities and ethical standards of the recruiting personnel as the judgement of the merits of candidates.

We uphold the principle of openness and fairness to provide promotion opportunities for our staff. Kaisa Prosperity Performance Assessment Management Policy (《佳兆業美好集團績效考核管理制度》) sets out detailed regulations on staff promotion and awards, which include those to decide whether the staff get promoted based on the performance assessment for our staff on a regular basis. Through communication and giving feedback on the working performance of our staff, we believe we can continuously raise the performance level of our staff, thereby boosting the favorable development for the organization and raising the operational results and management level to benefit both the Group and its staff.



Environmental, Social and Governance Report

Remuneration and Welfare

To give full play to the incentive effect of remuneration, we formulate the Kaisa Prosperity Staff Remuneration Management Policy (《佳兆業美好集團員工薪酬管理制度》) to standardize the management of staff remuneration. The standard wage for our staff is distributed based on the corresponding wage standard for the respective position levels and ranks set out in the Staff Wage Level Standard Table (《員工工資級別標準對應關係表》). Besides, we conduct performance assessment for our staff on a regular basis based on Kaisa Prosperity Performance Assessment Management Policy (《佳兆業美好集團績效考核管理制度》) and adjust the salary package for our staff based on the assessment results. We also take this opportunity to listen to staff's opinion and are committed to helping our staff to integrate into our corporate culture.

We formulated Kaisa Prosperity Welfare Management Policy (《佳兆業美好集團福利管理制度》) to provide multi-aspect preferential treatment and launched a variety of cultural construction activities to let our staff feel the care from the Group and create a pleasant working atmosphere. We:

- organized a variety of cultural and sports activities to enhance staff communication and strengthen their physical health. The form of activities includes staff birthday parties, football, basketball, badminton, table tennis, hiking, swimming, sports competitions, chess, variety shows and social welfare, etc.;
- organized company gala, Spring Festival and Mid-Autumn Festival celebration gatherings for our staff;
- offered festival bonus to each staff during Spring Festival, Dragon Boat Festival and Mid-Autumn Festival each year;
- procured additional commercial insurance to protect the interest of our employees;
- offered various kinds of allowances including meal allowance, on-duty meal allowance, overtime working and transportation allowance, celebrative gratuities, condolence money and hospitalization consolation fees;
- provided rent-free dormitory for a portion of staff with exemption of management fees and sharing the water and electricity costs;
- reimbursed a portion of transportation fees to the fresh graduates who are recruited through campus recruitment when they report duty to the Company; and
- enjoy RMB100-200 of cooling allowance per person per month between June and October.

Working Hours and Holidays

The Group pays overtime working wages based on the overtime working approved under the national requirements and Kaisa Prosperity Regulations on Managing Employees' Overtime Work Policy (《佳兆業美好集團員工加班管理規定》). In addition, Kaisa Prosperity Welfare Management Policy (《佳兆業美好集團福利管理制度》) stipulated that employees are entitled to all kinds of paid leaves such as statutory festivals and holidays, marriage leave, funeral leave, maternity leave, nursing leave and annual leave. It will also adjust the number of annual leaves based on the seniority of staff.



Environmental, Social and Governance Report

Equal Opportunities, Diversity and Anti-discrimination

Kaisa Prosperity offers equal opportunities and strives for implementing the ideas of diversity and anti-discrimination. According to the Kaisa Prosperity Recruitment Management Policy (《佳兆業美好集團招聘管理制度》), in the course of recruiting talents, we avoid taking the personal attributes such as gender, age, marital status, physical fitness and so on as the necessary factors, so as to ensure that our employees are treated equally in the recruitment and promotion procedures, dismissal procedures, training, working performance assessment, remuneration and welfare, working hours, leaves and other holidays (including marriage leave, compassionate leave and maternity leave), etc.

As of 31 December 2021, we had a total of 6,499 staff, among which the proportions of male staff and female staff were approximately 67% and 33%, respectively. No cases of discrimination were recorded during the Reporting Period.

B2: Health and Safety

As a responsible employer, for sure the Group has strictly complied with the laws and regulations in relation to labor safety and hygiene such as Work Safety Law of the People's Republic of China (《中國人民共和國安全生產法》), Fire Prevention Law of PRC (《中華人民共和國消防法》), Industrial Injury Insurance Regulations of the People's Republic of China (《中華人民共和國工傷保險條例》) and Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). The Group attaches great importance to the safety of our employees. We are committed to providing a comfortable and safe working environment for our staff and protecting our staff against occupational hazards. The measures include but are not limited to the following:

- Provided our staff with body checks at the cost of the Group;
- Reviewed records of incidents, injuries and illness regularly and handled the work injuries of staff properly;
- Conducted safety checks regularly to ensure that the safety measures are implemented;
- Interacted with the community to carry out fire drills and trainings regularly;
- Cared about the physical and mental health of our staff and launched staff-caring visits regularly; and
- Advocated the importance of safety by arranging office safety inspections, fire inspections and carried out fire drills regularly.

We provide guidelines to our employees in relation to occupational health, safety training and epidemic prevention, in Kaisa Prosperity Training Management Policy (《佳兆業美好集團培訓管理制度》), Emergency Plan on Prevention of COVID-19 (《新型冠狀病毒肺炎防疫專項急預案》), Implementation Rules for Resumption of Work and Anti-epidemic at Office Building Protects (《寫字樓項目復工防疫工作實施細則》) 及 “Guidelines for Prevention of COVID-19” (《新型冠狀病毒肺炎防護指引》). As for the newly recruited staff, the Group will provide training courses on occupational safety and position-related professionalism, the contents of which include the operation procedures of positions and work instruction manuals. As for the job-transfer staff, we also provide job-transfer trainings. Apart from passing on the new skills, the trainings also include position-related knowledge and skills, operation procedures, safety knowledge and procedures, etc. All of the above trainings are conducive to raising the safety awareness of staff and minimizing the occurrence of accidents as a result of human error.

The Group has established Kaisa Prosperity Measures for the Management of Emergencies (《佳兆業美好集團突發事件管理辦法》) to provide guidelines for the information management in emergencies and the management processes of reporting, handling, judging and assessing all kinds of emergencies. In case of emergencies, we require our staff to regard their personal safety as the overriding principle. Upon the occurrence of emergencies, the departments of safety monitoring function, quality assurance and engineering management function, administration and manpower function, etc. of each branch company are required to formulate corresponding rectifying measures and report to the Group's headquarters for filling. Meanwhile, we have purchased social insurance and commercial insurance for our staff according to law to ensure that our staff are under the protection of work-related injury insurance. In 2021, the number and rate of staff involved in work-related fatalities was zero, while the number of working days lost due to work-related injury amounted to 13 days.

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Prevention Measures

Kaisa Prosperity always attaches great importance to the health and safety of frontline staff and responded promptly to the epidemic. Set out below are the measures taken:

- established an emergency team for epidemic prevention and control, which is responsible for anti-epidemic works at the Group and branch company levels;
- strictly implemented anti-epidemic measures of local governments and actively facilitated the anti-epidemic work of relevant departments;
- enhanced ventilation and disinfection, for examples, windows in the office or conference room are always opened to enhance ventilation, regular disinfection and enhancing ventilation to ensure air ventilation;
- installed face recognition attendance machine to reduce infective risk arising from direct contact;
- distributed antiseptic products to employees;
- minimised frequency of visiting activities and communicated with customers via means of telephone and video calls;
- registered the information of personnel, especially those are from medium or high-risk areas, and specific group such as inbound travellers, to facilitate the implementation of measure for better personal protection; and
- stored up anti-epidemic materials in regular channels in a timely manner, and took precautions against burglars, flood, fire, and pollution to ensure the effectiveness of materials.

In addition, to enhance the COVID-19 prevention work, Kaisa Prosperity has constantly implemented the “Prevention and Safety First” approach and maintained the normal order of property management and ensure the health and safety of tenants, property owners and employees. We required frontline staff to take comprehensive preventive measures such as:

- strictly implemented the registration system for non-registered vehicles and visitors;
- set up body temperature monitoring points and body temperature detection posts to check the body temperature of people entering the building and whether they wear masks;
- conducted daily cleaning and disinfection in the lobby, elevators, toilets, and public areas;
- checked the operation of equipment room and common area equipment, including ventilation and air-conditioning system and water supply and drainage system; and
- strengthened the advertisement of anti-epidemic work.



Environmental, Social and Governance Report

B3: Development and Training

Kaisa Prosperity is devoted to improving its staff training system and standardizing its company staff training and coaching qualification management in accordance with the Kaisa Prosperity Training Management Policy (《佳兆業美好集團培訓管理制度》). We unleash our staff potentials and assist our staff in upgrading their skills and developing their career. We deeply understand that outstanding talents and teams are one of the keys for our continuous development. Hence, the administration and human resources department carries out training demand investigations based on the Group's development, drawing up the Annual Training Plan (《年度培訓計劃》) to put forward a series of on-the-job training for our staff, including:

- **New staff training** is organized to make new staff fully understand the Company's history, ideas and code of conduct as well as to get accustomed to their job role as soon as possible;
- **Job-transfer training** is to make transferred staff fulfil the requirements of the new job position as soon as possible;
- **Promotion training** is the training conducted with an aim to making the staff fulfil the job requirements of the position of a higher level;
- **On-the-job training** is classified into three parts based on the types of training including regular training, outbound training and ad hoc training, covering professional knowledge, professional skills, management, computer, and literacy improvement, etc. to increase the capability of our staff to outperform their job;
- **New manager training** is the training for the general middle-level managerial staff with an aim to enhancing the managerial skills and level of middle-level managerial teams; and
- **Senior manager training** is the training for senior middle-level managerial with an aim to enhancing the comprehensive capabilities of middle-level managerial teams for the selection of elite.

Our major training is divided into several categories, including:

- **Cultural:** induction training for new employees and corporate culture training, etc.;
- **General:** basic knowledge training on property laws and regulations, occupational safety and ethics training, system responsibility training and integrity and self-discipline training, etc.;
- **Management:** project management throughout the property life cycle, efficient team building training and improvement of basic skills of managers, etc.;
- **Professional:** star-rated lecturer certification training, safety management cadre training camp, quality pilot training camp, complaint handling case analysis, basic knowledge of quality management knowledge, manual training for various posts and professional training on internal control lines, etc.;
- **Four-level talent training:** executive training camp, leader training camp, project manager certification training camp and NKP training camp, etc.



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Meanwhile, the Group also provides our staff with external trainings organized and approved by governmental units such as qualification accreditation courses, courses on special professional knowledge or skills necessary for the job, all kinds of certification examinations necessary for the job, exchange visits to industry peers, domestic and overseas business administration refresher trainings, corporate managerial staff refresher training, etc. We also encourage our staff to engage in continuous learning by reimbursing them the relevant fees by presenting their graduation certificates and the valid receipts for training fees upon completion of the training.

Furthermore, in order to build an excellent and highly efficient team of internal lecturers possessing comprehensive knowledge, the "Management Measures for Internal Lecturers for Kaisa Prosperity" (《佳兆業美好集團內部講師管理辦法》) requires our internal lecturers to pass all assessments such as reviewing syllabus and organizing trial lectures before becoming a recognized internal lecturer of the Group.

During the Reporting Period, 71% of our staff received training and the average training hours completed by each employee was 15 hours.

B4: Labor Standards

In strict compliance with laws and regulations such as Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and Prohibition of Child Labor Provisions (《禁止使用童工規定》), the Group safeguarded staff's legal rights and prohibited the recruitment of those who aged under the age of 18. To this end, we established Kaisa Prosperity Recruitment Management Policy (《佳兆業美好集團招聘管理制度》) to respect legal rights of staff. We value privacy of staff such that we avoid raising questions related to personal privacy but unrelated to his/her work performance. The information of assessing knowledge of the candidate is only available for reading for relevant staff in the recruitment of this position. In addition, we would conduct background check, review information about age of candidates and prohibit the unlawful use of child labor.

For those staff who have to work overtime and on duty, we would pay overtime salary in accordance with national requirements and Kaisa Prosperity Regulations on Managing Employees' Overtime Work Policy (《佳兆業美好集團員工加班管理規定》) and overtime transportation allowance as the case may be. If any violation against laws and regulations in relation to labor standards is found, we would punish those who shall be accountable for the incident subject to the severity, also we would analyse the reasons of the issue, review, update and adjust issues present in the systems or management measures in place.

Our "Work Guidelines for Employee Relationship for Kaisa Prosperity" (《佳兆業美好集團員工關係工作指引》) requires both the set-up of the post of employee relations personnel in the headquarters of the Group and its subsidiaries. The employee relations personnel are responsible for protecting legal rights of, collecting opinions from and caring about the well-being of our staff.

B5: Supply Chain Management

The steady business development of the Group relies on support from various suppliers and partners. Therefore, we place significant importance on supply chain management, so as to maintain our service quality and trading integrity. As at 31 December 2021, the Group has partnered with a total of 2,185 suppliers.

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Engagement of suppliers

We prepared Kaisa Prosperity Procurement Management System (《佳兆業美好集團採購管理制度》) to govern procurement behaviors and safeguard our legal rights. Our procurement adheres to the tender and procurement principles of openness, fairness and transparency:

Procurement principles	Descriptions for Principles
Tender principle	For procurements which are qualified for tender, no reason or way shall be allowed to avoid tendering. Division of procurement and change of method of procurement are strictly prohibited. Monopolised projects shall be strictly reviewed and verified.
Transparent and governing principles	All procurements must be conducted in an open and transparent manner within the terms of reference and black-box practice is strictly prohibited. All personnel involved in procurements must strictly comply with the regulations, uphold a high standard of integrity and not to use their positions for their own benefit. Any persons having an interest with the tenderer must abstain themselves from taking part in the procurement and report to the Group's procurement department. No one shall interrupt or exert influence on the objectivity and fairness of the procurement.
Confidentiality principles	Information about tendering document, tenderer, private base price or estimated price, evaluation criteria, bid price, relevant tender conference or resolution shall be kept strictly confidential. Regardless of whether or not the bid is finalized, such information shall not be disclosed. Confidential information other than his/her responsibilities shall not be collected. No one shall disclose, imply or undertake its intention to the bid before the bid is approved and finalized.
Qualification pre-assessment principles	Suppliers shall pass a strict review for qualification. In principle, suppliers shall be jointly inspected by the procurement and business department. They can take part in tendering subject to the passing of the qualification review.
Sufficient competition and reasonable and lowest bid wins principle	Regardless of ways of procurement, it shall be done by adhering to comparison between shops and sufficient competition. Under the prerequisite of meeting the requirements of tender, we would choose a reasonably low price for successful bidding.
Prioritized sizable procurement principles	We would proactively launch strategic procurement of the Group and each of its subsidiaries, yearly centralized procurement and joint and centralized procurement for various projects. On the basis of price in exchange for volume, effectiveness and efficiency of procurement shall be enhanced.
External standardized principles	As the sole window for releasing tender information to other external parties, the procurement department shall ensure the standardization and consistency of the information released. Tender documents, response to enquiries and additional information shall be released in a standardized way. Information in respect of tender process shall be sent via Company e-mails, and each time it shall be sent to one tenderer, or encrypted groups and carbon copy to department heads. The correspondence arisen in the process of tendering shall be documented. Flow of internal corporate information shall be directly sent from the department which owns the information to the department which requires the information.
Safeguarding creditworthiness principles	The tendering process shall be objective and fair, during which communication and feedback between us and the supplier shall be maintained in a timely manner such that we would build and safeguard a sound tendering creditworthiness and image of the Company.
Retrospective principle	Information comprising documents, records, mails and minutes (including electronic files) involved in the procurement process shall be organized and filed upon the completion of the tendering and in a timely manner while paper filing and electronic filing management platforms shall be put in place. In case of special cases such as emergency, for projects which are not applicable to relevant procedures and requirements, descriptions shall be given at the time of review to ensure transparency for decision-making and retrospectivity in the procurement process.

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Selection of suppliers

The Group has set out Guidance on Supplier Inspection of Kaisa Prosperity Group (《佳兆業美好集團供應商考察作業指引》) to standardize the selection process of suppliers, whose qualifications and supply capabilities shall be subject to strict review. During the selection process, we visit the Supplier's offices, processing plants or production workshops to conduct on-site inspections on their equipment, management and production size, in order to make judgements on their scale, management levels and positions in the industry. We will also request them to provide copies of business licenses, certificates of professional qualifications, permits of safety production, 3C authentication, authentication of energy saving and other recognized certificates in relation to management systems to ensure they comply with relevant laws and regulations in relation to society and environment.

Green procurement

To further enhance green procurement, raise awareness and incentivize suppliers to contribute to sustainable development, the Group encourages our cooperative suppliers to perform social and environmental responsibilities. We favor suppliers who demonstrate their commitment to sustainability. Suppliers awarded ISO14001, ISO9001 and OSHMS or national-level or industry-level qualification will be considered with higher priority, to ensure that the materials, products and services provided by cooperative suppliers meet the requirements of national standards of environmental protection, occupational health and safety and sustainable development.

Ongoing monitoring suppliers' performance

The Group has a well-established supplier management mechanism. In the process of close cooperation with suppliers, the Group collected information on their regular performance in environmental, social and governance aspects and the latest corporate information. Targeting at different cooperation scenarios, three types of continuous monitoring and evaluation are in place for suppliers, including real-time evaluation, post-performance evaluation, and annual evaluation. Risk sources that may have a significant and negative impact on cooperation between both parties are identified and effectively dealt with in a timely manner:

- **Immediate assessment:** assessment on material violation against laws or behaviours against rules, safety of quality incidents, malicious claims, malicious default and incidents which brought media negative impact;
- **Assessment upon performance of obligations:** conducted assessments on suppliers upon performance of obligations in strategic cooperation or centralized procurement agreements or contracts; and
- **Yearly assessment:** At the end of each year, we conduct assessment on suppliers who perform obligations or complete performance obligations during the year. We rate suppliers in accordance with execution of supplier's schedule, the degree of cooperation, occupational safety, on-site quality control, customers' satisfaction, environmental protection and material events involving safety and responsibility. If suppliers are rated unqualified, the supplier shall not be selected within the Group.

If a new supplier wishes to be listed in the trial supplier database of the Group, it must fill in the Supplier Basic Information Questionnaire (《供應商基本信息調查表》) and provide corresponding qualification documents. The Group will go through a strict systematic inspection and evaluation in ensuring that the supplier has in place an appropriate system and service capabilities and is capable to comply to abide by the integrity cooperation agreement with the Group, which may lay a foundation for the subsequent cooperation.

B6: Product Responsibility

As one of the leading integrated property management service providers in the PRC, Kaisa Prosperity has been upholding the principle of "satisfying our customer's needs" by striving to build a harmonious living environment for our communities. The Group strictly complies with the laws and regulations in relation to rights entitled in property management activities, formulation and revision of management contracts and owners' meetings and material impact brought to our property management industry by owners' committee member elections under the Civil Code of the People's Republic of China (《中華人民共和國民法典》), the Property Management Regulations (《物業管理條例》) and Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》). We have formulated a series of policies to improve customers' satisfaction, including Guidance on Handling Complaints from Customers of Kaisa Prosperity (《佳兆業美好集團客戶投訴處理工作指引》), Guidance on Caring our Customers of Kaisa Prosperity (《佳兆業美好集團客戶關懷工作指引》), Guidance on Owners' Satisfaction Assessment of Kaisa Prosperity (《佳兆業美好集團業主滿意度測評工作指引》), Guidance on Quality Control System Building of Kaisa Prosperity (《佳兆業美好集團質量管理體系建設工作指引》), Guidance on Quality Grid Management of Kaisa Prosperity (《佳兆業美好集團品質網格化管理工作指引》) and Guidance on Call Centre Management System of Kaisa Prosperity (《佳兆業美好集團呼叫中心管理制度》), 400 Customer Satisfaction Evaluation Methods of Kaisa Prosperity Group (《佳兆業美好集團400客戶滿意度專項考核辦法》), Control and Management Measures on Risk Relating to Operations of Kaisa Prosperity Group (《佳兆業美好集團業務風險管控管理辦法》) and Evaluation Methods for Service Quality Control of Kaisa Prosperity Group (《佳兆業美好集團服務品質管控考核辦法》), etc., which aimed at providing more convenient and thoughtful services to owners so as to improve the sense of happiness and satisfaction of our residents and property owners.

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Improvement of customer's satisfaction

With objective of establishing and maintaining good relationship with customers, the Group formulated "Guidance on Caring our Customers of Kaisa Prosperity" (《佳兆業美好集團客戶關懷工作指引》), to govern the satisfaction of customers during the assessment process, we expected to increase satisfaction and loyalty of customers. We implemented a series of caring work including:

Types of caring	Method of caring
Comprehensive customers' care	Door-to-door disinfection and sterilization Repair of home appliances and home intercoms Warm reminders of bad and humid weather Blessings at important festivals, material event notifications, sending emergency notifications through phone calls, WeChat messages from butler and text
Individual customers' care	Special festivals: themed community cultural events Birthday care: WeChat messages from butler, sending text messages, giving congratulations cards, flowers and small gifts etc. Pregnancy care: home visits and offering small gifts Marriage care: home congratulations, giving congratulations cards, flowers and settings decoration etc. Check-in care: sending text messages or WeChat to residents during the check-in registration, congratulations and visit and discussions to new residents Renovation supervision: offering supervision services during renovation of owners' flat, notify owners about the status of renovation via mail, text messages, WeChat or phone calls anytime Minority care: home visits and explanations in response to their needs based on our ability Key customers' care: home visits (understanding of their needs and take actions in time), sending text messages (about key notifications and information) and giving phone calls (big community cultural events oriented invitations) School opening care: giving small gifts to students and creating school opening atmosphere on the day of school opening in the community
Channel of information dissemination	Establishment of comprehensive information chain for customers via text messages, notices, promotional columns, elevator advertising, WeChat and Weibo



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Types of caring	Method of caring	
Five major kinds of free services	<p>Free knife sharpening: regularly organised knife sharpening services, and self-purchasing services</p> <p>Carpet cleaning: cleaned carpets for customers, but only limited to ordinary dust-proof blankets and welcome blankets, except for luxury carpets</p> <p>Holes drilling for hanging pictures: provided 6mm-12mm drilling holes for hanging pictures and corresponding plastic expansion screws, except for all kinds of tiles, stone, imitation stone walls</p> <p>Cleaning of air conditioning filter: staff at the property service center provided cleaning services of air conditioning filters by appointment</p> <p>Wedding services: collected customer needs and provided customers with VIP services such as decoration in the park, vehicle guidance and welcoming and seeing off; the property service center must purchase reusable carpets, rainbow bridges, and floral columns and other materials shall be provided by customers</p>	
Ten kinds of convenient services	Main entrance	<p>Home Toolbox: contains commonly used small repair tools</p> <p>Lightweight climbing ladder: 1.5m herringbone ladder</p> <p>Umbrella lending: straight umbrellas are placed in the umbrella stand</p> <p>Carts lending: flatbed carts and carts are available for lending</p> <p>Multi-function pumps: with multi-function nozzles such as American valve and French valve and for balls</p>
	Front desk of service center	<p>Universal power bank: with three sets of charging cables of various calibers</p> <p>Emergency medicine kit: contains bandages, alcohol, medical cotton swabs, ageratum-liquid, quick-acting heart pills</p> <p>Convenience bags for pets: provides plastic bags for the convenience of pet owners</p> <p>Portable needle and thread box: contains various coloured threads and different specifications of needles</p> <p>Reading glasses: reading glasses of configurations ranging from +150 degree to +400 degree</p>



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Procedures for Handling Complaints from Customers

The Group highly recognizes the importance of our property owner's satisfaction and their advices on our products and services. Guidance on Handling Complaints from Customers of Kaisa Prosperity (《佳兆業美好集團客戶投訴處理工作指引》), 400 Customer Satisfaction Evaluation Methods of Kaisa Prosperity Group (《佳兆業美好集團400客戶滿意度專項考核辦法》) and Guidance on Call Centre Management System of Kaisa Prosperity (《佳兆業美好集團呼叫中心管理制度》) are effective in giving guidance to the procedures for handling complaints and conducting scientific and systematic analysis and statistics, giving alerts and directions of service quality, which helps to reduce and prevent complaints and enhance customers' satisfaction. The Group requires that after receiving the complaints from our property owners, the department who receives complaints would pass the case to the competent departments within 5 minutes. Upon receipt of cases, the competent department is required to contact the customers within 30 minutes for preliminary communication and respond to their complaints in 24 hours. For all kinds of complaints including walk-ins, phone calls, letter, e-mail, APP, internet, publications, the department who receives complaints require full record. We would also organize and analyse customers' complaints regularly, the analysis covers the reasons, conclusion of experience and lessons, proposals for rectification measures, pattern of identifying customers' complaints and trend analysis, so as to raise standard for handling customer's complaints while prevent material complaints and group complaints. During the Reporting Period, the Group received 51 cases of complaints in relation to services.

