佳兆業物業集團有限公司
KAISA PROPERTY 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

2018

ANNUAL REPORT
年報

About Us 企業介紹

As of 31 December 2018, the Group has entered 38 cities across the country with a total number of 132 projects under management and 26.9 million square meters of property management areas. The Group provides property management services, focusing on mid- to high-end residential properties and non-residential properties including commercial properties, office buildings, arenas and stadiums, government buildings, public facilities and industrial park for more than 160,000 property units across the country. The Group consists of 15 subsidiaries with more than 5,000 employees. The existing business covers property management service, pre-delivery and consultancy service, community value-added service and intelligent solution service.

As a level one enterprise in national property services, the Group has passed ISO9001 quality management system certification and has won the title of Top One Hundred Enterprises in China's Property Service for many years. Its brand value is RMB2.8 billion, and its subsidiary was ranked the 12th among 2018 Top 100 Property Management Companies of China and 6th among 2017 Top 50 Shenzhen Property Service Enterprises for Comprehensive Strength in 2018, which showcase the trust from all walks of life towards Kaisa Property.

截至2018年12月31日，本集團進駐全國38個城市，總在管項目132個，總在管建築面積達26.9百萬平方米。本集團專注於為中高端住宅社區及非住宅物業提供物業管理服務，包括商業物業、寫字樓、表演場地和體育館、政府建築物、公共設施及工業園，為全國逾16萬個物業單位提供服務；下轄15家附屬公司，員工5,000多人，現有業務涉及物業管理服務、交付前及顧問服務、社區增值服務、智能解決方案服務。

作為具備國家物業服務一級資質企業，本集團已通過ISO9001質量管理體系認證，連續多年榮獲中國物業服務百強企業稱號，品牌估值人民幣28億元，其附屬公司於2018年獲評2018年物業服務企業綜合實力測評Top 100第12名及2017年度深圳市物業服務企業綜