Protection of Customers' Privacy

In order to keep the information on property owners and residents properly, the Group has established Guidance on Management of Property Owners' Information (《業主檔案資料管理指引》) to standardize measures for protection of customers' information. Measures for protection of customers' privacy include:

- System users who are in possession of information about property owners and residents are required to change their passwords at least four times a year;
- Written information about property owners and residents shall be kept by our delegated employees;
- Individuals are required to fill in relevant application forms and subject to approval before accessing to information of property owners and residents;
- Access record shall be documented and traceable;
- If change of property owners or removal of residents was incurred, the original information would be destroyed in a timely manner;
- Requirement of our employees to sign a confidentiality agreement before joining the Group. No information on property owners and residents shall be disclosed to the external parties by our employees.

During the Reporting Period, there were no complaints on violation of customer's privacy or leakage of their information.

Observing and protecting intellectual property rights

The Group strictly abides by relevant requirements of laws and regulations in relation to protection of intellectual property rights under Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), Trademark law of the People's Republic of China (《中華人民共和國商標法》) and Patent Law of the People's Republic of China (《中華人民共和國專利法》), in order to protect the interests of the Group and its customers. We require our staff to endeavor to guarantee and develop intellectual property rights of the Group while totally respect legal intellectual property rights of third parties. We also offer intellectual property rights management education to management personnel of each department to raise their awareness towards the protection of intellectual property rights. In addition, the Group would also sign confidentiality agreement and competition prohibition agreement with its staff and suppliers to prevent the infringement of intellectual property rights. Employees who are suspected of violating relevant rules of intellectual property rights of the Group shall be under investigation and the Group would take appropriate actions to this.



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B7: Anti-Corruption

Kaisa Prosperity strictly complies with laws and regulations in relation to business ethics and prohibition of operators to reach monopoly agreement or to abuse the predominate position in the market which will pose material impact to our business under Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), Interim Provisions on Prohibiting Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) and Anti-Monopoly Law of the People's Republic of China (《中華人民共和國反壟斷法》). To operate business without any negative impact, our Policy of Gifts Management System due to business reasons for controlling employees of Kaisa Group (《佳兆業集團控股員工因公受禮管理制度》) offers guidelines in relation to the receipt of interests of employees and clearly governs how to handle the receipt of gifts (either cash or non-cash):

- When our employees offer or receive any business gifts or entertainment to or from any persons (including the existing or future suppliers, vendors or contractors), they shall make appropriate judgments and take actions prudently to avoid the possibility of affecting objective business decisions;
- Employees shall not demand and receive interests or gifts from any external business partners in any form unless such interest is nominal or has no cash value such as promotional goods or advertisement souvenirs or festive gifts such as gift baskets and flowers which has optimal values and is available for use;
- Gifts received or being offered to customers and its value is higher than a nominal value shall be approved by the primary responsible person of the department and senior management in details by reporting in the form of "business offer/personal interest"; and
- Under no circumstances shall employees to claim "red packets" from any external business partners.

If any behaviours against the guidelines or other rules is found, the person who violates the rules will receive disciplinary punishments. During the Reporting Period, the Group did not breach any laws and regulations in relation to anti-corruption, nor dismiss or punish its staff disciplinarily due to anti-corruption cases, or terminate or discontinue contracts with its business partners due to non-compliance behaviours in relation to bribery.

Besides, the Group also requires its staff to sign Agreement on Integrity and Cooperation (《廉潔合作協議》) advocating a corporate culture of integrity and honesty, to prevent conflicts of interests and misconducts including bribery, blackmail, mischief and money laundering, so as to ensure the compliance with relevant regulations, principles and requirements in relation to occupational ethics in the agreement. In addition to promoting WeChat Public Accounts Whistleblowing Platform, the Group implements an awarding policy to whistle blower to combat all misconducts of corruption and bribery. During the Reporting Period, we provided 794 directors and employees of subsidiaries with 14 times and a total of 21 hours of anti-bureaucratic and anti-corruption special training to increase awareness of integrity among our employees and educate them the ethical standard they should upheld in the performance of their duties.

B8: Community Investment

Kaisa Prosperity has been enthusiastic about public welfare. Over the years, it has been committed to participating in and donating to various social welfare undertakings such as education, medical care and environmental protection, and actively fulfilling its social responsibilities. We have implemented internal policies such as the Work Procedures in Relation to Community Culture and Community Organization of Kaisa Prosperity (《佳兆業美好集團社區文化及社團組織工作指引》) and the Policy of Community Cultural Activities of Kaisa Prosperity (《佳兆業美好社區文化活動》) to regulate the work procedures in relation to community culture and community organization, and develop and promote the community environmental civilization of Kaisa Prosperity with an aim of enhancing the property owners' awareness of civilization, so as to develop a caring culture in the neighbourhood. In 2021, Kaisa Prosperity donated a total of RMB180,823 for education, environment, health, community epidemic prevention, culture and vulnerable groups, and the total hours of volunteer services provided by us amounted to 55,345

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hours with 7,345 volunteers. In order to enhance community civilization and strengthen community cohesion, we arranged a series of projects and activities that would help foster community development, including:



Education

In May 2021, we launched the regular project – “May 1st Labor Day – I work hard, so I take pride” themed activity and organised property owners to pick up garbage in the green belt, which spreads the knowledge of environmental protection and waste classification. In June 2021, we launched the regular project – “Happy June 1st with Kaisa’s Companion” themed activity through the service center which prepared game activities that are entertaining and educational for property owners to participate and win prizes.

In June 2021, we started the “Making Preparation for the National College Entrance Examination to Get an Ideal Score” project and provided the strongest support for students and helped the candidates to get prepared for the National College Entrance Examination through multiple measures. All of our projects are characterised with a quiet atmosphere by strengthening noise control in the community and supervising renovation and suspension of construction. In addition, the community has also formed a guard team for the candidates of the National College Entrance Examination to provide free supplies and protective equipment, with a view to ensuring successful completion of the exam.

In August 2021, Kaisa Prosperity organised a summer camp themed “If the Youth is Strong, the Country will be Strong”. Its branch companies started various forms of military training in relation to safety knowledge, physical fitness training and concentration training. Those little soldiers strictly exercised self-discipline to achieve self-breakthroughs under the leadership of the “officers”. Summer camp cultural activities not only add color to the holidays of teenagers and children in the community, but also allow children to broaden their horizons and increase their knowledge through these activities and provide them with a rich and diverse living space. In the early stage of the school year, we distributed school energy packs and stationery to the children in the community.

Environmental Protection

Taking the opportunity of community cultural activities, we taught children and merchants the knowledge of waste classification and advertised a civilised community and dog raising as well as the prohibition on throwing objects from a height and charging an electric vehicle upstairs. In addition, in the second half of 2021, Kaisa Prosperity focused on low-carbon environmental protection and green health, and launched environmental protection activities to improve the environment and facilitated the government’s goals of “carbon peaking” and “carbon neutrality”. We invited property owners and employees to participate in the “Pick up and Run to Collect Garbage” activity, which combined environmental clean-up with healthy exercise and walked into public places such as scenic parks, mountains, seaside and beaches, streets, and the surrounding area of community to collect garbage. To practice low-carbon environmental protection, we started from things around us and our actions. We also launched the craft making activity named “Turning Waste into Treasure” in regular projects to turn idle clothing into tool kits and storage boxes.

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Health

In October 2021, the Group launched the holiday activity named “September 9th Chung Yeung Festival, Respect for the Elderly” where it has prepared custom cakes, drinks, melon seeds, peanuts and other foods and invited the elderly in the community to have a tea party and casual chatting, in order to create a warm and harmonious atmosphere among the neighborhood. In November, the Dongguan Branch Company service center of Shui'an Haomen cooperated with Dongguan Guangji Hospital to launch the activity of “Giving Health and Warmth, Caring for the Community with Free Medical Consultation”, bringing love and health into the community.



Participation in community anti-epidemic work

Since the outbreak of the epidemic, the Group contacted nucleic acid testing institutions in April and August 2021, and carried out nucleic acid test activities in the properties before the returning home wave during the Chinese Luna New Year. In 2021, a total of approximately 200 times of free medical consultation were organised.

In May and June 2021, we fully cooperated with the government to carry out nucleic acid test for all employees. In June 2021, we donated materials amounting to a total of RMB66,000 to Buji Street, Nanwan Street, Pinghu Street, and Bantian Street. Nantong Haian Sports Center of Jiangsu Branch under the Group has been established as a designated unit for nucleic acid test in Haian City since March 2021, and has won the honorary award granted by the Haian City Health Commission.

In order to respond to the government's call for “preventing the epidemic, staying at home, reducing gathering, and social gathering”, the Group actively cooperated with the community to organise property owners to participate in nucleic acid test, and provided services such as order maintenance and material allocation. We prepared daily necessities and food ingredients for property owners during the period of home isolation, and was awarded the excellent anti-epidemic unit by the government. Various projects of Dongguan Branch actively cooperated with community streets for anti-epidemic prevention, and sent condolences to the communities in Humen in July. In order to support the epidemic prevention of Shenye Rehabilitation Hospital and Shenzhen Vocational and Technical College, Jiake Intelligent donated 3 sets of infrared thermometers to each of them, totaling RMB34,800.

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Culture

We participated in the color painting and beautifying community wall activities organized by the community organization to convey the message of public welfare and environmental protection. We used the power of civilization to promote the construction of beautiful homes and launched “nursery garden” training camps to help students adapt to the transition from campus life to working environment and enable interns to better complete the transformation of capacity. We also organised an open-air buffet cultural event. Our Foshan Branch hand in hand with Denghu Community in Nanhai District provided free medical consultation and free physical examinations for property owners. At the event of Chinese Valentine’s Festival, we expressed sympathy for couples in golden marriages. In October 2021, we launched an event for Chung Yeung Festival.

The Group organised the 2021 Firefly Project named “Kids Pay Tribute to the 100th Anniversary of the CPC” activity to celebrate the 100th anniversary of the founding of the Communist Party of China, trace the CPC’s success stories, remember its glorious history, and inspire children’s sincere feelings of love for the CPC and patriotism through engaging the children to participate in CPC history lectures, paintings, oaths, and singing red songs, thereby actively publicized the CPC’s ideas, policies, and major tasks to the residents.

Vulnerable Groups

Furthermore, Kaisa Prosperity provided the community with activities such as free medical consultation, free hairdressing, free physical examinations, and cleaning around the parks. Throughout the year, we continued to organise home visiting activity to show care for the elderly living alone as a party building work and send warmth to and assist in cleaning, checking electrical appliances and other services for the lonely elderly living in the projects under our management. We also donated RMB2,000 to the Zhuhai Property Association to help poverty-stricken villages in Nujian Prefecture to get rid of poverty by purchasing and sending materials to the corresponding villagers’ homes.

Furthermore, we organised public welfare activities such as killing the four pests, providing convenient services, and firefighting lectures to help the old Jiancai community in Zhangjiawan Street, Hongshan District, Wuhan City.



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IX. OVERVIEW OF KEY PERFORMANCE INDICATORS (KPIs)¹

Environmental Performance

No. of KPIs	KPIs	Unit	2021	2020
A1.1 Emissions²	Nitrogen oxides (NO _x)	Kilograms	689.02	656.84
	Sulfur oxides (SO _x)	Kilograms	219.72	215.16
	Inhalable particulate matter (PM ₁₀)	Kilograms	136.36	132.93
	Fine particulate matter (PM _{2.5})	Kilograms	129.09	137.33
	Carbon monoxide (CO)	Kilograms	3,710.55	3,311.76
	Hydrocarbon (HC)	Kilograms	462.97	433.81
A1.2 Greenhouse gas emissions³	Scope 1: Direct emissions of greenhouse gas			
	Boiler for maintaining constant temperature for the swimming pool	tons of CO ₂ e	124.62	109.60
	Heat generating boiler of the central air conditioner	tons of CO ₂ e	557.40	516.38
	Gas stoves in staff canteens	tons of CO ₂ e	6.69	6.26
	Emergency generators	tons of CO ₂ e	174.73	171.16
	Weeding machines, chainsaws and leaf blowers used for landscaping management	tons of CO ₂ e	8.48	7.02
	Official vehicles	tons of CO ₂ e	182.72	189.57
	Greenhouse gas removals from newly planted trees	tons of CO ₂ e	49.17	41.68
	Direct carbon dioxide equivalent emissions in total	tons of CO ₂ e	996.99	951.30
	Intensity of direct carbon dioxide equivalent emissions⁴	tons of CO ₂ e/million square meters	11.04	16.57
	Scope 2: Indirect emissions of greenhouse gas			
	Electricity purchased ⁵	tons of CO ₂ e	120,476.62	99,021.68
	Steam purchased ⁶	tons of CO ₂ e	0.02	0.01
	Coal gas purchased	tons of CO ₂ e	5.76	1.68
Natural gas purchased	tons of CO ₂ e	10.29	7.33	
Indirect carbon dioxide equivalent emissions in total	tons of CO ₂ e	120,492.68	99,031.70	
Intensity of indirect carbon dioxide equivalent emissions⁷	tons of CO ₂ e/million square meters	1,334.80	1,725.27	

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No. of KPIs	KPIs	Unit	2021	2020
	Scope 3: Other indirect emissions of greenhouse gas			
	Waste paper discarded in a landfill	tons of CO ₂ e	82.00	83.84
	Electricity consumed by governmental authorities for handling drinking water and sewage ⁸	tons of CO ₂ e	691.10	712.50
	Business air travel by employees	tons of CO ₂ e	74.98	79.68
	Other indirect carbon dioxide equivalent emissions in total	tons of CO ₂ e	848.09	876.02
	Intensity of other indirect carbon dioxide equivalent emissions⁹	tons of CO ₂ e/million square meters	9.40	15.26
	Greenhouse gas emissions in total			
	Greenhouse gas emissions in total	tons of CO ₂ e	122,337.76	100,858.02
	Intensity of greenhouse gas emissions ¹⁰	tons of CO ₂ e/million square meters	1,355.24	1,757.11
A1.3 Hazardous waste	Total hazardous waste	tons	1.06	1.08
	Intensity of total hazardous waste	tons/million square meters	0.01	0.02
A1.4 Non-hazardous waste	Total non-hazardous waste	tons	1.25	1.20
	Intensity of total non-hazardous waste	tons/million square meters	0.01	0.02
A2.1 Energy¹¹	Direct energy consumption			
	Natural gas	'000 kWh	3,416.90	3,133.48
	Liquefied petroleum gas	'000 kWh	29.63	27.71
	Diesel	'000 kWh	683.69	669.72
	Gasoline	'000 kWh	678.27	695.95
	Direct energy consumption	'000 kWh	4,808.49	4,526.86
	Intensity of direct energy consumption¹²	'000 kWh/million square	53.27	78.87
	Indirect energy consumption			
	Electricity purchased	'000 kWh	146,485.75	112,090.97
	Steam purchased	'000 kWh	0.75	0.66
	Coal gas purchased	'000 kWh	37.49	27.92
	Natural gas purchased	'000 kWh	51.49	36.67
	Indirect energy consumption in total	'000 kWh	146,575.49	112,156.22
	Intensity of indirect energy consumption¹³	'000 kWh/million square	1,623.75	1,953.94
	Energy consumption in total			
	Energy consumption in total	'000 kWh	151,383.98	116,683.07
	Intensity of energy consumption¹⁴	'000 kWh/million square	1,677.01	2,032.81
A2.2 Water consumption	Total water consumption	cubic meters	978,036.70	1,008,316.10
	Intensity of water consumption	cubic meters/million square meters	10,834.57	17,566.48

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¹ Unless otherwise stated, the emission factors used in calculating the environmental key performance indicators in this report are based on the “How to prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Hong Kong Stock Exchange.

² The calculation of the emission is based on the “Air pollutant emission inventory based on local emission source surveys in Hangzhou, China - Acta Scientiae Circumstantiae (《基於本地污染源調查的杭州市大氣污染物排放清單研究—環境科學學報》)” (2017 Edition) published by research institutions, the “Production and supply industry of electric power (Including industrial boilers) (《熱力生產和供應行業(包括工業鍋爐》)” (sulphur content S = 30mg/m³) published by the State Environmental Protection Administration, the conversion factors provided by scientific research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html, the “Emission factors used in the estimations of emissions from combustion” published by Statistics Norway, the Project CLEAN AIR (《清新空氣約章》), the business guidance published by Hong Kong General Chamber of Commerce, the Manual for Air Pollutant Emission Factors (《空氣污染物排放係數手冊》) (AP-42, the 5th Edition) published by United States Environmental Protection Agency, the Technical Guidelines for the Compilation of Air Pollutant Emission Lists for Road Vehicles (Trial) (《道路機動車大氣污染物排放列表編製技術指南(試行)》) issued by the Ministry of Environmental Protection of the People’s Republic of China, Limits and Measurement Methods for Emission From Light-duty Vehicles (China VI) (《輕型汽車污染物排放限值及測量方法(中國第六階段)》) jointly published by the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine of China and the Study of Air Quality in the Pearl River Delta Region published by the Environmental Protection Department of the Hong Kong Special Administrative Region.

³ The calculation of the carbon dioxide equivalent emissions from direct production, coal gas purchased and natural gas purchased is based on the conversion factors provided by scientific research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html, and the References for Calculating Greenhouse Gas Emissions from Energy Consumption (《能源消耗引起的溫室氣體排放計算工具》) as set out in the internationally adopted Greenhouse Gas Protocol: Enterprise Accounting and Reporting Standards (《溫室氣體核算體系：企業核算與報告標準》).

⁴ Intensity of direct carbon dioxide equivalent emissions = Direct carbon dioxide equivalent emissions ÷ aggregate area of the 672 projects under management during the year.

⁵ The data of emission factors for the power grids in Mainland China is based on the “China’s Regional Power Grids Baseline Emission Factors for Emission Reduction Projects in 2019 (《2019年度減排項目中國區域電網基準線排放因子》)” issued by the National Development and Reform Commission.

⁶ The calculation of emissions from steam is based on the Greenhouse Gas Reporting: Conversion Factors 2018 (《溫室氣體報告：轉換因子2018》) issued by the government of the United Kingdom.

⁷ Intensity of indirect carbon dioxide equivalent emissions = Indirect carbon dioxide equivalent emissions ÷ aggregate area of the 672 projects under management during the year.

⁸ Electricity consumed per unit for handling drinking water and sewage in the PRC was set as 0.6 and 0.28328 kilowatt hours, and the default emission factor for electricity purchased in the PRC was set as 0.8 kilograms/kilowatt hour.

⁹ Intensity of other indirect carbon dioxide equivalent emissions = Other indirect carbon dioxide equivalent emissions ÷ aggregate area of the 672 projects under management during the year.

¹⁰ Intensity of greenhouse gas emissions = Greenhouse gas emissions in total ÷ aggregate area of the 672 projects under management during the year.

¹¹ Intensity of energy consumption is calculated based on the conversion factors set out at the General Rules for Calculation of Comprehensive Energy Consumption (《綜合能耗計算通則》) (GB/T 2589-2008), the national standard of the People’s Republic of China, and the conversion factors provided by scientific research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html.

¹² Intensity of direct energy consumption = direct energy consumption ÷ aggregate area of the 672 projects under management during the year.

¹³ Intensity of indirect energy consumption = indirect energy consumption ÷ aggregate area of the 672 projects under management during the year.

¹⁴ Intensity of energy consumption = energy consumption in total ÷ aggregate area of the 672 projects under management during the year.

Social Performance

No. of KPIs	KPIs	Unit	2021	2020
B1.1 Total number of employees	By types of employment			
	Full-time	person	6,499	5,549
	Part-time	person	Nil	Nil
	By geographical region			
	Guangdong-Hong Kong-Macao Greater Bay Area	person	3,361	2,870
	Yangtze River Delta region	person	920	783
	Central China	person	392	336
	Western China	person	1,220	1,059
	Bohai Economic Rim	person	606	501
	By gender			
	Male	person	4,323	3,702
	Female	person	2,176	1,847
	By age			
	30 or below	person	3,100	2,855
	31-40	person	2,202	1,777
	41-50	person	897	662
51 or above	person	300	255	

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No. of KPIs	KPIs	Unit	2021	2020
B1.2 Employee turnover rate¹⁵	By types of employment			
	Full-time	%	46	45
	Part-time	%	Nil	Nil
	By geographical region			
	Guangdong-Hong Kong-Macao Greater Bay Area	%	47	46
	Yangtze River Delta region	%	49	48
	Central China	%	57	57
	Western China	%	40	39
	Bohai Economic Rim	%	36	37
	By gender			
	Male	%	46	46
	Female	%	45	42
	By age			
	30 or below	%	47	50
31-40	%	46	44	
41-50	%	43	33	
51 or above	%	38	7	
B2.1 Number and rate of work-related fatalities¹⁶	Number of work-related fatalities	person	Nil	Nil
	Rate of work-related fatalities	%	Nil	Nil
B2.2 Number of working days lost due to work injury¹⁷	Number of working days lost due to work injury	day	13	5
B3.1 Percentage of trained employees	Percentage of trained employees	%	71	67
	By gender			
	Male	%	60	66
	Female	%	95	71
	By positions			
	Management	%	74	85
	Middle-level employee	%	80	94
Entry-level employee	%	71	65	
B3.2 Average training hours completed per employee	Average training hours completed per employee	hour	15	16
	By gender			
	Male	hour	12	16
	Female	hour	20	15
	By positions			
	Management	hour	18	23
	Middle-level employee	hour	24	32
Entry-level employee	hour	14	15	
B5.1 Number of suppliers	Number of suppliers by geographical region			
	Guangdong-Hong Kong-Macao Greater Bay Area	supplier	864	250
	Yangtze River Delta region	supplier	373	62
	Central China	supplier	247	32
	Western China	supplier	306	77
	Bohai Economic Rim	supplier	186	51
	Northeast China	supplier	163	25
	North China	supplier	46	3

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No. of KPIs	KPIs	Unit	2021	2020
B6.2 Number of complaints about products and services	Number of complaints about products and services received	case	51	62
B7.1 Legal cases in relation to corruption	Number of legal cases in relation to corruption filed and concluded	case	Nil	Nil
	Training hours in relation to anti-corruption provided to the Directors and employees ¹⁸	hour	21	14
B8.1 & B8.2 Community investment	Total amount of donation (by core contribution area)			
	Education	RMB	56,226	23,000
	Environmental concerns	RMB	7,478	4,500
	Health	RMB	28,800	Nil
	Culture	RMB	10,140	9,565
	Vulnerable groups	RMB	11,500	74,492
	Donation of anti-epidemic materials	RMB	66,679	Nil
	Total amount of donation	RMB	180,823	111,557
	Total number of hours for providing voluntary services (by core contribution area)			
	Education	hour	Nil	28
	Environmental concerns	hour	357	21
	Health	hour	340	47
	Culture	hour	588	32
	Vulnerable groups	hour	60	605
	Participation in anti-epidemic work ¹⁹	hour	54,000	Nil
	Total number of hours for providing voluntary services	hour	55,345	733
	Total number of people received the voluntary services (by core contribution area)			
	Education	person	Nil	15
	Environmental concerns	person	357	56
	Health	person	340	115
	Culture	person	588	120
	Vulnerable groups	person	60	1,719
	Participation in anti-epidemic work ¹⁹	person	6,000	Nil
	Total number of people received the voluntary services	person	7,345	2,025

¹⁵ The calculation of employee turnover rate is: employee turnover rate=number of employees turnover for the year/(number of employees as at the end of the year + number of employees turnover for the year).

¹⁶ In 2019, the number and rate of staff involved in work-related fatalities was zero.

¹⁷ In 2019, the number of working days lost due to work-related injury was 393 days.

¹⁸ During the year, the anti-corruption training was provided by the Group to directors and employees, including employees at manager level or above and directors of the subsidiaries. The anti-corruption training hours in 2020 was only counted for employees at manager level or above and directors of the headquarter.

¹⁹ During the year, the anti-epidemic work included nucleic acid test activities, mainly managing flow of people, order maintenance and QR code scanning. There was no relevant data in 2020.

Environmental, Social and Governance Report

X. HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Disclosure Status	Section/Explain
A. Environmental			
Aspect A1: Emissions			
General Disclosure		Disclosed	VII. Environmental Aspects
Information on:			
(a) the policies; and			
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and soil, generation of hazardous and non-hazardous wastes, etc.			
KPI A1.1	Types of emissions and respective emission data.	Disclosed	VII. Environmental Aspects, IX. Overview of KPIs
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	VII. Environmental Aspects, IX. Overview of KPIs
KPI A1.3	Hazardous wastes generated in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	VII. Environmental Aspects, IX. Overview of KPIs
KPI A1.4	Non-hazardous wastes generated in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	VII. Environmental Aspects, IX. Overview of KPIs
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Disclosed	VII. Environmental Aspects
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Disclosed	VII. Environmental Aspects
Aspect A2: Use of Resources			
General Disclosure		Disclosed	VII. Environmental Aspects
Policies on efficient use of resources, including energy, water and other raw materials.			
Note: Resources may be used for production, storage, transportation, buildings, electronic equipment, etc.			
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	VII. Environmental Aspects, IX. Overview of KPIs
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	VII. Environmental Aspects, IX. Overview of KPIs
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	VII. Environmental Aspects
KPI A2.4	Description of issue in sourcing water, water efficiency target(s) and steps taken to achieve them.	Disclosed	VII. Environmental Aspects
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable	The Group does not involve the use of packaging materials during its operations, so this KPI is not applicable to our business.

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Disclosure Status	Section/Explain
Aspect A3: Environmental and Natural Resources			
General disclosure		Disclosed	VII. Environmental Aspect
Policies on minimizing the issuer's significant impact on Environmental and Natural Resources.			
KPI A3.1	Description of the significant impacts of activities on Environmental and Natural Resources and the actions taken to manage them.	Disclosed	VII. Environmental Aspect
Aspect A4: Climate Change			
General disclosure		Disclosed	VII. Environmental Aspect
Policies on identification and mitigation of significant climate-related issues which have impact, and those which may impact, the issuer.			
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Disclosed	VII. Environmental Aspect
B. Social			
Employment and Labor Practices			
Aspect B1: Employment			
General disclosure		Disclosed	VIII. Social Aspects
Information on:			
(a) the policies; and			
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.			
KPI B1.1	Total workforce by gender, employment type (e.g., full time or part-time), age group and geographical region.	Disclosed	VIII. Social Aspects, IX. Overview of KPIs
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	IX. Overview of KPIs
Aspect B2: Health and Safety			
General disclosure		Disclosed	VIII. Social Aspects
Information on:			
(a) the policies; and			
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.			
KPI B2.1	Number and rate of work related fatalities occurred in each of the past three years including the reporting year.	Disclosed	VIII. Social Aspects, IX. Overview of KPIs
KPI B2.2	Lost days due to work injury.	Disclosed	VIII. Social Aspects, IX. Overview of KPIs
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	VIII. Social Aspects

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Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Disclosure Status	Section/Explain
Aspect B3: Development and Training			
General disclosure		Disclosed	VIII. Social Aspects
Policies on improving employees' knowledge and skills for discharging duties at work.			
Description of training activities.			
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	Disclosed	VIII. Social Aspects, IX. Overview of KPIs
KPI B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	VIII. Social Aspects, IX. Overview of KPIs
Aspect B4: Labor standards			
General Disclosure		Disclosed	VIII. Social Aspects
Information on:			
(a) the policies; and			
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing use of child labour or forced labour.			
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	VIII. Social Aspects
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	VIII. Social Aspects
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure		Disclosed	VIII. Social Aspects
Policies on managing the environmental and social risks of the supply chain.			
KPI B5.1	Number of suppliers by geographical region.	Disclosed	VIII. Social Aspects, IX. Overview of KPIs
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	VIII. Social Aspects
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	VIII. Social Aspects
KPI B5.4	Description of practices used to promote environmental preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	VIII. Social Aspects

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Disclosure Status	Section/Explain
Aspect B6: Product Responsibility			
General Disclosure		Disclosed	VIII. Social Aspects
Information on:			
(a) the policies; and			
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters in relation to products and services provided and methods of redress.			
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	This KPI is not applicable to our business.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	VIII. Social Aspects, IX. Overview of KPIs
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	VIII. Social Aspects
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable	This KPI is not applicable to our business.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	VIII. Social Aspects
Aspect B7: Anti-corruption			
General Disclosure		Disclosed	VIII. Social Aspects
Information on:			
(a) the policies; and			
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.			
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Disclosed	VIII. Social Aspects, IX. Overview of KPIs
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	VIII. Social Aspects
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	VIII. Social Aspects
Community			
Aspect B8: Community Investment			
General Disclosure		Disclosed	VIII. Social Aspects
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.			
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labor needs, health, culture and sports).	Disclosed	VIII. Social Aspects
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	Disclosed	VIII. Social Aspects, IX. Overview of KPIs

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the “**Board**”) of Kaisa Prosperity Holdings Limited (“**Kaisa Prosperity**” or the “**Company**”, together with its subsidiaries, the “**Group**”) is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders of the Company (the “**Shareholders**”), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance and accountability. The Board will strive to uphold the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders.

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.

Corporate Governance Report

(A) THE BOARD OF DIRECTORS

Board Composition

Executive Directors:

Mr. LIAO Chuanqiang (*Chairman*)

Mr. LI Haiming

Ms. GUO Li

Mr. NIE Qiang (*appointed on 17 June 2022*)

Ms. KWOK Hiu Ting (*Vice Chairwoman*) (*resigned on 6 December 2021*)

Mr. WU Jianxin (*resigned on 17 June 2022*)

Independent non-executive Directors:

Mr. LIU Hongbai

Ms. MA Xiumin

Mr. CHEN Bin

Biographical details of the Directors and the senior management of the Company are disclosed in the section headed "Directors and Senior Management" of this annual report. Save as disclosed in the such section, to the best knowledge of the Company, there are no other relationships (including financial, business, family or other material relationships) among the directors and senior management of the Company.

For the year ended 31 December 2021, the company secretary of the Company confirmed that he had received not less than 15 hours of relevant professional training to update his knowledge and skills.

As of 31 December 2021, the Board consisted of seven Directors including Mr. LIAO Chuanqiang (Chairman), Mr. LI Haiming, Mr. WU Jianxin and Ms. GUO Li as the executive Directors, and Mr. LIU Hongbai, Ms. MA Xiumin and Mr. CHEN Bin as the independent non-executive Directors. The overall management of the Company's operation is vested in the Board.

Directors' Responsibilities

The Board takes on the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, risk management and internal control systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company.

All Directors have full and timely access to all relevant information about the Company so that they can discharge their duties and responsibilities as Directors. In particular, through regular Board meetings and receipt of regular financial and business updates, all Directors are kept abreast of the conduct, business activities and development, as well as regulatory updates applicable to the Company.

Liability insurance for Directors and members of the senior management of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Corporate Governance Report

Delegation by the Board

The management, consisting of the executive Directors of the Company along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

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.

Chairman and Chief Executive Officer

According to paragraph A.2.1 of the CG Code as set out in Appendix 14 of the Listing Rules, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer. For the year ended 31 December 2021, Mr. LIAO Chuanqiang acted as Chairman and president of the Company.

The chairman plays a leadership role and is responsible for the effective functioning of the Board in accordance with the good corporate governance practice adopted by the Company. He is also responsible for instilling corporate culture and developing strategic plans for the Company.

Under code provisions A.2.1 and A.2.2 of the CG Code, the chairman would ensure that all Directors are properly briefed on issues arising at Board meetings and would be responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner.

On the other hand, the chief executive officer primarily focuses on developing and implementing objectives and policies approved and delegated by the Board. The chief executive officer is also responsible for the Group's day-to-day management and operations and the formulation of the organisation structure, control systems and internal procedures and processes of the Company for the Board's approval.

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

Corporate Governance Report

Independent Non-Executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgement and their views carry significant weight in the Board's decision. They bring an impartial view on the Company's strategies, performance and control.

All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board.

The Board also considers that the independent non-executive Directors can provide independent advice on the Company's business strategies, results and management so as to safeguard the interests of the Company and the Shareholders.

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive Directors. Pursuant to Rule 3.10A of the Listing Rules, the independent non-executive Directors of a listed issuer must represent at least one-third of the Board of such listed issuer, during the period from the Listing Date to the date of this annual report, the Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules.

The Company has received an annual confirmation of independence from each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Board Meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. Meeting agenda for regular meetings are set after consultation with the Chairman. All Directors are given an opportunity to include matters in the agenda.

At least 14 days' notice will be given for a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice will be given.

All Directors are provided with relevant materials relating to the matters in issue in advance before the meetings and have the opportunity to include matters in the agenda for Board meetings. They can separately get access to the senior executives and the company secretary at all time and may seek independent professional advice at the Company's expense. Minutes of board meetings and meetings of Board committees are kept by the company secretary of the meeting and such minutes are open for inspection at any reasonable time on reasonable notice by any Director.

Pursuant to code provision A.1.5 of the CG Code, minutes of Board meetings and meetings of Board committees record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of Board meetings were sent to all the Directors for their comment and record respectively, in both cases within a reasonable time after the Board meeting was held.

Corporate Governance Report

Other than regular meetings, the Chairman also meets with non-executive Directors (including Independent non-executive Directors) without the presence of executive Directors, to facilitate an open discussion among the non-executive Directors on issues relating to the Group.

Pursuant to code provision A.1.7 of the Code, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by way of a physical meeting, rather than a written resolution. Independent non-executive Directors who have no material interest in the transaction would be present at such Board meeting.

The Board procedures are in compliance with the articles of associations of the Company (the “**Articles**”), as well as relevant rules and regulations. For the year ended 31 December 2021, there were no significant changes to the Articles.

Appointment, Re-election and Removal of Directors

Each of the executive Directors and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for a specific term of three years. Such term is subject to his/her re-election by the Company at an annual general meeting (“**AGM**”) upon retirement. The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the members of the Company and shall then be eligible for re-election at such meeting. Besides, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

In accordance with the Articles, at every AGM of the Company, one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and being eligible offer themselves for re-election.

The members of the Company may, at any general meetings convened and held in accordance with the Articles, remove a Director at any time before the expiration of his period of office notwithstanding anything contrary in the Articles or in any agreement between the Company and such Director.

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or alternative Director would receive an induction package covering the Group’s businesses and the statutory regulatory obligations of a director of a listed company. The Group also provided briefings and other training to develop and refresh Directors’ knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment and subsequently, necessary briefing and professional development to ensure appropriate understanding of the business and operations of the Company and full awareness of Director’s responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Corporate Governance Report

According to paragraph A.6.5 of the CG code as set out in Appendix 14 of the Listing Rules, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills that enable the Directors to discharge their duties properly. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Prior to the Listing Date, all Directors have been given the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interests. In addition, relevant reading materials including legal and regulatory updates will be provided to the Directors for their reference and studying.

For the year ended 31 December 2021, all the Directors, namely Mr. LIAO Chuanqiang, Mr. LI Haiming, Mr. WU Jianxin, Ms. GUO Li, Mr. LIU Hongbai, Ms. MA Xiumin and Mr. CHEN Bin, had participated in appropriate continuous professional development activities by ways of attending the director training webcast series organized by the Hong Kong Stock Exchange and/or attending trainings organized by professional firm and/or reading materials relevant to the Company's businesses or to the Directors' duties and responsibilities.

Board Diversity Policy

The Board adopted a board diversity policy by setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Board Committees

The Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Board and the Company's affairs. All Board committees are established with defined written terms of reference which are available to shareholders on the websites of the Company and the Hong Kong Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Nomination Committee and policy

The Nomination Committee is primarily responsible for, among other things, considering and recommending to the Board suitably qualified persons to become the member of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required.

Its written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of Board composition and the management of Board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The Nomination Committee will select and recommend candidates for directorship after consideration of referrals and engagement of external recruitment professionals, when necessary.

Corporate Governance Report

The composition of the Nomination Committee during the financial year under review was as follows:

Chairman:

Mr. LIAO Chuanqiang, executive Director

Members:

Mr. LIU Hongbai, independent non-executive Director

Ms. MA Xiumin, independent non-executive Director

Mr. CHEN Bin, independent non-executive Director

The Nomination Committee was primarily responsible for the following duties:

- to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board;
- to identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, and ensure the diversity of the Board members;
- to assess the independence of the independent non-executive Directors;
- to make recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of the Directors and succession planning for the Directors;
- to review the policy on nomination policy, Board diversity policy and any measurable objectives for implementing such policies as may be adopted by the Board from time to time and to review the progress on achieving the objectives.

Audit Committee

The Audit Committee is primarily responsible for, among other things, the review and supervision of the Group's financial reporting process, internal controls and review of the Company's financial statements. Their written terms of reference are in line with the provisions under the CG Code and explains the role and the authority delegated to the Audit Committee by the Board.

The Audit Committee consists of three members, all of whom are independent non-executive Directors. The composition of the Audit Committee during the financial year under review was as follows:

Chairman:

Mr. CHEN Bin, independent non-executive Director

Members:

Mr. LIU Hongbai, independent non-executive Director

Ms. MA Xiumin, independent non-executive Director

Corporate Governance Report

The Audit Committee was primarily responsible for the following duties:

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any issues related to its resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;
- to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- to review and monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;
- to oversee the Company's financial reporting system, risk management and internal control systems;
- to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;
- to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;
- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to such findings;
- to review the financial and accounting policies and practices of the Company and its subsidiaries;
- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised;
- to review the effectiveness of the risk management and internal control systems and the internal audit function;
- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

Corporate Governance Report

- to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company;
- to review the Company's compliance with the code and disclosure in the Corporate Governance Report of the Company; and
- to review the consolidated financial statements of the Group for the year.

The audited consolidated annual results of the Group for the year ended 31 December 2021 had been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee is primarily responsible for, among other things, making recommendations to the Directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation are reasonable. Their written terms of reference are in line with the provisions of the Code. Pursuant to code provision B.1.4 of the CG Code, the remuneration committee would make available its terms of reference, explaining its role and the authority delegated to it by the Board. The composition of the Remuneration Committee during the financial year under review was as follows:

Chairman:

Mr. LIU Hongbai, independent non-executive Director

Members:

Mr. LIAO Chuanqiang, executive Director

Ms. MA Xiumin, independent non-executive Director

Mr. CHEN Bin, independent non-executive Director

The Remuneration Committee was primarily responsible for the following duties:

- to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to determine, with delegated responsibility, the specific remuneration packages of all executive Directors and senior management members of the Company;
- to make recommendations to the Board on the remuneration of non-executive directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

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- to review and approve the compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no director or any of his associates is involved in deciding his own remuneration.

The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed “Report of the Directors” and note 12 to the consolidated financial statements. During the year ended 31 December 2021, the Remuneration Committee determined the remuneration packages of the executive Directors, independent non-executive Directors and senior management members of the Company, and reviewed the collective performance and individual performance as well as the performance-based bonus payment of them.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2021 is set out below:

Remuneration bands (RMB)	Number of persons
2,000,001 to 3,000,000	3
4,000,001 to 5,000,000	1
	4

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Meeting Attendance

The attendance of Directors at Board meetings and meetings of the Board committees and general meetings during the year ended 31 December 2021, as well as the number of such meetings held, is set out as follows:

Meetings attended/held

Directors	Board	Nomination Committee	Audit Committee	Remuneration Committee	General Meetings
Executive Directors					
Mr. LIAO Chuanqiang	4/4	1/1	N/A	1/1	1/2
Mr. LI Haiming	3/4	N/A	N/A	N/A	0/2
Mr. WU Jianxin	4/4	N/A	N/A	N/A	1/2
Ms. GUO Li	4/4	N/A	N/A	N/A	2/2
Ms. KWOK Hiu Ting (Note)	3/3	N/A	N/A	N/A	1/2
Independent Non-Executive Directors					
Mr. LIU Hongbai	4/4	1/1	2/2	1/1	2/2
Ms. MA Xiumin	4/4	1/1	2/2	1/1	2/2
Mr. CHEN Bin	4/4	1/1	2/2	1/1	2/2

Note: Ms. KWOK Hiu Ting resigned as executive director on 6 December 2021.

(B) FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Group. In the preparation of financial statements, the Hong Kong financial reporting standards have been adopted and the appropriate accounting policies have been consistently used and applied. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. Pursuant to code provision C.1.1 of the CG Code, management would provide sufficient explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The working scope and reporting responsibilities of Elite Partners CPA Limited, the Company's external auditor, are set out on pages 105 to 109 of the "Independent Auditor's Report" in this annual report.

Corporate Governance Report

External Auditor's Remuneration

During the year under review, the fee paid/payable to Elite Partners CPA Limited in respect of its audit services provided to the Company for the year ended 31 December 2021 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Service	1,500

Risk Management and Internal Control

The Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness on an ongoing basis. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has developed and adopted risk management procedures and guidelines with defined authority for implementation by key business processes and office functions. The Board, together with the Audit Committee, collect the information from the risk management system, include discussions of risk and oversight of the management of those risks into the agenda of Board meetings.

An internal audit department has been established to perform regular financial and operational reviews and conduct audit of the Company and its subsidiaries. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks. The work carried out by the internal audit department will ensure the internal controls are in place and functioning properly as intended. In addition, the Company, through the Audit Committee, has also reviewed the adequacy of resources, qualifications and experience of staff of the accounting and finance department and internal audit department, and their training programmes and budget.

During the course of audit performed by the external auditors, they reported on the weaknesses of the Group's risk management, internal control and accounting procedures which came to their attention during the year.

The Directors, through the Audit Committee, reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance control, at least annually, for the year ended 31 December 2021. After such review, the Board considered that the Company's enhanced internal control system was adequate and effective.

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Handling of Inside Information

With a view to identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), procedures including notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Group to guard against possible mishandling and/or unauthorised use of inside information within the Group.

(C) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has established and maintained various channels of communication with the Company's shareholders and the public to ensure that they are kept abreast of the Company's latest news and business development. Information relating to the Company's financial results, corporate details, property projects and major events are disseminated through publications of interim and annual reports, announcements, circulars, press release and newsletters. The Board believes that effective investor relations can contribute towards lower cost of capital, higher market liquidity for the Company's stock and a more stable shareholder base. Therefore, the Company is committed to maintaining a high level of corporate transparency and following a policy of disclosing relevant information to Shareholders, investors, analysts and bankers in a timely manner. Keeping them aware of the Group's corporate strategies and business operations is one of the key missions of the Company's investor relations team.

Shareholders may put forward their written enquiries to the Board. In this regard, the Shareholders may send those enquiries or requests as mentioned to the following:

Address: Room 507, Block A, Kaisa Center, No. 66, Nanyuan Road, Futian District, Shenzhen, Guangdong, PRC

Fax: (86) 0755-25887635

Telephone: (86) 0755-22658123

Pursuant to the code provisions of the CG Code, in respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The chairman of the Board should attend the AGM and invite for the chairman of the Audit Committee, Remuneration Committee and Nomination Committees any other committee (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the AGM. The chairman of the independent Board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval. The Company would arrange for the notice to shareholders to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings. The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from Shareholders on voting by way of a poll.

Shareholder(s) holding not less than one-twentieth of the paid up capital of the Company can make a requisition to convene an extraordinary general meeting. The requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the registered office of the Company.

Corporate Governance Report

There are no provisions in the Articles for Shareholders to put forward proposals at general meetings of the Company. However, Shareholders who wish to put forward proposals may follow the Articles for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures are set out in the above paragraph.

The constitutional documents of the Company are available on the websites of the Company (<http://www.jzywy.com>) and the Hong Kong Stock Exchange. There were no changes in the constitutional documents of the Company since the Listing Date.

(D) DIVIDEND POLICY

Purpose

This Dividend Policy (the “**Policy**”) sets out the principles and guidelines that the Company will apply when considering the declaration and payment of dividends to the shareholders of the Company.

Principles and Guidelines

The Company may, subject to the Cayman Companies Law, from time to time in general meeting declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board.

The Board may from time to time determine to pay to the Shareholders such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may determine to pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

The Board has the discretion to declare dividends to the shareholders of the Company, subject to the Articles of the Company and all applicable laws and regulations, taking into account the factors set out below:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of Shareholders;

Corporate Governance Report

- taxation considerations;
- any contractual, statutory and regulatory restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Review of the Policy

The Board will review this Policy as appropriate from time to time.

(E) CHANGE IN CONSTITUTIONAL DOCUMENTS

For the year ended 31 December 2021, there is no material change to the memorandum and Articles of Association of the Company.

Report of the Directors

The board of directors (the “**Board**”) presents the annual report and the audited consolidated financial statements of Kaisa Prosperity Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are principally engaged 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 activities and particulars of the Company’s subsidiaries are set out in note 18 to the consolidated financial statements. An analysis of the Group’s turnover and operating profit for the year by principal activities is set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

The business objectives of the Group are to develop its business and achieve sustainable growth of its business. A review of the businesses of the Group during the year using the key performance indicators, a discussion on the Group’s future business development and description of key risk factors and uncertainties that the Group is facing are provided in the section headed “Chairman’s Statement” and “Management Discussion and Analysis” in this annual report.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 110 in this annual report.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for 2021 (2020: HK69.0 cents per share).

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 113 and note 34 to the consolidated financial statements in this annual report, respectively.

As at 31 December 2021, the distributable reserves of the Company amounted to approximately RMB679.4 million.

Report of the Directors

BORROWINGS

The Group had no borrowing during the year ended 31 December 2021. (For the year ended 31 December 2020: nil)

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in note 8 to the consolidated financial statements.

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.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Under the Articles, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

Report of the Directors

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Compliance with the Deed of Non-Competition

None of the controlling shareholders of the Company (the “**Controlling Shareholders**”) is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of the Controlling Shareholders has unconditionally and irrevocably undertaken to us in the Deed of Non-Competition (the “**Deed of Non-Competition**”) on 12 November 2018 that it will not, and will procure its close associates (other than members of the Group) not to directly or indirectly (including through nominees) be involved in, interested in or undertake any business that directly or indirectly competes, or may compete, with the Group’s business, which includes providing property management services, pre-delivery and consulting services, smart solution services and community value-added services (collectively referred to as the “**Restricted Activities**”), or hold shares or interest in any companies or business that compete or may compete directly or indirectly with the business engaged by the Group from time to time except where the Controlling Shareholders and their close associates hold less than 5% of the total issued share capital of any company (whose shares are listed on the Hong Kong Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group and they do not control 10% or more of the composition of the board of directors of such company

The Deed of Non-Competition will lapse automatically if the Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 50% or above of the shares of the Company with voting rights or the shares of the Company cease to be listed on the Hong Kong Stock Exchange.

Each of the Controlling Shareholders has provided written confirmation to the Company pursuant to which the Controlling Shareholders confirmed that from the Listing Date and up to the date of this annual report, (1) each of them has fully complied with all terms and requirements of the Deed of Non-Competition, (2) each of them not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with the Restricted Activities, and (3) each of them does not hold more than 5% of the shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time and controls 10% or more of the composition of the board of directors of such company.

The independent non-executive Directors have reviewed all the necessary information provided by the Controlling Shareholders for compliance with the Deed of Non-Competition and confirmed that as of the date of this annual report, the Controlling Shareholders have fully complied with and did not breach all terms and requirements of the Deed of Non-Competition.

Report of the Directors

DIRECTORS

During the year ended 31 December 2021 and up to the date of this report, the Directors were as follows:

Executive Directors

Mr. LIAO Chuanqiang (*Chairman*)

Mr. LI Haiming

Ms. GUO Li

Mr. NIE Qiang (*appointed on 17 June 2022*)

Ms. KWOK Hiu Ting (*Vice Chairwoman*) (*resigned on 6 December 2021*)

Mr. WU Jianxin (*resigned on 17 June 2022*)

Independent Non-Executive Directors

Mr. LIU Hongbai

Ms. MA Xiumin

Mr. CHEN Bin

In accordance with Article 84(1) of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

In accordance with Article 83(3) of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Pursuant to 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive Director Pursuant to Rule 3.10A of the Listing Rules, the independent non-executive directors of a listed issuer must represent at least one-third of the board. The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

The biography of all the Directors and members of the senior management of the Company are set out on pages 30 to 33.

Report of the Directors

DIRECTOR'S SERVICE CONTRACTS

Each of the executive Directors has entered into service contract with the Company for a term of three years, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Each of the independent non-executive Directors has entered into letter of appointment with the Company and is appointed for a period of three years commencing on the date of listing/appointment (as the case may be), which will continue subject to re-election at the Company's general meeting, and such letter of appointment could be terminated by giving not less than three months' prior notice in writing. None of the Directors has entered into a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

THE SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") by the written resolutions of the shareholders of the company passed on 18 June 2019 (the "**Adoption Date**"). A summary of the principal terms of the Share Option Scheme is set out as follows:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to Eligible Participants as defined below with the view to achieving the following objectives.

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) Participants of the Share Option Scheme

Participants of the Share Option Scheme include any full-time or part-time employees, executives, officers or directors (including non-executive directors and independent non-executive directors) of the Group who, in the sole opinion of the Board, will contribute or have contributed to the Group (the "**Eligible Participants**").

(3) Total number of shares available for issue under the Share Option Scheme

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and options under the other schemes of the Company is 10% ("**Scheme Limit**") of the total number of shares in issue on the Adoption Date, unless approval has been obtained from the shareholders of the Company. Any increase in the Scheme Limit shall in no event result in the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and options under other schemes of the Company exceeding 30% of the shares in issue from time to time.

The total number of shares that may fall to be allotted and issued under the Share Option Scheme would be 14,000,000 shares, representing 10% of the total number of 140,000,000 shares in issue on the Adoption Date and approximately 9.09% of the total number of 154,110,000 shares in issue as at the date of this Report. During the year ended 31 December 2021, no options were granted under the Share Option Scheme.

Report of the Directors

(4) Maximum entitlement of each Participant

Unless approved by the shareholders of the Company, the maximum number of shares in respect of which options may be granted under the Share Option Scheme to any Eligible Participant shall not, when aggregated with: (a) any shares issued upon exercise of options granted under the Share Option Scheme or options under the other schemes which have been granted to that Eligible Participant, (b) any shares which would be issued upon the exercise of outstanding options granted under the Share Option Scheme or options under the other schemes granted to that Eligible Participant, and (c) any cancelled shares which were the subject of options granted under the Share Option Scheme or options under the other schemes which had been granted to and accepted by that Eligible Participant, in any 12-month period up to the Offer Date (as defined below) exceed 1% of the number of shares in issue.

(5) Period within which the securities must be taken up under an option

The period within which the options must be exercised will be specified by the Company at the time of grant, provided that such period of time shall not exceed a period of ten years commencing on the date on which the share option is deemed to be granted and accepted.

Vesting of the Share Options on a particular vesting date is conditional upon achievement of certain performance targets by the Grantee(s) unless otherwise waived by any one of the Directors.

(6) Payment on acceptance of option offer

HK\$1.00 is payable by the Eligible Participant of the Share Option Scheme to the Company upon acceptance of the option offered as consideration for the grant. None of the considerations for the grant from Eligible Participants was received by the Company as at the date of this annual report.

(7) Basis of determining the exercise price

The exercise price per share under the Share Option Scheme is determined by the Board in its absolute discretion but in any event must be at least the higher of: (i) the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of on which such option is offered in writing (the "Offer Date"); (ii) the average of the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a share, provided that for the purpose of determining the exercise price where the shares have been listed on the Stock Exchange for less than five business days preceding the Offer Date, the issue price of the shares in connection with such listing shall be deemed to be the closing price of the shares for each business day falling within the period before the listing of the shares on the Stock Exchange.

Report of the Directors

(8) Remaining life of the Share Option Scheme

The Share Option Scheme will remain valid until 18 June 2029 after which no further options shall be offered. However, the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of this Share Option Scheme and the options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme. The summary below sets out the details of options granted as at 31 December 2021 pursuant to the Share Option Scheme:

Grantee	Date of grant	Closing price of the securities immediately before the date on which the options were granted (HKD per share)	Exercise Period	Exercise Price (HKD)	Balance	Granted	Exercised	Cancelled/ forfeited/ lapsed	Balance
					as of 1 January 2021	during the year ended 31 December 2021	during the year ended 31 December 2021	during the year ended 31 December 2021	as of 31 December 2021
Directors of Kaisa Prosperity									
LIAO Chuanqiang	19 July 2019 (b)	15.36	19 July 2020 to 18 July 2029	15.70	400,000	–	–	–	400,000
		15.36	19 July 2021 to 18 July 2029	15.70	400,000	–	–	–	400,000
		15.36	20 July 2022 to 18 July 2029	15.70	400,000	–	–	–	400,000
		15.36	20 July 2023 to 18 July 2029	15.70	800,000	–	–	–	800,000
GUO Li	19 July 2019	15.36	19 July 2020 to 18 July 2029	15.70	120,000	–	–	–	120,000
		15.36	19 July 2021 to 18 July 2029	15.70	120,000	–	–	–	120,000
		15.36	20 July 2022 to 18 July 2029	15.70	120,000	–	–	–	120,000
		15.36	20 July 2023 to 18 July 2029	15.70	240,000	–	–	–	240,000
MA Xiumin	19 July 2019	15.36	19 July 2020 to 18 July 2029	15.70	10,000	–	–	–	10,000
		15.36	19 July 2021 to 18 July 2029	15.70	10,000	–	–	–	10,000
		15.36	20 July 2022 to 18 July 2029	15.70	10,000	–	–	–	10,000
		15.36	20 July 2023 to 18 July 2029	15.70	20,000	–	–	–	20,000
LIU Hongbai	19 July 2019	15.36	19 July 2020 to 18 July 2029	15.70	10,000	–	–	–	10,000
		15.36	19 July 2021 to 18 July 2029	15.70	10,000	–	–	–	10,000
		15.36	20 July 2022 to 18 July 2029	15.70	10,000	–	–	–	10,000
		15.36	20 July 2023 to 18 July 2029	15.70	20,000	–	–	–	20,000
CHEN Bin	19 July 2019	15.36	19 July 2020 to 18 July 2029	15.70	10,000	–	–	–	10,000
		15.36	19 July 2021 to 18 July 2029	15.70	10,000	–	–	–	10,000
		15.36	20 July 2022 to 18 July 2029	15.70	10,000	–	–	–	10,000
		15.36	20 July 2023 to 18 July 2029	15.70	20,000	–	–	–	20,000
Other Employees	19 July 2019	15.36	19 July 2020 to 18 July 2029	15.70	1,570,000	–	110,000	–	1,460,000
		15.36	19 July 2021 to 18 July 2029	15.70	1,570,000	–	–	110,000	1,460,000
		15.36	20 July 2022 to 18 July 2029	15.70	1,570,000	–	–	110,000	1,460,000
		15.36	20 July 2023 to 18 July 2029	15.70	3,140,000	–	–	220,000	2,920,000
Total					10,600,000	–	110,000	440,000	10,050,000

As at 31 December 2021, 4,020,000 options were exercisable.

Report of the Directors

Notes:

- (a) The above Share Options shall be vested in four tranches in accordance with the following dates: (i) up to 20% of the Share Options granted to each grantee at any time after the expiration of 12 months from the date of grant, i.e. 18 July 2020; (ii) up to 40% of the Share Options granted to each grantee at any time after the expiration of 24 months from the date of grant, i.e. 18 July 2021; (iii) up to 60% of the Share Options granted to each grantee at any time after the expiration of 36 months from the date of grant, i.e. 18 July 2022; and (iv) all the remaining Share Options granted to each grantee at any time after the expiration of 48 months from the date of grant, i.e. 18 July 2023. The Shares Options are exercisable within a period of ten years from the date of grant, i.e. 18 July 2029, subject to the vesting schedule. Vesting of the Share Options on a particular vesting date is conditional upon achievement of certain performance targets by the Grantee(s) unless otherwise waived by any one of the Directors.
- (b) The grant become effective upon approvals by the Shareholders of the Company and Kaisa Holding on 16 June 2020 and 15 June 2020 respectively.
- (c) During the year ended 31 December 2021, a total of 110,000 options were exercised and a total of 440,000 options were forfeited. The weighted average closing prices of the shares immediately before the dates on which the relevant Share Options were exercised was HK\$27.25.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to each Eligible Participant in any 12-month period exceeding 1% of the issued share capital of the Company from the date of grant shall be subject to the shareholders' approval. No such grant was made during the year ended 31 December 2021.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Directors' and Chief Executive's Interests in Securities

As of 31 December 2021, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange were as follows:

i. Long position in shares of the Company ("shares")

Name of Director	Nature of interest	Number of underlying shares in which the Directors hold under the Share Option Scheme ⁽¹⁾	Approximate percentage of issued share ⁽²⁾
LIAO Chuanqiang	Beneficial	2,000,000	1.30%
GUO Li	Beneficial	600,000	0.39%
MA Xiumin	Beneficial	50,000	0.03%
LIU Hongbai	Beneficial	50,000	0.03%
CHEN Bin	Beneficial	50,000	0.03%

Notes:

- (1) The number of underlying shares in which the Directors hold under the Share Option Scheme are detailed in "The Share Option Scheme" section.
- (2) The percentages were calculated based on 154,110,000 shares in issue as at 31 December 2021, assuming all the share options granted under the Share Option Scheme have been exercised.

Report of the Directors

ii. Interest in associated corporation

Name of Director	Name of associated corporation	Number of shares interested	Approximate percentage of interest
LIAO Chuanqiang	Kaisa Group Holdings Ltd.	4,129,708	0.06%
LI Haiming	Kaisa Group Holdings Ltd.	9,054,386	0.13%
WU Jianxin	Kaisa Group Holdings Ltd.	4,129,708	0.06%

Save for those disclosed above, as of 31 December 2021, none of the Directors or chief executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Schemes as set out in note 31 to the consolidated financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 37 to the consolidated financial statements, no transaction, arrangements or contract of significance to which the Company, its holding company or their subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year ended 31 December 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors are of the view that during the year ended 31 December 2021, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly with the Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance between the Controlling Shareholder and any of its subsidiaries and the Group was made during the year ended 31 December 2021 save as disclosed in note 37 to the consolidated financial statements.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As of 31 December 2021, so far as the Directors were aware, persons other than the Directors or chief executive of the Company, who had interests or a short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are set out as follows:

Name of substantial shareholder	Capacity	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
Kaisa Group Holdings Ltd. (" Kaisa Holdings ")	Interest in controlled corporation	103,530,000 (L) (Note 2)	67.18
Paramount Access Investments Limited (" Paramount Access ")	Interest in controlled corporation	103,530,000 (L) (Note 2)	67.18
Ye Chang Investment Company Limited (" Ye Chang ")	Beneficial owner	103,530,000 (L) (Note 2)	67.18

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Ye Chang is beneficially wholly-owned by Paramount Access, which is in turn wholly-owned by Kaisa Holdings. By virtue of the SFO, each of Kaisa Holdings and Paramount Access is deemed to be interested in the same number of Shares which Ye Chang is interested in.
3. The percentages were calculated based on 154,110,000 Shares in issue as at 31 December 2021.

Save for those disclosed above, as of 31 December 2021, to the best of the Directors' knowledge, no other persons had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 195 to 196 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 50% of its goods and services to its 5 largest customers with its largest customer (namely Kaisa Group) contributed approximately 45% of the Group's revenue. Details of the largest customer are set out in note 6.1 to the consolidated financial statements.

Except for the above mentioned note 6.1 to the consolidated financial statements, at no time during the year ended 31 December 2021, none of the Director, their close associate or a shareholder of the Company (who to the knowledge of the Directors own more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest suppliers or customers.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2021 are set out in note 37 to the consolidated financial statements. In relation to the related party transactions which also constituted connected transactions or continuing connected transactions, the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Group had conducted certain continuing connected transaction with connected persons of the Group as defined in Chapter 14A of the Listing Rules. Details of the transactions are set out in note 37 to the consolidated financial statements and below:

1. The Deed of HK Trademark Licensing

On 20 November 2018, a deed of trademark licensing was entered into between the Company and Kaisa Holdings (the “**Deed of HK Trademark Licensing**”), pursuant to which Kaisa Holdings agreed to irrevocably and unconditionally grant to the Company and other members of the Group the right to (i) use or (ii) sub-license to a third party due to necessary needs arising from its usual and ordinary course of business and other activities (the “**Licensed Scope**”) certain trademarks (the “**Kaisa HK Trademarks**”) registered in Hong Kong for a perpetual term commencing from the date of the Deed of HK Trademark Licensing on a royalty-free basis.

Kaisa Holdings is one of the Controlling Shareholders and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Deed of HK Trademark Licensing will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

As the right to use the Kaisa HK Trademark is granted to the Group on a royalty-free basis, the transactions under the Deed of HK Trademark Licensing will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules upon Listing, and will be exempted from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Details of the Deed of HK Trademark Licensing have been set out in the section “CONNECTED TRANSACTIONS” in the Company’s prospectus dated 26 November 2018 (the “**Prospectus**”).

2. The PRC Trademark Licensing Agreement

On 20 November 2018, a trademark licensing agreement was entered into between the Company and Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司) (formerly known as Kaisa Real Estate (Shenzhen) Company Limited (佳兆業地產(深圳)有限公司)), an indirect wholly-owned subsidiary of Kaisa Holdings, (the “**PRC Trademark Licensing Agreement**”), pursuant to which Kaisa Group (Shenzhen) Co., Ltd. agreed to irrevocably and unconditionally grant to the Company and other members of the Group the right to (i) use or (ii) sub-license to a third party due to necessary needs arising from the Licensed Scope certain trademarks (the “**Kaisa PRC Trademarks**”) registered in the PRC for a perpetual term commencing from the date of the PRC Trademark Licensing Agreement on a royalty-free basis.

Kaisa Group (Shenzhen) Co., Ltd. is a subsidiary of Kaisa Holdings, which is one of the Controlling Shareholders and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the PRC Trademark Licensing Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

As the right to use the Kaisa PRC Trademark is granted to the Group on a royalty-free basis, the transactions under the PRC Trademark Licensing Agreement will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules upon Listing, and will be exempted from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Details of the PRC Trademark Licensing Agreement have been set out in the section “CONNECTED TRANSACTIONS” in the Prospectus.

Report of the Directors

3. Sales Assistance Services Framework Agreement

On 20 November 2018, the Company entered into a sales assistance services framework agreement with Kaisa Holdings (the **"2018 Sales Assistance Services Framework Agreement"**), pursuant to which the Group agreed to provide sales assistance services, including but not limited to, referring potential buyers to Kaisa Group and/or its associates for the sales of the unsold properties in residential communities managed by us (the **"Sales Assistance Services"**), for a term commencing from the Listing Date until 31 December 2020.

Kaisa Holdings is one of the Controlling Shareholders and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Sales Assistance Services Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

The term of the 2018 Sales Assistance Services Framework Agreement expired on 31 December 2020. On 4 November 2020, the Company entered into a sales assistance services framework agreement with Kaisa Holdings (the **"2020 Sales Assistance Services Framework Agreement"**), pursuant to which the Group agreed to provide to Kaisa Group and/or its associates the Sales Assistance Services, for a term commencing from 1 January 2021 until 31 December 2023.

The Sales Assistance Services under the 2020 Sales Assistance Services Framework Agreement for each of the three years ending 31 December 2023 will not exceed RMB7,200,000, RMB8,640,000 and RMB10,400,000, respectively. As one or more applicable percentage ratios (other than the profits ratio) in respect of the 2020 Sales Assistance Services are over 0.1% but all percentage ratios are below 5%, the transactions are subject to the reporting, annual review and announcement requirements, but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2021, the total amount of commission fee payable by Kaisa Group for the Sales Assistance Services amounted to RMB1,558,375, which is within the annual cap of RMB7,200,000.

Details of the 2018 Sales Assistance Services Framework Agreement and the 2020 Sales Assistance Services Framework Agreement have been set out in the section "CONNECTED TRANSACTIONS" in the Prospectus and the announcement dated 4 November 2020, respectively.

4. Property Management Services Framework Agreement

On 20 November 2018, the Company entered into a property management services framework agreement with Kaisa Holdings (the **"2018 Property Management Services Framework Agreement"**), pursuant to which the Group agreed to provide to Kaisa Group and/or its associates property management services, including but not limited to (i) pre-delivery services including (a) construction sites management services; and (b) display units and property sales venues management services; and (ii) property management services for properties owned, used or operated by the Kaisa Group and/or its associates (the **"Property Management Services"**), for a term commencing from the Listing Date until December 31, 2020. On 29 November 2019, the Company entered into the supplemental agreement (**"2019 Property Management Services Supplemental Agreement"**) with Kaisa Group to revise the annual caps of the continuing connected transactions for the year ended 31 December 2020 under the Property Management Services Framework Agreement. The revised annual caps for the two years ended 31 December 2020 were RMB500,000,000 and RMB550,000,000, respectively, which was duly passed during the extraordinary general meeting held on 24 December 2019.

On 4 November 2020, the Company entered into the supplemental agreement (**"2020 Property Management Services Supplemental Agreement"**) with Kaisa Group to the 2018 Property Management Services Framework Agreement to revise the annual cap of the continuing connected transactions for the year ended 31 December 2020 under the 2018 Property Management Services Framework Agreement and 2019 Property Management Services Supplemental Agreement. The revised annual cap for the year ended 31 December 2020 was RMB660,000,000, which was duly passed during the extraordinary general meeting held on 15 December 2020.

Report of the Directors

Kaisa Holdings is one of the Controlling Shareholders and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Property Management Services Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

The term of the 2018 Property Management Services Framework Agreement expired on 31 December 2020. On 4 November 2020, the Company entered into a property management services framework agreement with Kaisa Holdings (the **"2020 Property Management Services Framework Agreement"**), pursuant to which the Group agreed to provide to Kaisa Group and/or its associates Property Management Services, for a term commencing from January 1, 2021 until 31 December 2023.

The Property Management Services under the 2020 Property Management Services Framework Agreement for each of the three years ending 31 December 2023 will not exceed RMB1,200,000,000, RMB1,450,000,000 and RMB1,750,000,000, respectively, which was duly passed during the extraordinary general meeting held on 15 December 2020.

For the year ended 31 December 2021, the total amount of fees payable by Kaisa Group for the Property Management Services amounted to RMB1,111,792,290, which is with the annual cap of RMB1,200,000,000.

Details of the 2018 Property Management Services Framework Agreement have been set out in the section "CONNECTED TRANSACTIONS" in the Prospectus. Details of the 2020 Property Management Services Framework Agreement have been set out in the announcement and circular dated 4 November 2020 and 24 November 2020, respectively.

5. Equipment Installation Services Framework Agreement

On 20 November 2018, the Company entered into an equipment installation services framework agreement with Kaisa Holdings (the **"2018 Equipment Installation Services Framework Agreement"**), pursuant to which the Group agreed to provide equipment installation services (the **"Equipment Installation Services"**) to the Kaisa Group and/or its associates equipment installation services, mainly including installation of (i) access control system; (ii) intercom system; (iii) surveillance system; (iv) car parking management system; and (v) other intelligent engineering for residential properties before the delivery of such properties to property owners, for a term commencing from the Listing Date until 31 December 2020.

On 4 November 2020, the Company entered into the supplemental agreement (**"2020 Equipment Installation Services Supplemental Agreement"**) with Kaisa Group to the 2018 Equipment Installation Services Framework Agreement to revise the annual cap of the continuing connected transactions for the year ended 31 December 2020 under the 2018 Equipment Installation Services Framework Agreement. The revised annual cap for the year ended 31 December 2020 was RMB110,000,000, which was duly passed during the extraordinary general meeting held on 15 December 2020.

Kaisa Holdings is one of the Controlling Shareholders and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Equipment Installation Services Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

Report of the Directors

The term of the 2018 Equipment Installation Services Framework Agreement expired on 31 December 2020. On 4 November 2020, the Company entered into a property management services framework agreement with Kaisa Holdings (the **"2020 Equipment Installation Services Framework Agreement"**), pursuant to which the Group agreed to provide to Kaisa Group and/or its associates the Equipment Installation Services, for a term commencing from 1 January 2021 until 31 December 2023.

The Equipment Installation Services under the 2020 Equipment Installation Services Framework Agreement for each of the three years ending 31 December 2023 will not exceed RMB140,000,000, RMB180,000,000 and RMB230,000,000, respectively, which was duly passed during the extraordinary general meeting held on 15 December 2020.

For the year ended 31 December 2021, the total amount of fees payable by Kaisa Group for the Equipment Installation Services amounted to RMB94,277,772, which is within the annual cap of RMB140,000,000.

Details of the 2018 Equipment Installation Services Framework Agreement have been set out in the section "CONNECTED TRANSACTIONS" in the Prospectus. Details of the 2020 Equipment Installation Services Framework Agreement have been set out in the announcement and circular dated 4 November 2020 and 24 November 2020, respectively.

6. Property Lease Framework Agreement

On 20 November 2018, the Company entered into a property lease framework agreement with Kaisa Holdings (the **"2018 Property Lease Framework Agreement"**), pursuant to which the Group will lease from the Kaisa Group and/or its associates (i) certain properties for office use; and (ii) car parking lots for sub-leasing. The Property Lease Framework Agreement has a term commencing from the Listing Date until 31 December 2020, unless it is terminated earlier by either party pursuant to the Property Lease Framework Agreement. Relevant subsidiaries or associated companies of both parties will enter into separate lease agreements setting out the specific terms and conditions based on the principles provided in the Property Lease Framework Agreement.

Kaisa Holdings is one of the Controlling Shareholders and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the 2020 Property Lease Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

Under the 2018 Property Lease Framework Agreement, the Group has leased several properties from the Kaisa Group for office use in Shenzhen and Dongguan, Guangdong Province.

In addition, certain car parking lots leased by the Group from Kaisa Group were sub-leased by the Group to residents of the residential communities the Group managed at a premium over the rent paid by the Group to the Kaisa Group.

The terms of the 2018 Property Lease Framework Agreement expired on 31 December 2020. On 4 November 2020, the Company entered into a property lease framework agreement with Kaisa Holdings (the **"2020 Property Lease Framework Agreement"**), pursuant to which the Group will lease from the Kaisa Group and/or its associates (i) certain properties for office use; and (ii) certain car parking lots for sub-leasing. The 2020 Property Lease Framework Agreement has a term commencing from 1 January 2021 until 31 December 2023, unless it is terminated earlier by either party pursuant to the 2020 Property Lease Framework Agreement. Relevant subsidiaries or associated companies of both parties will enter into separate lease agreements setting out the specific terms and conditions based on the principles provided in the 2020 Property Lease Framework Agreement.

Report of the Directors

The maximum annual fee payable by us under the 2020 Property Lease Framework Agreement for the three years ending 31 December 2023 as follow:

	2021	2022	2023
	RMB	RMB	RMB
Leased properties for office use	5,000,000	5,500,000	6,000,000
Car parking lots	55,000,000	55,000,000	55,000,000
Total	60,000,000	60,500,000	61,000,000

As one or more applicable percentage ratios (other than the profits ratio) in respect of the 2020 Property Lease Framework Agreement are over 0.1% but all percentage ratios are below 5%, the transactions are subject to the reporting, annual review and announcement requirements, but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The total amount of rental payable by the Group to the Kaisa Group for properties the Group leased for office use amounted to approximately RMB2,236,153 for the year ended 31 December 2021, which is within the annual cap of RMB5,000,000.

The total amount of rent payable by the Group to the Kaisa Group for the car parking lots we leased amounted to approximately RMB39,780,015 for the year ended 31 December 2021, which is within the annual cap of RMB55,000,000.

Details of the 2018 Property Lease Framework Agreement and the 2020 Property Lease Framework Agreement have been set out in the section "CONNECTED TRANSACTIONS" in the Prospectus and the announcement dated 4 November 2020, respectively.

EMOLUMENT POLICY

The remuneration policy (which includes the payment of the emoluments to the employees) of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' performance, qualifications and experiences. Details of the remuneration of the Directors are set out in note 12 to the consolidated financial statements, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market statistics.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

As a property service provider in China, the Group is required to comply with various national and local laws and regulations on environmental protection, including laws and regulations of air pollution, sound pollution, waste and sewage. The Group has complied with the laws and regulations which are significant to the operation of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and event operation units from time to time.

Report of the Directors

KEY RELATIONSHIPS WITH THE GROUP'S STAKEHOLDERS

Workplace Quality

The Group believes that the directors, senior management and employees of the Group are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market.

The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised staff-friendly activities for employees, such as annual dinner, to promote staff relationship.

The Group provides on providing a safe, effective and congenial working environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues. The Group values the health and well-being of its staff. In order to provide employees with health coverage, its employees are entitled to medical insurance benefits.

Relationships with the Group's other stakeholders

The Group aims at delivering constantly high standards of quality in the services to its customers in order to stay competitive. Save as disclosed in this report, the Directors are not aware of any material and significant dispute between the Group and its customers during the year ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares as at the date of this report.

AUDITOR

On 29 April 2022, Grant Thornton Hong Kong Limited ("**Grant Thornton**") resigned and ceased to act as the auditor of the Company (the "**Independent Auditor**") and Elite Partners Limited ("**Elite Partners**") was appointed as the Independent Auditor to fill the casual vacancy after the resignation of Grant Thornton (the "**Resignation**") and to hold office until the conclusion of the next AGM. Save as disclosed above, the Independent Auditor remained unchanged over the past three years. The Board confirmed that there is no disagreement between the Company and Grant Thornton and it is not aware of any matters or circumstances in respect of the Resignation that need to be brought to the attention of the Shareholders.

For details, please refer to the Company's announcement of change of auditor published on 29 April 2022. The consolidated financial statements of the Company for the Year have been audited by Elite Partners. A resolution will be proposed at the forthcoming AGM to re-appoint Elite Partners as the Independent Auditor until the conclusion of the next AGM and to authorise the Board to fix their remuneration.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

On behalf of the Board

LIAO Chuanqiang

Chairman

Hong Kong, 23 June 2022

Independent Auditor's Report



To the Members of Kaisa Prosperity Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kaisa Prosperity Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 110 to 194, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Refer to note 4.1(ii), note 5.4 and note 21 to the consolidated financial statements and the accounting policies note 2.11.

Recoverability of trade receivables

We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations by the management of the Group, in evaluating the expected credit loss ("ECL") of trade receivables which may affect the carrying value of the Group's trade receivables at the end of the reporting period.

As disclosed in note 4 to the consolidated financial statements, the management used provision matrix to calculate the ECL of trade receivables and the provision rates are based on internal credit ratings as groupings of various debtors by their ageing, which are considered of similar loss patterns, and taken into consideration the historical recovery rates, probability of default by its customers and the forward-looking information. As disclosed in note 21 to the consolidated financial statements, the carrying amount of trade receivables is approximately RMB738,521,000 as at 31 December 2021, after netting-off the allowance of credit losses of approximately RMB152,987,000. Allowance for credit losses of approximately RMB129,403,000 for the year ended 31 December 2021 was recognised in profit or loss.

Obtaining an understanding on how the management assess the ECL of trade receivables by applying the ECL model;

Testing the integrity of information used by the management to develop the provision matrix, including the ageing analysis, on a sample basis, to the source documents, including invoices and demand notes;

Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rates, probability of default by its customers and forward-looking information, with the assistance of our internal specialists; and

Evaluating the disclosure regarding the impairment assessment of trade receivables to the consolidated financial statements.

Independent Auditor's Report

OTHER MATTER

The Group's consolidated financial statements for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 18 March 2021.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGE WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charge with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent audit's report is Leung Man Kin with Practising Certificate number P07174.

Elite Partners CPA Limited
Certified Public Accountants
10th Floor
8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong

23 June 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	6	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 assets and contract assets		(142,441)	(10,986)
Other gains/(losses), net	7	4,890	(7,323)
Operating profit		392,746	315,442
Change in fair value on financial assets at fair value through profit or loss	20	(53,549)	(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	10	(63,920)	–
Gain on deemed disposal of a subsidiary	33	–	1,192
Share of results of associates	16	18,846	675
Finance income, net	9	228	1,223
Profit before income tax	10	135,050	312,584
Income tax expenses	11	(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	13(a)	0.37	1.51
Diluted	13(b)	0.36	1.48

The notes on pages 116 to 194 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	25,131	18,888
Intangible assets	17	36,942	24,429
Goodwill	17	160,828	67,222
Right-of-use assets	19	217,306	5,938
Financial assets	20	343,946	–
Investment in associates	16	37,803	18,957
Other receivables	21	14,839	1,626
Deferred tax assets	29	57,929	8,177
		894,724	145,237
Current assets			
Financial assets	20	–	216,531
Trade receivables	21	738,521	401,415
Other receivables	21	61,510	58,618
Payments on behalf of residents	22	52,992	37,019
Contract assets	23	112,934	95,270
Amounts due from related parties	24	1,088	820
Restricted cash	25	517	1,515
Cash and cash equivalents	25	357,995	1,018,807
		1,325,557	1,829,995
Current liabilities			
Trade payables	26	247,820	215,317
Other payables	26	358,041	279,850
Contract liabilities	23	166,972	89,108
Amounts due to related parties	27	6,939	1,664
Lease liabilities	28	6,089	3,273
Income tax payable		90,102	70,209
		875,963	659,421
Net current assets		449,594	1,170,574
Total assets less current liabilities		1,344,318	1,315,811

Consolidated Statement of Financial Position

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Other payables	26	31,722	19,768
Lease liabilities	28	12,430	2,768
Deferred tax liabilities	29	13,236	10,107
		57,388	32,643
Net assets			
		1,286,930	1,283,168
EQUITY			
Share capital	30	1,361	1,360
Reserves		1,233,616	1,250,099
Equity attributable to owners of the Company			
Non-controlling interests		51,953	31,709
Total equity			
		1,286,930	1,283,168

Approved and authorised for issue by the Board of Directors on 23 June 2022.

Liao Chuanqiang
Director

Guo Li
Director

The notes on pages 116 to 194 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Share option reserve	Contribution reserve	Statutory reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2020	1,232	271,743	76,071	14,650	7,306	123,196	170,268	664,466	24,382	688,848
Profit and total comprehensive income for the year	-	-	-	-	-	-	221,951	221,951	7,574	229,525
Issue of new shares	128	412,033	-	-	-	-	-	412,161	-	412,161
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	1,748	1,748
Recognition of equity-settled share-based payment transactions (note 31)	-	-	-	25,174	852	-	-	26,026	-	26,026
Transfer to statutory reserve	-	-	-	-	-	29,901	(29,901)	-	-	-
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	264	264
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	489	489
Dividend declared	-	(73,145)	-	-	-	-	-	(73,145)	(2,748)	(75,893)
As at 31 December 2020 and 1 January 2021	1,360	610,631	76,071	39,824	8,158	153,097	362,318	1,251,459	31,709	1,283,168
Profit and total comprehensive income for the year	-	-	-	-	-	-	56,806	56,806	11,315	68,121
Issue of shares under share option scheme	1	2,062	-	(626)	-	-	-	1,437	-	1,437
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	9,400	9,400
Recognition of equity-settled share-based payment transactions (note 31)	-	-	-	13,414	343	-	-	13,757	-	13,757
Transfer to statutory reserve	-	-	-	-	-	29,405	(29,405)	-	-	-
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	1,200	1,200
Dividend declared	-	(88,482)	-	-	-	-	-	(88,482)	(1,671)	(90,153)
As at 31 December 2021	1,361	524,211	76,071	52,612	8,501	182,502	389,719	1,234,977	51,953	1,286,930

The notes on pages 116 to 194 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Profit before income tax		135,050	312,584
Adjustments for:			
Amounts written off as uncollectible	7	423	1,276
Depreciation and amortisation	10	18,936	12,953
Change in fair value on financial assets at fair value through profit or loss		53,549	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	10	63,920	–
Interest expense	9	813	393
Interest income	9	(1,041)	(1,616)
Net losses on disposal of property, plant and equipment	7	123	73
Provision for loss allowance	10	142,441	10,986
Share of result of associates		(18,846)	(675)
Gain on deemed disposal of a subsidiary	33	–	(1,192)
Equity-settled share-based payment expenses	31	13,757	26,026
Operating profit before working capital changes		568,426	366,756
Increase in trade and other receivables		(820,096)	(153,110)
Increase in payments on behalf of residents		(15,658)	(7,565)
Increase in contract assets		(29,585)	(39,279)
Increase in trade and other payables		51,229	66,852
Increase in contract liabilities		61,389	15,104
Decrease/(increase) in restricted cash		998	(5)
Cash (used in)/generated from operations		(183,297)	248,753
Income tax paid		(99,521)	(66,937)
<i>Net cash (used in)/generated from operating activities</i>		(282,818)	181,816

Consolidated Statement of Cash Flows

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	32	(37,082)	(14,325)
Acquisition of financial assets at fair value through profit or loss		(365,622)	(223,681)
Acquisition of financial assets at fair value through other comprehensive income		(15,000)	–
Advance to related parties		(268)	188
Proceeds from disposal of financial assets at fair value through profit or loss		422,852	35,606
Payment for consideration payable related to acquisition of subsidiaries		(30,715)	(17,080)
Repayment of loan from a third party	21	15,941	–
Interest received		1,041	–
Proceeds from disposal of property, plant and equipment		1,434	1,954
Purchase of property, plant and equipment	15	(7,911)	(7,647)
Purchase of right-of-use assets	19	(200,000)	–
Payment for acquisition transaction which was terminated during the year	10	(73,920)	–
Payment for investment in an associate		–	(14,700)
Cash outflow from deemed disposal of a subsidiary	33	–	(510)
<i>Net cash used in investing activities</i>		(289,250)	(240,195)
Cash flows from financing activities			
Issue of shares		1,437	412,161
Advance from related parties		5,275	387
Capital injection by non-controlling interests		1,200	489
Dividend paid		(90,153)	(75,893)
Interest paid		(813)	(393)
Repayment of lease liabilities	35	(5,690)	(4,266)
<i>Net cash (used in)/from financing activities</i>		(88,744)	332,485
Net (decrease)/increase in cash and cash equivalents		(660,812)	274,106
Cash and cash equivalents at the beginning of the year		1,018,807	753,945
Effect of foreign exchange rate changes		–	(9,244)
Cash and cash equivalents at the end of the year		357,995	1,018,807

The notes on pages 116 to 194 are an integral part of these consolidated financial statements.

Notes to the 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.

The consolidated financial statements for the year ended 31 December 2021 were approved for issue by the board of directors on 23 June 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

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

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss (“FVTPL”) and financial assets at fair value through other comprehensive income (“FVTOCI”) which are stated at fair value. The measurement bases are fully described in the accounting policies below.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position (note 34), subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

Acquisitions of subsidiaries and businesses which are not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition – date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounting for within equity. Contingent consideration that is classified as a financial liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In consolidated financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the year. The Group's other comprehensive income for the year includes its share of the associate's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss in the period in which they arise.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvement	33.33%-50%
Furniture, fittings and office equipment	10%-33.33%
Motor vehicles	10%-20%
Buildings	2.5%-5%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are recognised to profit or loss during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.7 Goodwill**

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2.8 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Mobile application	6 years
Customer relationship	7-10 years

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets with finite useful lives are tested for impairments as described below in note 2.9.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of non-financial assets (other than contract assets)

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of subsidiaries;
- Other intangible assets;
- Property, plant and equipment;
- Right-of-use assets; and
- The Company's interests in subsidiaries (note 34)

Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.10 Financial instruments****Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15 "Revenue from Contracts with Customers", all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost; or
- FVTPL; or
- FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance income, net, except for provision for loss allowance which is presented as a separate item in profit or loss.

Subsequent measurement of financial assets*Debt investments*

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, restricted cash, trade receivables, other receivables (excluding prepayments), payments on behalf of residents and amounts due from related parties fall into this category of financial instruments.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (Continued)

Financial assets at FVTPL

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in “Fair value reserve – non-recycling” in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer’s perspective.

The equity instruments at FVOCI are not subject to impairment assessment. The cumulative gain or loss in “Fair value reserve – non-recycling” will not be reclassified to profit or loss upon disposal of the equity investments, and will be transferred to retained profits.

Classification and measurement of financial liabilities

The Group’s financial liabilities include trade and other payables (excluding other tax payables), amounts due to related parties and lease liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated as hedging instruments in hedge relationships and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within finance income, net.

Trade and other payables (excluding other tax payables) and amounts due to related parties

Trade and other payables (excluding other tax payables) and amounts due to related parties are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.11 Impairment of financial assets and contract assets**

HKFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses ("ECL") – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of financial assets and contract assets (Continued)

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is more than three years past due.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.11 Impairment of financial assets and contract assets** (Continued)**Other financial assets measured at amortised cost** (Continued)*(iii) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation ; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in note 4.1(ii).

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2.12 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.20) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.11 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.10).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.20). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.10).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and other financial institutions and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank deposits which are restricted are included in "Restricted cash" of the consolidated statement of financial position.

2.14 Leases

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Allocation of consideration to components of contract

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

Lease liabilities

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.14 Leases** (Continued)**(a) Definition of a lease and the Group as a lessee** (Continued)*Lease liabilities* (Continued)

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short-term lease

The Group has elected to account for short-term leases. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

The Group presents the right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group sub-leases some of its properties and the sub-lease contracts are classified as operating leases.

Rental income is recognised on a straight-line basis over the term of the lease.

2.15 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

2.17 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.18 Borrowing costs

Borrowing costs are expensed when incurred.

2.19 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.19 Accounting for income taxes** (Continued)

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences

Current tax assets and current tax liabilities are presented in net if, and only if,

- a. the Group has the legally enforceable right to set off the recognised amounts; and
- b. intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- a. the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - i. the same taxable entity; or
 - ii. different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.20 Employee benefits**Retirement benefit costs**

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Scheme Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employees’ relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed in the MPF Scheme. Under the MPF Scheme, the employer and its employees are each required to make contribution to the MPF Scheme at 5% of the employees’ relevant income subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately.

The employees of the Company’s subsidiaries which operate in the People’s Republic of China (“PRC”) are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group’s employer contributions vest fully with the employees when contributed in the central pension scheme. The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 December 2021, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits (Continued)

Short-term employee benefits

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises costs for any related restructuring.

Equity-settled share-based compensation benefits

The Group operates equity-settled share-based compensation plans for remuneration of its directors and employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the "Share option reserve" in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in "Share option reserve" will be transferred to "Share capital". After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in "Share option reserve" will be transferred to "Retained earnings".

The ultimate holding company, Kaisa Holdings, also operates equity-settled share option schemes and grants equity instruments ("option") to employees of its subsidiaries within the group of Kaisa Holdings.

The fair value of the employee services received in exchange for the grant of options of Kaisa Holdings is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions. At each reporting date, the Group revises the estimates of the number of options and awarded shares of Kaisa Holdings that are expected to ultimately vest. They recognise the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income of the Group, with a corresponding adjustment made to contribution from shareholder over the remaining vesting period.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.21 Revenue recognition****(i) Revenue**

The Group provides property management services, pre-delivery and consulting services, community value-added services and smart solution services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. The transaction price for a contract excludes any amounts collected on behalf of third parties.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

(i) Revenue (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

Property management services

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump-sum basis, where the Group acts as a principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its direct operating expenses.

For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, or total property management cost incurred or accrual by the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Pre-delivery and consulting services

Pre-delivery and consulting services to non-property owners mainly includes fees for construction sites management, display units and property sales venues management and consulting services to property developers at the pre-delivery stage, and property management consulting services provided to other property management companies which are billed based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided.

Community value-added services

Community value-added services include mainly i) value-added services, which mainly include a K Life mobile app to consolidate the Group's previous platforms to offer an upgraded one-stop service for all of the residential communities, is recognised when the services are rendered; ii) fees generated from our car parking and space leasing, which is recognised over the time when such services are rendered; iii) commission income from real estate brokerage and asset management services is recognised at the point in time when the services are rendered and accepted by the customers; and iv) revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on the acceptance of the goods by the customer. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

Smart solution services

For smart solution services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the reporting date as a percentage of total estimated costs for each contract.

(ii) Interest income

Interest income is recognised using the effective interest method.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.22 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to income is presented in gross under "Other gains/(losses), net" in the consolidated statement of profit or loss and other comprehensive income.

2.23 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entity and the Group are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.24 Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker ("CODM") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the CODM are determined following the Group's major product and service lines.

Notes to the Consolidated Financial Statements

3. APPLICATION OF AMENDMENT TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

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.

New and amendment to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
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 ¹
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 applicable pronouncements will be adopted in the Group’s accounting policy for the first period beginning on or after the effective date of the pronouncement and do not expect the pronouncement will have a material impact on the Group’s consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, liquidity risk, foreign currency risk and other price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Categories of financial assets and liabilities

	2021 RMB'000	2020 RMB'000
Financial assets at amortised cost:		
Trade receivables	738,521	401,415
Other receivables (excluding prepayments)	60,297	57,275
Payments on behalf of residents	52,992	37,019
Amounts due from related parties	1,088	820
Restricted cash	517	1,515
Cash and cash equivalents	357,995	1,018,807
Financial assets at FVOCI:		
Unlisted equity investment	15,000	–
Financial assets at FVTPL:		
Other financial assets	328,946	–
Listed debt securities	–	216,531
	1,555,356	1,733,382
Financial liabilities at amortised cost:		
Trade payables	247,820	215,317
Other payables (excluding other tax payables)	384,009	296,631
Amounts due to related parties	6,939	1,664
	638,768	513,612

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(i) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk mainly arises from restricted cash, cash and cash equivalents, lease liabilities and loan to a third party. Restricted cash and cash and cash equivalents at variable rates expose the Group to cash flow interest rate risk. Lease liabilities and loan to a third party at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2021 and 2020, the Group's exposure to interest rate is considered immaterial.

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2021 and 2020 is the carrying amount as disclosed in as above.

Trade receivables and contract assets

The Group has a large number of customers and there was no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. In addition, the Group reviews the recoverability of these receivables at each reporting date based on historical settlements records and experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the past due status. The ECL also incorporate forward-looking information.

As at 31 December 2021, the Group considered that there was an increase in credit risk of trade receivables from related parties having considered the COVID pandemic in the PRC and the economic environment in which property developers in the PRC operate. An ECL amounts of approximately RMB129,403,000 was recognised for the year ended 31 December 2021. As at 31 December 2020, the Group assessed that the credit risk associated with trade receivables from related parties were considered to be low since related parties had a strong capacity to meet their contractual cash flow obligations in the near term. Thus, the impact of ECL was insignificant.

The contract assets in relation to smart solution services primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The Group has therefore concluded that the expected loss rates for trade receivables in relation to customers from smart solution services are a reasonable approximation of the loss rates for the contract assets.

As at 31 December 2021, the Group considered that there was an increase in credit risk of contract assets from related parties having considered the COVID pandemic in the PRC and the economic environment in which property developers in the PRC operate. An ECL amounts of approximately RMB11,921,000 was recognised for the year ended 31 December 2021. As at 31 December 2020, the Group assessed ECL of contract assets in relation to smart solution services was minimal as there was no recent history of default and continuous payments were received. The Group determined that the loss allowance in respect of contract assets for the year ended 31 December 2020 was minimal as there had not been a significant change in credit quality of the customers.

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (Continued)**4.1 Financial risk factors** (Continued)**(ii) Credit risk** (Continued)*Cash and cash equivalents and restricted cash*

For cash and cash equivalents and restricted cash, the Group has assessed that they were placed at state-owned banks and other medium or large size listed banks and other financial institutions with high credit rating assigned by international credit-rating agencies. The risk of default is low based on market information and the Group considers the credit risk to be insignificant.

Deposits and amounts due from related parties

As at 31 December 2021, the Group considered that there was an increase in credit risk of deposits and amounts due from related parties having considered the COVID pandemic in the PRC and the economic environment in which property developers in the PRC operate. An ECL amounts of approximately RMB4,090,000 and RMB124,447,000 for deposits and amounts due from related parties, respectively, were recognised for the year ended 31 December 2021.

As at 31 December 2020, the Group expects that the credit risk associated with deposits and amounts due from related parties are considered to be low after considering the factors as set out in note 2.11, and related parties have a strong capacity to meet their contractual cash flow obligations in the near term. The Group has assessed that the ECL rate applied for the amounts due from related companies is minimal and the ECL applied for deposits was 1% under 12 months ECL method for the year ended 31 December 2020.

Other receivables other than those from related parties and payments on behalf of residents

The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the reporting date to ensure that adequate ECL are made for irrecoverable amounts. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis at the end of each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

Forward-looking information is incorporated in the ECL model. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It also considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (Continued)**4.1 Financial risk factors** (Continued)**(ii) Credit risk** (Continued)

As at 31 December 2021 and 2020, the loss allowance provision was determined as follows:

	Expected loss rate	2021		2020	
		Gross carrying amount RMB'000	Loss allowance provision RMB'000	Gross carrying amount RMB'000	Loss allowance provision RMB'000
Trade receivables (excluding trade receivables from related parties)					
Neither past due nor impaired	0%/0%	10,867	–	4,731	–
Overdue within 1 year	5%/5%	203,320	10,166	125,650	6,282
Overdue 1 to 2 years	25%/25%	35,274	8,819	20,615	5,154
Overdue 2 to 3 years	35%/35%	11,842	4,145	9,009	3,153
Overdue over 3 years	60%/60%	9,016	5,410	10,361	6,217
		270,319	28,540	170,366	20,806
Trade receivables (related parties)					
Neither past due nor impaired	0%/0%	29,809	–	12,288	–
Overdue within 1 year	20.58%/0%	566,364	116,555	233,465	–
Overdue 1 to 2 years	29.50%/0%	23,562	6,952	4,843	–
Overdue 2 to 3 years	64.70%/0%	1,454	940	1,259	–
		621,189	124,447	251,855	–
Total		891,508	152,987	422,221	20,806

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (Continued)**4.1 Financial risk factors** (Continued)**(ii) Credit risk** (Continued)

	Expected loss rate	2021		2020	
		Gross carrying amount RMB'000	Loss allowance provision RMB'000	Gross carrying amount RMB'000	Loss allowance provision RMB'000
Deposits, other receivables and payments on behalf of residents (excluding prepayments)					
Deposits	15.4%/1%	26,515	4,090	24,605	246
Other receivables and payments on behalf of residents					
Overdue within 1 year	5%/5%	83,484	4,174	46,916	2,346
Overdue 1 to 2 years	25%/25%	11,992	2,998	29,040	7,260
Overdue 2 to 3 years	35%/35%	2,948	1,032	5,324	1,863
Overdue over 3 years	60%/60%	1,611	967	311	187
		126,550	13,261	106,196	11,902

The management of the Group determines the expected loss rate by reference to several key inputs such as the Group's historical probabilities of the default risk of debtors, the credit risk exposure of the receivables and forward-looking information. At the end of each reporting period, the management of the Group reassesses these inputs regularly and considers whether the input used in the determination of the expected loss rate significantly improved or deteriorated.

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (Continued)**4.1 Financial risk factors** (Continued)**(ii) Credit risk** (Continued)

As at 31 December 2021 and 2020, the loss allowance provision for trade and other receivables, deposits and payments on behalf of residents (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables (excluding trade receivables from related parties) RMB'000	Trade receivables from related parties RMB'000	Deposits, other receivables and payments on behalf of residents (excluding prepayments) RMB'000	Contract assets RMB'000	Total RMB'000
As at 1 January 2020	14,294	–	6,898	–	21,192
Acquisition of subsidiaries	288	–	242	–	530
Provision for loss allowance recognised in profit or loss (note 10)	6,224	–	4,762	–	10,986
As at 31 December 2020 and 1 January 2021	20,806	–	11,902	–	32,708
Acquisition of a subsidiary	2,778	–	242	–	3,020
Provision for loss allowance recognised in profit or loss (note 10)	4,956	124,447	1,117	11,921	142,441
As at 31 December 2021	28,540	124,447	13,261	11,921	178,169

(iii) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables, other payables (excluding other tax payables), amounts due to related parties, lease liabilities and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and long term.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2021 and 2020. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (Continued)**4.1 Financial risk factors** (Continued)**(iii) Liquidity risk** (Continued)

	Within 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2021						
Trade payables	247,820	–	–	–	247,820	247,820
Other payables (excluding other tax payables)	352,287	18,252	13,470	–	384,009	384,009
Amounts due to related parties	6,939	–	–	–	6,939	6,939
Lease liabilities	6,827	4,855	8,500	37	20,219	18,519
	613,873	23,107	21,970	37	658,987	657,287
As at 31 December 2020						
Trade payables	215,317	–	–	–	215,317	215,317
Other payables (excluding other tax payable)	276,863	9,426	10,342	–	296,631	296,631
Amounts due to related parties	1,664	–	–	–	1,664	1,664
Lease liabilities	3,498	2,138	741	–	6,377	6,041
	497,342	11,564	11,083	–	519,989	519,653

(iv) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its financial assets which are denominated in Hong Kong Dollar ("HKD") and United States Dollar ("USD"). They are not the functional currencies of the group entities to which these transactions relate.

USD denominated financial assets, translated into RMB at the closing rates, are as follows:

	2021 RMB'000	2020 RMB'000
Cash and cash equivalents	79,348	85,108
Financial assets at FVTPL	–	182,843
	79,348	267,951

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (Continued)**4.1 Financial risk factors** (Continued)**(iv) Foreign currency risk** (Continued)

The following table illustrates the sensitivity of the Group's profit after income tax for the year and equity in regards to an appreciation in the group entities' functional currencies against USD. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease in profit or loss RMB'000	Decrease in equity RMB'000
2021			
USD	50 basis point	3,967	3,967
2020			
USD	50 basis point	13,398	13,398

HKD denominated financial assets, translated into RMB at the closing rates, are as follows:

	2021 RMB'000	2020 RMB'000
Cash and cash equivalents	8,571	163,096
Other receivables	–	15,941
Financial assets at FVTPL	–	33,688
	8,571	212,725

The following table illustrates the sensitivity of the Group's profit after income tax for the year and equity in regards to an appreciation in the group entities' functional currencies against HKD. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease in profit or loss RMB'000	Decrease in equity RMB'000
2021			
HKD	50 basis point	429	429
2020			
HKD	50 basis point	10,636	10,636

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (Continued)**4.1 Financial risk factors** (Continued)**(v) Other price risk**

The Group did not expose to material price risk for the year ended 31 December 2021. The Group has been exposed to the price risk of listed debt securities in connection with the financial assets measured at FVTPL for the year ended 31 December 2020. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements.

If the price of these financial assets had been 5% increased/decreased, post-tax profit for the year ended 31 December 2020 would have been increased/decreased by approximately RMB10,827,000.

4.2 Fair value estimation

Financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and not using significant unobservable inputs (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, significant unobservable inputs) (level 3).

4.3 Fair value hierarchy

The Group makes estimates and assumptions concerning the future.

During the years ended 31 December 2021 and 2020, there were no transfers between level 1, 2 and 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the reporting date in which they occur.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2021				
Financial assets at FVOCI	–	–	15,000	15,000
Financial assets at FVTPL	–	–	328,946	328,946
	–	–	343,946	343,946
As at 31 December 2020				
Financial assets at FVTPL	216,531	–	–	216,531

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (Continued)**4.3 Fair value hierarchy** (Continued)**FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

In estimating the fair value, the Group uses market-observable data to the extent it is available. For the Group's financial instruments with fair value measurement that are categorised under Level 1, the Group reference to the quoted market price in active markets for identified assets. For instruments with significant unobservable inputs and hence the fair value measurement are categorised under Level 3, the Group engages independent qualified valuers to perform the valuation. The following table gives information about how the fair values of these financial assets are determined.

Description	Fair value at		Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2021	2020			
	RMB'000	RMB'000			
Financial asset at FVTOCI	15,000		N/A	Income approach – Discount cash flow method was used to capture the present value of the expected future economic benefits to be derived from the asset with suitable discount rate.	Revenue growth rate ranged from 25% to 30%, taking into account the management's experience with reference to the independent qualified valuer's knowledge of market conditions of the specific industries.
					Higher the revenue growth rate would increase the fair value of financial assets
					Discount rate of 13.5%, taking into account weighted average cost of capital determined using a Capital Asset Pricing Model.
					Lower the discount rate would increase the fair value of the financial assets
Financial asset at FVTPL	328,946		N/A	Income approach – Discount cash flow method was used to capture the present value of the expected future economic benefits to be derived from the asset with suitable discount rate.	Estimation selling price with expected growth rate for non-residential properties ranged from 3% to 5%, p.a. taking into account the management's experience with reference to the independent qualified valuer's knowledge of market conditions of the specific industries.
					Higher the selling price growth rate would increase the fair value of the financial assets
					Discount rate of 10.5%, taking into account weighted average cost of capital determined using a Capital Asset Pricing Model.
					Lower the discount rate would increase the fair value of the financial assets

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (Continued)

4.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

5.1 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.9, where the recoverable amounts of the CGU is determined based on value-in-use calculations. These calculations require the use of estimates. Details of impairment assessment and key assumptions are disclosed in note 17.

5.2 Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than goodwill) at the reporting date. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at 31 December 2021, the carrying amounts of the property, plant and equipment, intangible assets, right-of-use assets and investment in associates are RMB25,131,000, RMB36,942,000, RMB217,306,000 and RMB37,803,000 (2020: RMB18,888,000, RMB24,429,000, RMB5,938,000 and RMB18,957,000) respectively.

Notes to the Consolidated Financial Statements

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

5.3 Estimation of the useful life of customer relationship identified in business combination

Customer relationship identified in the business combination on respective acquisition date (note 32) is recognised as intangible assets (note 17). As at 31 December 2021, the carrying amount of the customer relationship identified in the acquisition was RMB36,942,000 (2020: RMB24,429,000). Customer relationship primarily related to the existing contracts of acquirees on the acquisition date. A large portion of the existing contracts of acquirees are with no specific expiration date and the remaining contracts are with contract periods of one to five years. Based on past experience, termination or non-renewal of property management contracts with the property developers or property owners' association are uncommon. The Group thus estimates the useful life and determines the amortisation period of the customer relationship to be 7 to 10 years based on the expected contract duration of the property management contracts.

However, the actual useful life may be shorter or longer than estimate, depending on acquirees' ability to secure its contracts and relationships with property developers or renew the contracts with property owners' associations in the future. Where the actual contract duration is different from the original estimate, such difference will impact the carrying amount of the intangible asset of customer relationship and the amortisation expenses in the periods in which such estimate has been changed.

5.4 Estimation of impairment of trade receivables and other items within the scope of ECL under HKFRS 9

The Group makes allowances on items subjects to ECL (including trade and other receivables (excluding prepayments), payments on behalf of residents, amounts due from related parties and contract assets) based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL of HKFRS 9 and ECL allowances in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see note 4.1(ii) above.

As at 31 December 2021, the carrying amounts of trade and other receivables (excluding prepayments), payments on behalf of residents, amounts due from related parties and contract assets are RMB798,818,000, RMB52,992,000, RMB1,088,000 and RMB112,934,000 (2020: RMB458,690,000, RMB37,019,000, RMB820,000 and RMB95,270,000), respectively. Details of the provision for ECL allowance of trade and other receivables (excluding prepayments), payments on behalf of residents, amounts due from related parties and contract assets are set out in notes 21, 22, 24 and 23 respectively.

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT INFORMATION

6.1 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:

	2021		2020	
	Revenue RMB'000	Direct operating expenses RMB'000	Revenue RMB'000	Direct operating expenses RMB'000
Type of services				
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 RMB'000	2020 RMB'000
Timing of revenue recognition		
Recognise over time	2,614,169	1,694,480
Recognise at a point in time	52,271	35,669
	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 45% (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.

The details of contract assets and contract liabilities were disclosed in note 23.

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT INFORMATION (Continued)**6.1 Revenue** (Continued)**(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 RMB'000	2020 RMB'000
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.

6.2 Segment information

Management has determined the operating segments based on the reports reviewed the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group.

For the years ended 31 December 2021 and 2020, the Group engaged mainly in the provision of 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, all of the non-current assets were located in the PRC.

Notes to the Consolidated Financial Statements

7. OTHER GAINS/(LOSSES), NET

	2021 RMB'000	2020 RMB'000
Unconditional government subsidy income (note)	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)

Note: The amount represented subsidy received from the local government bureau in the PRC. There was no unfulfilled condition and other contingency attached to the receipt of subsidy.

8. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 RMB'000	2020 RMB'000
Wages, salaries and other benefits	1,188,945	614,318
Equity-settled share-based payment expenses (note 31)	13,757	26,026
Contributions to housing provident funds	20,243	13,081
Contributions to defined contribution retirement plans (note)	91,778	24,304
	1,314,723	677,729

The employees of the PRC subsidiaries are members of a retirement benefits scheme operated by the government of the respective cities in the PRC. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

During the years ended 31 December 2021 and 2020, there is no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used by the employer to reduce the existing level of contributions.

Note: Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme during the year ended 31 December 2020.

9. FINANCE INCOME, NET

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

Notes to the Consolidated Financial Statements

10. PROFIT BEFORE INCOME TAX

	2021 RMB'000	2020 RMB'000
Profit before income tax has been arrived at after charging:		
Staff costs – including directors' emoluments (note 8)		
– 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:		
– Short term leases and leases with lease term shorter than 12 months	53,028	48,190
Other taxes	12,433	7,221
Business entertainment expenses	8,795	4,960
Depreciation		
– Property, plant and equipment (note 15)	6,819	5,644
– Right-of-use assets (note 19)	6,630	4,369
Amortisation of intangible assets (note 17)	5,487	2,940
Legal and professional fees	6,458	8,139
Loss on termination of an acquisition transaction (Note)	63,920	–
Office expenses	17,018	15,057
Change in fair value on financial assets at fair value through profit or loss	53,549	7,150
Loss (gain) on disposal of financial asset at fair value through profit or loss	159,301	(1,202)
Provision for loss allowance		
– Trade receivables (note 4.1)	129,403	6,224
– Deposits, other receivables and payments on behalf of residents (excluding prepayments) (note 4.1)	1,117	4,762
– Contract assets (note 4.1)	11,921	–
Trade and other receivables and payments on behalf of residents written off as uncollectible	423	1,276
Travelling	4,862	4,304

Note: The amount represented compensation for termination of acquisition transaction of Hebei Changrun Environmental Engineering Co., Ltd (“河北昌潤達環境工程有限公司”) (“Hebei Changrun”).

On 27 August 2021, the Group entered into a sales and purchase agreement with independent third parties for the acquisition of 70% equity interest in Hebei Changrun at a consideration of RMB369.6 million.

On 21 December 2021, all parties agreed to terminate the sales and purchase agreement, please refer to the announcement of the Company dated 22 December 2021 for details. Accordingly, RMB10,000,000 will be refunded to the Group and RMB63,920,000 was treated as compensation to the vendors. The Group has received the refund in January 2022 subsequently.

Notes to the Consolidated Financial Statements

11. INCOME TAX EXPENSES

	2021 RMB'000	2020 RMB'000
Current income tax		
– PRC Corporate Income Tax	117,277	86,540
Deferred tax (note 29)	(50,348)	(3,481)
	66,929	83,059

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2021 RMB'000	2020 RMB'000
Profit before income tax	135,050	312,584
Tax on profit before income tax calculated at the rates applicable to profit in the tax jurisdictions concerned	33,763	78,151
– preferential income tax rates of certain companies	(11,014)	(7,354)
– non-deductible expenses	48,267	15,736
– share of results of associates	(4,711)	(169)
– tax loss not recognised	723	224
– utilisation of previously unutilised tax losses	(99)	(3,529)
Income tax expenses	66,929	83,059

Notes to the Consolidated Financial Statements

11. INCOME TAX EXPENSES (Continued)

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” (“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.

* 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.

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.

Notes to the Consolidated Financial Statements

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

12.1 Directors' emoluments

Director's and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December 2021					
		Salaries, allowances and benefits	Discretionary	Retirement scheme	Equity-settled share-based	Total
	Fees RMB'000	in kind RMB'000	bonuses RMB'000	contributions RMB'000	payment RMB'000	RMB'000
Executive directors:						
Mr. Liao Chuanqiang (Chairman and President)	–	1,505	–	102	3,161	4,768
Ms. Guo Li (Vice President)	–	887	–	102	948	1,937
Mr. Wu Jianxin	90	–	–	–	–	90
Ms. Kwok Hiu Ting (Vice Chairwoman) (note (b))	84	–	–	–	–	84
Mr. Li Haiming (note (c))	90	–	–	–	–	90
Independent non-executive directors:						
Mr. Liu Hongbai	163	–	–	–	79	242
Ms. Ma Xiumin	163	–	–	–	79	242
Mr. Chen Bin	163	–	–	–	79	242
	753	2,392	–	204	4,346	7,695

Notes to the Consolidated Financial Statements

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)**12.1 Directors' emoluments** (Continued)

	Year ended 31 December 2020					
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
Executive directors:						
Mr. Liao Chuanqiang (Chairman and President)	–	2,139	111	142	5,371	7,763
Ms. Guo Li (Vice President)	–	1,126	400	141	1,356	3,023
Mr. Weng Hao (note (a))	24	–	–	–	–	24
Mr. Wu Jianxin	90	–	–	–	–	90
Ms. Kwok Hiu Ting (Vice Chairwoman) (note (b))	68	–	–	–	–	68
Mr. Li Haiming (note (c))	68	–	–	–	–	68
Independent non-executive directors:						
Mr. Liu Hongbai	163	–	–	–	113	276
Ms. Ma Xiumin	163	–	–	–	113	276
Mr. Chen Bin	163	–	–	–	113	276
	739	3,265	511	283	7,066	11,864

Notes:

- (a) Mr. Weng Hao was appointed as an executive director of the Company on 21 February 2019 and resigned on 8 April 2020.
- (b) Ms. Kwok Hiu Ting was appointed as executive director and vice chairman of the Company on 8 April 2020 and resigned on 6 December 2021.
- (c) Mr. Li Haiming was appointed as an executive director of the Company on 8 April 2020.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Equity-settled share-based payment expenses are measured according to the accounting policies as set out in note 2.19. Particulars of the share options granted to the directors under the share option scheme of the Company by the Company and the ultimate holding company are set out in note 31.

The emoluments shown above represents emoluments received from the Group by the director in his capacity as employee of the Group and/or in their capacity as director of the companies comprising the Group for the years ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)**12.2 Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year included two (2020: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2020: three) individuals during the year are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	2,421	3,147
Discretionary bonuses	–	920
Equity-settled share-based payment	1,553	3,019
Retirement scheme contributions	307	424
	4,281	7,510

The above individuals' emoluments are within the following bands:

	2021	2020
HKD1,000,001 to HKD2,000,000	2	–
HKD2,000,001 to HKD3,000,000	1	2
HKD3,000,001 to HKD4,000,000	–	1
	3	3

No directors or the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2021 and 2020. No directors or the five highest paid individuals have waived or agreed to waive any emoluments for the years ended 31 December 2021 and 2020.

13. 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	2020
Total profit for the year attributable to owners of the Company (in RMB'000)	56,806	221,951
Weighted average number of ordinary share in issue	154,075,000	147,344,000
	0.37	1.51

During the year ended 31 December 2020, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the issue of shares in June 2020 (note 30).

Notes to the Consolidated Financial Statements

13. EARNINGS PER SHARE (Continued)**(b) Diluted earnings per share**

	2021	2020
Weighted average number of ordinary shares in issue during the year	154,075,000	147,344,000
Effect of issue of shares under adjustment for share option scheme (note)	1,719,000	2,753,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	155,794,000	150,097,000
Diluted earnings per share (in RMB)	0.36	1.48

Note:

For the years 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.

14. DIVIDEND

	2021	2020
	RMB'000	RMB'000
Proposed final dividend	—	88,928

Notes:

- (a) The Board of Directors has resolved not to declare a final dividend for the year ended 31 December 2021.
- (b) A final dividend in respect of the year ended 31 December 2020 of HKD69.00 cents (equivalent to approximately RMB57.73 cents) per share was proposed at the Board meeting on 18 March 2021, totalling approximately HKD106,288,000 (equivalent to approximately RMB88,928,000) and was declared from share premium by the Company at the Board Meeting held on 18 March 2021.

Taken into account of the effect of issue of shares as disclosed in note 30, a final dividend in respect of the year ended 31 December 2020 of RMB88,482,000 was declared from share premium by the Company and approved by the shareholders at the annual general meeting held on 16 June 2021. The dividend was settled in July 2021.

Notes to the Consolidated Financial Statements

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Furniture, fittings and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
As at 1 January 2020	1,246	1,837	35,542	2,762	41,387
Additions	–	100	6,888	659	7,647
Acquisition of a subsidiary (note 32)	–	–	398	–	398
Deemed disposal of a subsidiary (note 33)	–	–	(718)	–	(718)
Disposals	–	(1,937)	(3,847)	(227)	(6,011)
As at 31 December 2020 and 1 January 2021	1,246	–	38,263	3,194	42,703
Additions	–	17	7,894	–	7,911
Acquisition of a subsidiary (note 32)	–	429	1,862	4,417	6,708
Disposals	–	–	(2,589)	(490)	(3,079)
As at 31 December 2021	1,246	446	45,430	7,121	54,243
Accumulated depreciation					
As at 1 January 2020	28	1,801	18,839	1,973	22,641
Deemed disposal of a subsidiary (note 33)	–	–	(486)	–	(486)
Charge for the year (note 10)	82	100	5,013	449	5,644
Written back on disposals	–	(1,901)	(1,894)	(189)	(3,984)
As at 31 December 2020 and 1 January 2021	110	–	21,472	2,233	23,815
Charge for the year (note 10)	82	275	5,678	784	6,819
Written back on disposals	–	–	(1,221)	(301)	(1,522)
As at 31 December 2021	192	275	25,929	2,716	29,112
Net book amount					
As at 31 December 2021	1,054	171	19,501	4,405	25,131
As at 31 December 2020	1,136	–	16,791	961	18,888

Notes to the Consolidated Financial Statements

16. INVESTMENT IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Cost of investment in associates	18,282	18,282
Share of post-acquisition profit and other comprehensive income, net of dividends received	19,521	675
	37,803	18,957

As at 31 December 2021 and 2020, particulars of the Group's unlisted associates, whose quote market price is not available and having a reporting date of 31 December, are as follows:

Name of associates	Place of incorporation and operation	Particulars of registered capital	Proportion of interest held by the Company	Principal activities
深圳佳兆業科技集團有限公司 ("Kaisa Technology Group Co., Ltd.")* ("Kaisa Technology") (note 33)	PRC	RMB16,327,000	45.20% (2020: 45.20%)	Development and sales of computer network
鹽城市亭源城市服務有限公司 ("Yancheng Tingyuan City Service Co., Ltd.")* ("Yancheng") (note)	PRC	RMB30,000,000	49.00% (2020: 49.00%)	Environmental and public facility management

* 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.

Note: During the year ended 31 December 2020, the Group has subscribed for RMB14,700,000 registered capital of Yancheng, representing 49% of its total registered capital, by the way of capital injection.

Notes to the Consolidated Financial Statements

16. INVESTMENT IN ASSOCIATES (Continued)

Set out below are the summarised financial information of the material associate, Yancheng, which is accounted for using the equity method:

	Yancheng 2021 RMB'000	Yancheng 2020 RMB'000
Current assets	22,426	23,853
Non-current assets	22,109	11,325
Current liabilities	(13,791)	(5,124)
Net assets	30,744	30,054
Revenue	73,408	12,100
Profit for the year/period	744	54
Other comprehensive income for the year/period	–	–
Total comprehensive income for the year/period	744	54

A reconciliation of the above summarised financial information to the carrying amount of investment in an associate, Yancheng, is set out below:

	Yancheng 2021 RMB'000	Yancheng 2020 RMB'000
Total net assets of associate	30,744	30,054
Proportion of ownership interests held by the Group	49%	49%
Carrying amount in the consolidated statements of financial position	15,065	14,726

Notes to the Consolidated Financial Statements

16. INVESTMENT IN ASSOCIATES (Continued)

Set out below are the summarised financial information of the material associate, Kaisa Technology, which is accounted for using the equity method:

	Kaisa Technology 2021 RMB'000	Kaisa Technology 2020 RMB'000
Current assets	536,458	916,626
Non-current assets	20,650	20,678
Current liabilities	(513,593)	(934,676)
Net assets	43,515	2,628
Revenue	69,198	33,595
Profit for the year	40,887	1,492
Other comprehensive income for the year	–	–
Total comprehensive income for the year	40,887	1,492

A reconciliation of the above summarised financial information to the carrying amount of investment in an associate, Kaisa Technology, is set out below:

	Kaisa Technology 2021 RMB'000	Kaisa Technology 2020 RMB'000
Total net assets of associate	43,515	2,628
Proportion of ownership interests held by the Group	45.20%	45.20%
Carrying amount of the investment	19,669	1,162
Goodwill	3,069	3,069
Carrying amount in the consolidated statements of financial position	22,738	4,231

The Group has not incurred any contingent liabilities or other commitments relating to its investment in associates.

Notes to the Consolidated Financial Statements

17. GOODWILL AND INTANGIBLE ASSETS

	Goodwill			Intangible assets			Total RMB'000
	Property management services segment RMB'000	Community value-added services segment RMB'000	Sub-total RMB'000	Mobile application RMB'000	Customer relationships RMB'000	Sub-total RMB'000	
Cost							
As at 1 January 2020	42,844	5,534	48,378	7,895	25,287	33,182	81,560
Acquisition of a subsidiary (note 32(b))	24,378	–	24,378	–	2,900	2,900	27,278
Deemed disposal of a subsidiary (note 33)	–	(5,534)	(5,534)	(7,895)	–	(7,895)	(13,429)
As at 31 December 2020 and 1 January 2021	67,222	–	67,222	–	28,187	28,187	95,409
Acquisition of a subsidiary (note 32(b))	93,606	–	93,606	–	18,000	18,000	111,606
As at 31 December 2021	160,828	–	160,828	–	46,187	46,187	207,015
Accumulated amortisation							
As at 1 January 2020	–	–	–	2,632	1,036	3,668	3,668
Amortisation	–	–	–	218	2,722	2,940	2,940
Deemed disposal of a subsidiary (note 33)	–	–	–	(2,850)	–	(2,850)	(2,850)
As at 31 December 2020 and 1 January 2021	–	–	–	–	3,758	3,758	3,758
Amortisation	–	–	–	–	5,487	5,487	5,487
As at 31 December 2021	–	–	–	–	9,245	9,245	9,245
Net book amount							
As at 31 December 2021	160,828	–	160,828	–	36,942	36,942	197,770
As at 31 December 2020	67,222	–	67,222	–	24,429	24,429	91,651

During the year ended 31 December 2021, the Group acquired 60% of the equity interests in the Zhejiang Ruiyuan (note 32(b)) at a total consideration of RMB107,706,000. Total identifiable net assets of this entity acquired as at the acquisition date were amounted to RMB23,500,000, including identified customer relationships of RMB18,000,000 recognised by the Group.

On 30 June 2020, the Group acquired 60% of the equity interests in the Ningbo Langtong (note 32(a)) 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.

The excess of the consideration transferred and the amount of the non-controlling interests in the acquires over the fair value of the identifiable net assets acquired is recorded as goodwill (note 32).

Notes to the Consolidated Financial Statements

17. GOODWILL AND INTANGIBLE ASSETS (Continued)

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

Customer relationships acquired in business combinations are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 7 to 10 years.

Independent valuations were performed by independent valuers to determine the amount of the mobile application and customer relationships recognised by the Group as at respective acquisition dates.

During the year ended 31 December 2021, goodwill of RMB93,606,000 (2020: RMB24,378,000) has been allocated to the cash-generating unit ("CGUs") of the subsidiaries acquired under property management service segment. For the purpose of impairment testing, the recoverable amounts for the cash generating unit was determined based on value-in-use calculations covering a detailed five-year budget plan followed by an extrapolation of expected cash flows at the growth rates stated below and the valuation conducted by an independent valuer and approved by the directors of the Company. The growth rates reflect the long-term average growth rates for the service lines of the cash generating unit.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at 31 December 2021 and 2020:

	2021	2020
Growth rate within the five-year period	3-12%	6-20%
Pre-tax discount rate	19-22%	15-16%
Terminal growth rate	3%	3%

The recoverable amounts of the subsidiaries acquired under property management service segment are calculated based on value in use ("VIU") exceeded its carrying value. No impairment provision was considered necessary to be provided as at 31 December 2021 and 2020.

The management of the Group believes that any reasonably possible changes in the key estimation of the VIU calculations would not cause the carrying amounts to exceed its recoverable amounts.

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18. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2021 and 2020 are as follows:

Name of company	Place and date of incorporation/ establishment/ operations	Type of legal entity	Registered/Issued and fully paid capital	Percentage of ownership interests held by the Company		Principal activities
				2021	2020	
Directly held by the Company						
Xie Mao Investment Company Limited ("協茂投資有限公司")	BVI, 26 July 2007	Limited liability company	USD2	100%	100%	Investment holding
Indirectly held by the Company						
Profit Victor Investments (Hong Kong) Limited ("益勝投資(香港)有限公司")	Hong Kong, 2 April 2012	Limited liability company	HKD10,000	100%	100%	Investment holding
Kaisa Property Group Company Limited* ("佳兆業物業集團有限公司")	The PRC, 21 December 2012	Limited liability company	RMB65,723,000	100%	100%	Property management
Kaisa Property Management (Shenzhen) Co., Limited.* ("佳兆業物業管理(深圳)有限公司")	The PRC, 20 October 1999	Limited liability company	RMB310,000,000	100%	100%	Property management
Kaisa Commercial Property Management (Shenzhen) Co., Ltd.* ("深圳市佳兆業商業物業管理有限公司")	The PRC, 8 May 2013	Limited liability company	RMB50,000,000	100%	100%	Property management
Shenzhen Jake Intelligence Technology Co., Limited* ("深圳市佳科智能科技有限公司")	The PRC, 23 December 2013	Limited liability company	RMB20,000,000	100%	100%	Equipment installation
Shenzhen Dapengche Engineering Maintenance Service Co., Ltd.* ("深圳市大蓬車工程維修服務有限公司")	The PRC, 27 November 2014	Limited liability company	RMB50,000,000	100%	100%	Maintenance and repairing
Kaisa Property Management (Dongguan) Co., Ltd. ("東莞市佳兆業物業管理有限公司")	The PRC, 18 July 2007	Limited liability company	RMB10,000,000	100%	100%	Property management
Kaisa Property Management (Chengdu) Co., Ltd.* ("成都市佳兆業物業管理有限公司")	The PRC, 30 January 2008	Limited liability company	RMB30,000,000	100%	100%	Property management
Kaisa Property Management (Chongqing) Co., Ltd.* ("重慶市佳兆業物業管理有限公司")	The PRC, 11 July 2013	Limited liability company	RMB3,000,000	100%	100%	Property management
Kaisa Property Management (Huizhou) Co., Ltd.* ("惠州佳兆業物業管理有限公司")	The PRC, 16 July 2013	Limited liability company	RMB500,000	100%	100%	Property management
Kaisa Property Management (Liuzhou) Co., Ltd.* ("柳州佳兆業物業管理有限公司")	The PRC, 27 April 2017	Limited liability company	RMB500,000	100%	100%	Property management

Notes to the Consolidated Financial Statements

18. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment/ operations	Type of legal entity	Registered/Issued and fully paid capital	Percentage of ownership interests held by the Company		Principal activities
				2021	2020	
Hebei Changrunda Environmental Engineering Co., Limited* ("河北佳科智合科技發展有限公司")	The PRC, 28 October 2020	Limited liability company	RMB10,000,000	70%	N/A	Property management related business
Taiyuan Kaisa Property Management Co., Ltd.* ("太原佳兆業物業管理有限公司")	The PRC, 27 June 2018	Limited liability company	RMB500,000	51%	51%	Property management
Ningbo Kaisa Property Service Co., Ltd.* ("寧波佳兆業物業服務有限公司")	The PRC, 6 November 2018	Limited liability company	RMB500,000	51%	51%	Property management
Jiaxing Dashu Property Management Company Limited* ("Jiaxing Dashu Group") ("嘉興大樹物業管理有限公司")	The PRC, 30 July 1999	Limited liability company	RMB5,000,000	60%	60%	Property management
Jiaxing Rongshu Hotel Management Co., Ltd* ("Jiaxing Rongshu Group") ("嘉興市融樹酒店管理有限公司")	The PRC, 11 September 2007	Limited liability company	RMB1,000,000	60%	60%	Property management
Jiangsu Hengyuan Property Management Company Limited* ("Jiangsu Hengyuan") ("江蘇恒源物業管理有限公司")	The PRC, 29 June 2004	Limited liability company	RMB10,000,000	51%	51%	Property management
Yancheng Hengyuan Sanitation Service Company Limited* ("鹽城恒源環衛服務有限公司")	The PRC, 9 March 2017	Limited liability company	RMB1,000,000	51%	51%	Property management
Ningbo Langtong Property Service Company Limited* ("Ningbo Langtong") (note 32(a)) ("寧波朗通物業服務有限公司")	The PRC, 9 January 2013	Limited liability company	RMB2,000,000	60%	60%	Property management
Zhejiang Ruiyuan Property Management Co., Limited* ("Zhejiang Ruiyuan") (note 32(b)) ("浙江瑞源物業管理有限公司")	The PRC, 17 July 2002	Limited liability company	RMB10,000,000	60%	N/A	Property management

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* 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.

Notes to the Consolidated Financial Statements

18. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

The Group includes four subsidiaries group with material non-controlling interests ("NCI"), the details and the summarised financial information, before intragroup eliminations, are as follows:

	Jiaying Dashu Group As at 31 December 2021 RMB'000	Jiangsu Hengyuan Group As at 31 December 2021 RMB'000	Ningbo Langtong As at 31 December 2021 RMB'000	Zhejiang Ruiyuan As at 31 December 2021 RMB'000
Proportion of ownership interests and voting rights held by the NCI	40%	49%	40%	40%
Current assets	57,036	48,126	16,336	71,789
Non-current assets	13,851	30,371	3,062	22,430
Current liabilities	(29,428)	(42,729)	(8,040)	(54,151)
Non-current liabilities	(2,253)	(2,546)	(580)	(3,857)
Net assets	39,206	33,222	10,778	36,211
Carrying amount of NCI	15,682	16,279	4,311	14,484
	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2021 RMB'000
Revenue	143,367	168,486	46,277	184,179
Total expenses	(138,828)	(162,229)	(42,505)	(171,469)
Profit for the year	4,539	6,257	3,772	12,710
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	4,539	6,257	3,772	12,710
Profit attributable to NCI	1,816	3,066	1,509	5,084
Total comprehensive income attributable to NCI	1,816	3,066	1,509	5,084
Net cash flows from/(used in) operating activities	3,756	2,974	(2,786)	16,030
Net cash flows used in investing activities	(381)	(1,002)	(274)	(629)
Net cash flows used in financing activities	(192)	–	(2)	(160)
Net increase/decrease in cash and cash equivalents	3,183	1,972	(3,062)	15,241

Notes to the Consolidated Financial Statements

18. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

	Jiaying Dashu Group As at 31 December 2020 RMB'000	Jiangsu Hengyuan Group As at 31 December 2020 RMB'000	Ningbo Langtong As at 31 December 2020 RMB'000
Proportion of ownership interests and voting rights held by the NCI	40%	49%	40%
Current assets	56,762	34,391	11,416
Non-current assets	15,388	31,716	3,250
Current liabilities	(30,681)	(36,271)	(6,983)
Non-current liabilities	(2,623)	(2,871)	(677)
Net assets	38,846	26,965	7,006
Carrying amount of NCI	15,538	12,313	2,802
	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2020 RMB'000	For the period from 1 July 2020 to 31 December 2020 RMB'000
Revenue	135,951	107,830	21,523
Total expenses	(127,854)	(102,457)	(18,886)
Profit for the year/period	8,097	5,373	2,637
Other comprehensive income for the year/period	–	–	–
Total comprehensive income for the year/period	8,097	5,373	2,637
Profit attributable to NCI	3,239	2,633	1,055
Total comprehensive income attributable to NCI	3,239	2,633	1,055
Net cash flows from operating activities	2,563	1,733	2,745
Net cash flows used in investing activities	(323)	(684)	(21)
Net cash flows used in financing activities	(71)	(746)	–
Net increase/decrease in cash and cash equivalents	2,169	303	2,724

Notes to the Consolidated Financial Statements

19. RIGHT-OF-USE ASSETS

	Leased assets for owners- occupied purpose RMB'000	Leased assets for provision of properties management services RMB'000 (Note)	Total RMB'000
At 1 January 2020	4,242	–	4,242
Additions	7,845	–	7,845
Deemed disposal of a subsidiary (note 33)	(1,780)	–	(1,780)
Depreciation	(4,369)	–	(4,369)
At 31 December 2020 and at 1 January 2021	5,938	–	5,938
Additions	16,853	200,000	216,853
Acquisition of subsidiaries (note 32(b))	1,145	–	1,145
Depreciation	(6,630)	–	(6,630)
Net book value at 31 December 2021	17,306	200,000	217,306

Note: Pursuant to certain leasing agreements entered by a subsidiary of the Group with a number of independent third parties during the year ended 31 December 2021, the Group was granted the rights to use of certain non-residential properties in the PRC for 15 years commencing from 1 January 2022, including but not limited to the right to provide property management services and sublease the non-residential properties for rental income. The leasing agreements were non-cancellable and the Group has paid total considerations of RMB200,000,000 and no further obligation to pay for the use of the leased assets. These right-of-use assets are carried at costs less impairment loss, if any. No depreciation had been provided for the current year as the leasing period had yet to commence as at 31 December 2021.

Notes to the Consolidated Financial Statements

20. FINANCIAL ASSETS

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
At 31 December 2021			
Non-current			
Unlisted equity investment (Note (a))	–	15,000	15,000
Other financial assets (Note (c))	328,946	–	328,946
Total financial assets at 31 December 2021			343,946
At 31 December 2020			
Current			
Listed debt securities in overseas (Note (b))	216,531	–	216,531
Total financial assets at 31 December 2020			216,531

Notes:

- (a) The amount represents an investment in equity shares in an unlisted entity established in the PRC, which is mainly engaged in providing internet insurance services of car industry. The fair value measurement of unlisted equity investment is classified as Level 3 fair value hierarchy as described in note 4.3.
- (b) The fair value measurement of listed debt securities are classified as Level 1 fair value hierarchy, which is determined by reference to the quoted bid prices of the respective securities in active markets for identical assets.
- (c) During the current year, a subsidiary of the Group entered into contractual arrangements with independent third parties of which the parent of the Company was a 5% registered shareholder, and the Group paid a deposit of RMB382,495,000 (the "Deposit") for an exclusive right to sell certain non-residential properties in the PRC (the "Properties") for a five-year period. Pursuant to the relevant contractual arrangements, the subsidiary is entitled to 70% of the excess of the selling price over the agreed minimum price with the counterparties to the contractual arrangements. The subsidiary also has the right to receive rental income arising from the Properties prior the Properties are sold. The director considered that the operations under the abovementioned exclusive right namely, the provision of sale services, form part of the Group's ordinary course of business.

The Deposit paid by the Group during the year is refundable in case of any shortfall as stipulated in details in the related contractual arrangements.

Since the contractual arrangements give the Group a contractual right to receive cash which are variable as described above, the asset is considered as a financial asset at fair value through profit or loss. A fair value loss of RMB53,549,000 has been recognised during the current year. The fair value measurement is classified as Level 3 fair value hierarchy as described in note 4.3.

Notes to the Consolidated Financial Statements

21. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables		
– Third parties	270,319	170,366
– Related parties (note 24)	621,189	251,855
	891,508	422,221
Less: loss allowance for trade receivables (note 4.1)	(152,987)	(20,806)
	738,521	401,415
Other receivables		
Other deposits	26,515	24,605
Prepayments	16,052	2,969
Loan to a third party (note (c))	–	15,941
Payments on behalf of staff	12,431	8,577
Payments on behalf of residents under lump-sum basis	16,356	14,139
Other receivable in relation to termination of acquisition transaction (note 10)	10,000	–
Others	2,746	90
Less: loss allowance for other receivables (note 4.1)	(7,751)	(6,077)
	76,349	60,244
Less: other receivables under non-current portion	(14,839)	(1,626)
	61,510	58,618

Notes:

- (a) All of the Group's trade and other receivables as at 31 December 2021 are denominated in RMB (2020: all RMB, except for loan to a third party as disclosed in note (c) below). 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 0 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 loan was repaid during the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

21. TRADE AND OTHER RECEIVABLES (Continued)

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 RMB'000	2020 RMB'000
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	8,187	10,361
	891,508	422,221

22. PAYMENTS ON BEHALF OF RESIDENTS

	2021 RMB'000	2020 RMB'000
Payments on behalf of residents	58,502	42,844
Less: allowance for impairment of payments on behalf of residents (note 4.1)	(5,510)	(5,825)
	52,992	37,019

The balances with the property management offices of residential communities managed by the Group under the terms of commission basis represents expenditures paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of that residential community.

As at 31 December 2021 and 2020, the payments on behalf of residents were denominated in RMB.

Notes to the Consolidated Financial Statements

23. CONTRACT ASSETS/LIABILITIES

	2021 RMB'000	2020 RMB'000
Contract assets		
Contract assets related to smart solution services	124,855	95,270
Less: loss allowance for contract assets	(11,921)	–
	112,934	95,270
Contract liabilities		
Contract liabilities related to smart solution services	(29,612)	(12,910)
Contract liabilities related to property management services	(137,360)	(76,198)
	(166,972)	(89,108)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers while the underlying services are yet to be provided. Considerations are usually received in advance of the performance under the contracts. Such assets and liabilities increased as a result of the growth of the Group's business.

The contract assets and contract liabilities included the related parties with amount RMB73,254,000 (2020: RMB60,886,000) and RMB20,135,000 (2020: RMB6,653,000) respectively,

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	69,199	54,958

All contract assets and liabilities are expected to be recovered/settled within one to two years.

Notes to the Consolidated Financial Statements

24. AMOUNTS DUE FROM RELATED PARTIES

	2021 RMB'000	2020 RMB'000
Amounts due from fellow subsidiaries		
– Trade nature	500,459	143,664
– Non-trade nature	777	445
	501,236	144,109
Amounts due from joint ventures of fellow subsidiaries		
– Trade nature	115,768	101,415
– Non-trade nature	307	375
	116,075	101,790
Amounts due from associates of ultimate holding company		
– Trade nature	4,962	6,776
– Non-trade nature	4	–
	4,966	6,776
Less: loss allowance for trade nature balance	622,277 (124,447)	252,675 –
	497,830	252,675

The following is the ageing analysis of amounts due from related parties (trade nature) based on invoice date presented at each of the reporting dates.

	2021 RMB'000	2020 RMB'000
Within 180 days	465,687	230,744
181-365 days	130,485	15,009
1-2 years	23,562	4,844
2-3 years	1,455	1,258
	621,189	251,855

The non-trade nature of amounts due from fellow subsidiaries, joint ventures of fellow subsidiaries and associate of ultimate holding company are unsecured, interest-free and recoverable on demand as at 31 December 2021 and 2020.

As at 31 December 2021 and 2020, amounts due from related parties were denominated in RMB.

Notes to the Consolidated Financial Statements

24. AMOUNTS DUE FROM RELATED PARTIES (Continued)

The Group's credit limits offered to related companies are based on assessment of their financial viability and reputation in the industry, including historical payment records.

The Group applied simplified approach to provide the expected credit losses prescribed by HKFRS 9 for the trade nature balance.

25. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

Cash and balances with banks and other financial institutions are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
Denominated in – RMB	270,593	772,118
Denominated in – HKD	8,571	163,096
Denominated in – USD	79,348	85,108
	358,512	1,020,322
Less: Restricted cash (note)	(517)	(1,515)
	357,995	1,018,807

Note: As at 31 December 2021, restricted cash mainly represents the maintenance fund held on behalf of the residents amounting to RMB395,000 (2020: RMB549,000) and guarantee deposits for the use of bank service outside mainland China amounting to RMB122,000 (2020: RMB966,000) respectively.

Included in cash and balances with banks and other financial institutions of the Group is RMB270,593,000 (2020: RMB772,118,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Notes to the Consolidated Financial Statements

26. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables		
– Third parties	236,635	192,648
– Related parties (note 27)	11,185	22,669
	247,820	215,317
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
Total other payables	389,763	299,618
Less: non-current portion		
Other payables	(4,781)	(6,544)
Consideration payables for acquisition of subsidiaries	(26,941)	(13,224)
Total other payables under non-current portion	(31,722)	(19,768)
Current portion	358,041	279,850

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 RMB'000	2020 RMB'000
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
	247,820	215,317

Notes to the Consolidated Financial Statements

27. AMOUNTS DUE TO RELATED PARTIES

	2021 RMB'000	2020 RMB'000
Amounts due to related parties		
– Trade nature	11,185	22,669
– Non-trade nature	6,939	1,664
	18,124	24,333

The following is the ageing analysis of amounts due to related parties (trade nature) based on invoice date presented the reporting date:

	2021 RMB'000	2020 RMB'000
Within 90 days	6,879	7,302
91-180 days	3,494	3,190
181-270 days	252	3,040
271-365 days	299	2,720
Over 365 days	261	6,417
	11,185	22,669

The amounts due to related parties are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

28. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Total minimum lease payments:		
Due within one year	6,827	3,498
Due in the second to fifth years	13,392	2,879
	20,219	6,377
Future finance charges on leases liabilities	(1,700)	(336)
Present value of leases liabilities	18,519	6,041

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Present value of minimum lease payments:		
Due within one year	6,089	3,273
Due in the second to fifth years	12,430	2,768
	18,519	6,041
Less:		
Portion due within one year included under current liabilities	(6,089)	(3,273)
Portion due after one year included under non-current liabilities	12,430	2,768

Details of the lease activities

During the year ended 31 December 2021, the Group entered into additional 18 (2020: 23) new lease agreements for office uses for one to five years. All leases are subjected to monthly fixed rental payment.

The Group considered these leases do not have any extension or termination options.

During the year ended 31 December 2021, the total cash outflows for the leases are RMB59,531,000 (2020: RMB52,849,000).

Notes to the Consolidated Financial Statements

29. DEFERRED TAX ASSETS/LIABILITIES

	2021 RMB'000	2020 RMB'000
Deferred tax assets:		
Balance at beginning of year	8,177	5,298
Credited to profit or loss (note 11)	48,997	2,746
Acquisitions of subsidiaries (note 32)	755	133
Balance at end of year	57,929	8,177
Deferred tax liabilities:		
Balance at beginning of year	(10,107)	(11,378)
Credited to profit or loss (note 11)	1,371	735
Acquisitions of subsidiaries (note 32)	(4,500)	(725)
Deemed disposal of a subsidiary (note 33)	–	1,261
Balance at end of year	(13,236)	(10,107)

Deferred tax assets and liabilities are attributable to the following:

	2021 RMB'000	2020 RMB'000
Assets		
Provision for loss allowance	44,542	8,177
Change in fair value of other financial assets	13,387	–
Total deferred tax assets	57,929	8,177
Liabilities		
Excess of carrying amount of intangible asset over the tax bases	(9,236)	(6,107)
Withholding tax for undistributed profits	(4,000)	(4,000)
Net tax liabilities	(13,236)	(10,107)

The EIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by the PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Since the Group controls the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

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 Group has unrecognised tax losses of RMB1,655,000 (2020: RMB1,119,000) to carry forward against future taxable income. These tax losses will be expired from 2022 to 2026.

Notes to the Consolidated Financial Statements

30. SHARE CAPITAL

Ordinary shares of HKD0.01 each	No. of shares	RMB'000
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	500,000,000	4,400
Issued and fully paid:		
At 1 January 2020	140,000,000	1,232
Issue of shares (note (i))	14,000,000	128
At 31 December 2020 and 1 January 2021	154,000,000	1,360
Issue of shares under share option scheme (note (ii))	110,000	1
At 31 December 2021	154,110,000	1,361

Notes:

- (i) On 9 June 2020, the Company entered into a placing and subscription agreement with Ye Chang Investment Company Limited, the immediate holding company of the Company, and placing agents (the "Agreement"). Pursuant to the Agreement, the placing agents conditionally agreed to place, on a fully underwritten basis, 14,000,000 existing shares at the placing price of HKD32.55 per share; Ye Chang Investment Company Limited conditionally agreed to subscribe at the placing price for the same number of new shares as the placing shares that have been placed by the placing agents. On 23 June 2020, the Company issued 14,000,000 shares at a subscription price of HKD32.55 per share, and raised net proceeds of approximately HKD451,542,000 (equivalent to approximately RMB412,161,000).
- (ii) During the year ended 31 December 2021, share options were exercised to subscribe for 110,000 ordinary shares of the Company at a consideration of approximately RMB1,437,000 of which approximately RMB1,000 was credited to share capital and approximately RMB2,062,000 was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB626,000 was transferred to the share premium account.

Notes to the Consolidated Financial Statements

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS**(a) Share Option Scheme granted by the Company**

Pursuant to the shareholders' resolution passed on 18 June 2019, a share option scheme was conditionally adopted. Pursuant to the terms of the share option scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any member of the Group). The maximum number of shares which may be issued upon exercise of all options granted and yet to be exercised under the share option scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the share option scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant.

The exercise price of the option under the share option scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

Details of the movement of the share options under share option scheme are as follows:

	Weighted average exercise price in HKD per share	Number
At 1 January 2020	15.7	11,450,000
Forfeited during the year	15.7	(850,000)
At 31 December 2020 and at 1 January 2021	15.7	10,600,000
Exercise during the year	15.7	(110,000)
Forfeited during the year	15.7	(440,000)
At 31 December 2021	15.7	10,050,000

On 19 July 2019, the Company offered to grant to the directors of the Company and certain employees of the Company and its subsidiaries (the "July 2019 Grant") of 2,750,000 and 8,700,000 share options respectively, of HKD0.01 each in the capital of the Company. The closing price of the shares immediately before the date of grant was HKD15.36. 8,700,000 share options granted to the employees and 2,750,000 share options granted to the directors of the Company have a fair value under the binomial model of HKD62,564,000 and HKD22,241,000, respectively.

Notes to the Consolidated Financial Statements

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)**(a) Share Option Scheme granted by the Company** (Continued)

The valuations were based on the Binomial Option Pricing Model with the following data and assumptions:

	19 July 2019 Grant
Fair value under binomial model	HKD84,805,000
Closing share price at grant date	HKD15.70
Exercise price	HKD15.70
Annual risk free interest rate	1.87%
Expected volatility	50.86%
Expected option life	10 years
Expected dividend yield	1.15%

Expected volatility was determined by using the historical volatility of the Company's share price from the listing date to the grant date. The risk free interest rate is equal to HKD swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Expected dividend yield are based on historical data.

In total, RMB13,414,000 of employee compensation expense has been recognised in profit or loss for the year ended 31 December 2021 (2020: RMB25,174,000) and the corresponding amount of which has been credited to "Share option reserve". No liabilities were recognized for the share-based payment transactions.

As at 31 December 2021, 4,020,000 of the outstanding options granted under the share option scheme were exercisable (2020: 2,120,000).

Note:

Terms of share options at the reporting date were as follows:

Exercise period	Exercise price per share HKD	Number of share options outstanding as at 31 December	
		2021	2020
19/7/2020-18/7/2029	15.70	2,010,000	2,120,000
19/7/2021-18/7/2029	15.70	2,010,000	2,120,000
19/7/2022-18/7/2029	15.70	2,010,000	2,120,000
19/7/2023-18/7/2029	15.70	4,020,000	4,240,000
		10,050,000	10,600,000

Notes to the Consolidated Financial Statements

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)**(b) Share option scheme granted by the ultimate holding company**

The share option scheme of its ultimate holding company, Kaisa Holdings was adopted pursuant to its resolution passed on 22 November 2009 and expired on 21 November 2019. Pursuant to the terms of the share option scheme, the board of directors of Kaisa Holdings may, at its discretion, grant options to any eligible person (including directors, employees, officers of any member of Kaisa Holdings, advisers, consultants, suppliers, agents and customers of any member of Kaisa Holdings).

The vesting periods, exercise periods and vesting conditions may be specified by Kaisa Holdings at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the share option scheme shall be no less than the highest of (i) the official closing price of Kaisa Holdings' shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of Kaisa Holdings' shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of Kaisa Holdings.

Details of the movement of the share options under share option scheme are as follows:

	2021		2020	
	Weighted average exercise price in HKD per share	Number	Weighted average exercise price in HKD per share	Number
At 1 January	3.45	4,200,000	2.98	6,062,000
Exercised during the year	–	–	2.00	(1,568,000)
Transferred to Kaisa Holdings	–	–	1.50	(294,000)
Effect of completion of right issue	–	136,193	–	–
	3.35	4,336,193	3.45	4,200,000

Notes to the Consolidated Financial Statements

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)**(b) Share option scheme granted by the ultimate holding company** (Continued)

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

As at 31 December 2021, 4,336,193 of the outstanding options granted under the share option scheme were exercisable (2020: 2,600,000).

Note:

Terms of share options at the reporting date were as follows:

Exercise period	Exercise price per share HKD	Number of share options	
		2021	2020
6/6/2015-5/6/2022	1.45*/1.500	53,686*	52,000
6/6/2017-5/6/2022	1.45*/1.500	152,798*	148,000
19/7/2018-18/7/2027	3.44*/3.550	825,942*	800,000
19/7/2019-18/7/2027	3.44*/3.550	825,942*	800,000
19/7/2020-18/7/2027	3.44*/3.550	825,942*	800,000
19/7/2021-18/7/2027	3.44*/3.550	1,651,883*	1,600,000
		4,336,193	4,200,000

The Group recognised a share option expense of RMB343,000 (2020: RMB852,000) during the year ended 31 December 2021.

* The number of options and exercise price was adjusted upon the ultimate holding company's completion of right issue on 7 May 2021.

Notes to the Consolidated Financial Statements

32. ACQUISITIONS OF SUBSIDIARIES

(a) 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. These benefits are not recognized separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

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

	2020 RMB'000
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)
Total identifiable net assets at fair value	4,370
Less: non-controlling interests	(1,748)
Identifiable net assets acquired	2,622
Goodwill	24,378
Total purchase consideration	27,000
Consideration transferred	27,000
Consideration payable	(12,150)
Purchase consideration settled in cash	14,850
Cash and bank balances in a subsidiary acquired	(525)
Cash outflow on acquisition of a subsidiary	14,325

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 RMB1,746,501,000 and RMB230,729,000 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.
- (iii) The consideration payable of RMB12,150,000 is subjected to downward adjustment of certain performance targets of Ningbo Langtong from 2020 to 2023. The directors of the Company consider that the probability of not meeting these performance targets is low. Accordingly, the fair value of contingent consideration payable is considered as minimal. For the years ended 31 December 2021 and 2020, the performance targets of Ningbo Langtong had been satisfied and total of RMB4,050,000 consideration payable paid up during the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

32. ACQUISITIONS OF SUBSIDIARIES (Continued)**(b) Acquisition of Zhejiang Ruiyuan**

On 27 December 2020, the Group entered into a sales and purchase agreement with independent third parties for the acquisition of 60% of equity interests in Zhejiang Ruiyuan Property Management Co., Ltd.* (“浙江瑞源物業管理有限公司”) (“Zhejiang Ruiyuan”), a company whose principal activity is provision of property management services for residential properties, commercial properties and other non-residential properties. The acquisition has been completed on 1 January 2021.

Goodwill of RMB93,606,000 arose from expected future development of Zhejiang Ruiyuan’s business and improvement on market coverage. These benefits are not recognized separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

By execution of the sales and purchase agreement in January 2021, all of the strategic financial and operating decisions required approval by simple majority of the board of directors, of which two directors and one director are nominated by the Group and the other shareholder, respectively. Since the Group obtained effective control of voting power to govern the relevant activities of the entity, Zhejiang Ruiyuan is regarded as a subsidiary of the Group.

The acquisition was made with the aims to expand the Group’s existing scale of operation and enlarge the Group’s market presence and has been accounted for as acquisition of business using the acquisition method.

The fair value of assets and liabilities acquired as at the date of acquisition was as follows:

	2021 RMB'000
Property, plant and equipment	6,708
Intangible assets	18,000
Right-of-use assets	1,145
Deferred tax assets	755
Trade receivables	27,905
Other receivables	24,904
Cash and bank balances	16,771
Trade payables	(5,447)
Other payables	(42,834)
Contract liabilities	(16,475)
Lease liabilities	(1,315)
Deferred tax liabilities	(4,500)
Income tax payables	(2,117)
Total identifiable net assets at fair value	23,500
Less: non-controlling interests	(9,400)
Identifiable net assets acquired	14,100
Goodwill	93,606
Total purchase consideration	107,706
Consideration transferred	107,706
Consideration payable	(53,853)
Purchase consideration settled in cash	53,853
Cash and bank balances in a subsidiary acquired	(16,771)
Cash outflow on acquisition of a subsidiary	37,082

Notes to the Consolidated Financial Statements

32. ACQUISITIONS OF SUBSIDIARIES (Continued)**(b) Acquisition of Zhejiang Ruiyuan** (Continued)

Notes:

- (i) Zhejiang Ruiyuan contributed revenue of RMB184,179,000 and net profit of RMB12,710,000 to the Group for the period from 1 January 2021 to 31 December 2021.
- (ii) Intangible assets of customer relationship of RMB18,000,000 in relation to the acquisition of Zhejiang Ruiyuan has been recognised by the Group.
- (iii) The consideration payable of RMB53,853,000 is subjected to downward adjustment of certain performance targets of Zhejiang Ruiyuan from 2020 to 2023. The directors of the Company consider that the probability of not meeting these performance targets is low. Accordingly, the fair value adjustment on contingent consideration payable is considered as minimal. For the years ended 31 December 2021 and 2020, the performance targets of Zhejiang Ruiyuan had been satisfied and total of RMB21,541,000 consideration payable paid up during the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

33. 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)
	2,126
Non-controlling interests	264
	2,390
Net assets disposed of	2,390
Gain on deemed disposal	1,192
	3,582
Fair value of 45.20% retained interests	3,582
Net cash outflow arising on deemed disposal:	
Cash and bank balances disposal of	510

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.

Notes to the Consolidated Financial Statements

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		588,450	520,196
Current assets			
Other financial assets		–	122,415
Other receivables		–	12,106
Dividend receivables		120,000	120,000
Cash and cash equivalents		31,073	121,431
		151,073	375,952
Current liability			
Other payables		6,124	3,839
		6,124	3,839
Net current assets			
		144,949	372,113
Total assets less current liabilities			
		733,399	892,309
Net assets			
		733,399	892,309
EQUITY			
Share capital	30	1,361	1,360
Reserves (note)		732,038	890,949
Total equity			
		733,399	892,309

Approved and authorised for issue by the Board of Directors on 23 June 2022.

Liao Chuanqiang
Director

Guo Li
Director

Notes to the Consolidated Financial Statements

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of the Company's reserves are as follows:

	Share premium RMB'000	Share options reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2020	271,743	14,650	314,493	600,886
Issue of new share	412,033	–	–	412,033
Loss and total comprehensive expenses for the year	–	–	(73,999)	(73,999)
Recognition of equity-settled share-based payment transactions (note 31(a))	–	25,174	–	25,174
Dividend declared	(73,145)	–	–	(73,145)
As at 31 December 2020 and 1 January 2021	610,631	39,824	240,494	890,949
Issue of shares under share option scheme	2,062	(626)	–	1,436
Loss and total comprehensive expenses for the year	–	–	(85,279)	(85,279)
Recognition of equity-settled share-based payment transactions (note 31(a))	–	13,414	–	13,414
Dividend declared	(88,482)	–	–	(88,482)
As at 31 December 2021	524,211	52,612	155,215	732,038

Notes to the Consolidated Financial Statements

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities is as follows:

	Lease liabilities RMB'000	Dividend payable RMB'000	Amounts due to related parties RMB'000
As at 1 January 2020	4,242	–	1,277
Changes from financial cash flows:			
Advance from related parties	–	–	387
Dividend paid	–	(75,893)	–
Interest paid	(393)	–	–
Repayment of lease liabilities	(4,266)	–	–
Total changes from financial cash flow	(417)	(75,893)	1,664
Other changes:			
Deemed disposal of a subsidiary (note 33)	(1,780)	–	–
Increase in dividend payable	–	75,893	–
Increase in lease liabilities (note 38)	7,845	–	–
Finance cost (note 9)	393	–	–
As at 31 December 2020 and 1 January 2021	6,041	–	1,664
Changes from financial cash flows:			
Advance from related parties	–	–	5,275
Dividend paid	–	(90,153)	–
Interest paid	(813)	–	–
Repayment of lease liabilities	(5,690)	–	–
Total changes from financial cash flow	(462)	(90,153)	6,939
Other changes:			
Acquisition of subsidiaries (note 32(b))	1,315	–	–
Dividend declared	–	90,153	–
Increase in lease liabilities (note 38)	16,853	–	–
Finance cost (note 9)	813	–	–
As at 31 December 2021	18,519	–	6,939

Notes to the Consolidated Financial Statements

36. COMMITMENTS**(a) Lease commitments****The Group as lessee**

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

	2021 RMB'000	2020 RMB'000
Within one year	2,959	6,375
In the second to fifth years	–	167
	2,959	6,542

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 RMB'000	2020 RMB'000
Within one year	3,319	1,727
In the second to fifth years	10,944	–
	14,263	1,727

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.

(b) Commitments for acquisition of a subsidiary

	2021 RMB'000	2020 RMB'000
Contracted but not provided for – Acquisition of a subsidiary	–	107,706

Notes to the Consolidated Financial Statements

37. RELATED PARTY TRANSACTIONS

Except as disclosed in elsewhere, the Group entered into the following transactions with related parties as follows:

(a) Key management compensation

	2021 RMB'000	2020 RMB'000
Directors' fee	753	739
Salaries and other short-term employee benefits	4,684	6,139
Discretionary bonuses	–	1,543
Retirement scheme contributions	582	818
Equity-settled share-based payment expenses	5,651	10,447
	11,670	19,686

(b) Transactions with related parties

	Notes	2021 RMB'000	2020 RMB'000
Provision of property management services			
Fellow subsidiaries of the Group	(i), (ii)	83,791	76,183
Joint ventures of fellow subsidiaries	(i), (ii)	1,242	15,972
Provision of pre-delivery and consulting services			
Fellow subsidiaries of the Group	(i), (ii)	763,713	330,694
Joint ventures of fellow subsidiaries	(i), (ii)	251,668	195,793
Associates of the ultimate holding company	(i), (ii)	11,378	16,533
Provision of community value-added and smart solution services			
Fellow subsidiaries of the Group	(i), (ii), (iv)	88,475	68,908
Joint ventures of fellow subsidiaries	(i), (ii)	9,179	44,937
Associates of the ultimate holding company	(i), (ii)	85	228
Lease expenses			
Fellow subsidiaries of the Group	(i), (ii)	39,972	39,025
Joint ventures of fellow subsidiaries	(i), (ii)	2,044	2,462
Staff welfare expenses			
Fellow subsidiaries of the Group	(iii)	101	908
Joint ventures of fellow subsidiaries	(iii)	7	25

Notes:

- (i) Property management services income, pre-delivery and consulting services income, smart solution services and rental expenses for car parks and office are charged at prices and terms no less favourable than those charged to and contracted with other third parties of the Group.

Notes to the Consolidated Financial Statements

37. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Notes: (Continued)

- (ii) Except for related party transactions related to the provision of community value-added services amounting to RMB1,903,000 (2020: RMB1,765,000) which are exempted from disclosure, the other related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and are subject to reporting, annual review, announcement and/or independent non-executive director or shareholder's approval (where applicable) requirements under Chapter 14A of the Listing Rules.
- (iii) These related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, those transactions are exempt from the disclosure, reporting, annual review, announcement and/or independent non-executive director or shareholder's approval requirements under Chapter 14A of the Listing Rules as they are conducted on normal commercial terms or better and not secured by the assets of the Group under Rule 14A.90.
- (iv) As disclosed in note 33, Kaisa Technology ceased to be a subsidiary of the Company upon the capital injection and its transactions are no longer be consolidated into the consolidated financial statements of the Group. Included in the amount of the related party transaction during the year ended 31 December 2020 was the provision of community value-added services of RMB3,203,000 by Kaisa Technology, which does not constitute as continuing connected transactions as defined in Chapter 14A of the Listing Rules after the Capital Injection.

* 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.

38. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

During the year ended 31 December 2021, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to RMB16,853,000 (2020: RMB7,845,000) was recognised at the lease commencement date.

39. EVENTS AFTER THE REPORTING PERIOD

Apart from the events disclosed elsewhere in this report, the Group had no significant events after the reporting date.

Five-Year Financial Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Revenue	669,159	895,768	1,261,909	1,730,149	2,666,440
Direct operating expenses	(464,873)	(618,730)	(883,498)	(1,202,510)	(1,877,541)
Gross profit	204,286	277,038	378,411	527,639	788,899
Other (losses) and gains, net	3,648	(3,645)	590	(7,323)	4,890
Selling and marketing expenses	(4,763)	(5,160)	(9,172)	(8,595)	(13,243)
Administrative expenses	(102,309)	(152,188)	(155,850)	(185,293)	(245,359)
Provision for loss allowance on financial assets and contract assets	(2,395)	(4,235)	(4,831)	(10,986)	(142,441)
Operating profit	98,467	111,810	209,148	315,442	392,746
Impairment loss on investment in an associate	(597)	–	–	–	–
Share of results of associates	(1,949)	–	–	675	18,846
Change in fair value on financial assets at fair value through profit or loss	–	–	(2,089)	(7,150)	(53,549)
Gain on deemed disposal of a subsidiary	–	–	–	1,192	–
(Loss)/gain on disposal of financial assets at fair value through profit or loss	–	–	–	1,202	(159,301)
Loss on termination of an acquisition transaction	–	–	–	–	(63,920)
Finance income/(expenses), net	196	(1,175)	3,235	1,223	228
Profit before income tax	96,117	110,635	210,294	312,584	135,050
Income tax expenses	(24,676)	(57,125)	(43,225)	(83,059)	(66,929)
Profit and total comprehensive income for the year	71,441	53,510	167,069	229,525	68,121
Profit and total comprehensive income attributable to:					
Owners of the Company	71,441	54,056	163,898	221,951	56,806
Non-controlling interests	–	(546)	3,171	7,574	11,315
	71,441	53,510	167,069	229,525	68,121
Earnings per share attributable to owners of the Company (expressed in RMB per share)					
Basic	0.69	0.50	1.17	1.51	0.37
Diluted	0.69	0.50	1.17	1.48	0.36

Five-Year Financial Summary

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Assets					
Non-current assets	23,522	23,319	140,717	145,237	894,724
Current assets	1,168,052	1,030,942	1,152,867	1,829,995	1,325,557
Total assets	1,191,574	1,054,261	1,293,584	1,975,232	2,220,281
Equity and Liabilities					
Total equity	305,461	506,170	688,848	1,283,168	1,286,930
Non-current liabilities	7,912	25,126	25,890	32,643	57,388
Current liabilities	878,201	522,965	578,846	659,421	875,963
Total Liabilities	886,113	548,091	604,736	692,064	933,351
Total equity and liabilities	1,191,574	1,054,261	1,293,584	1,975,232	2,220,281



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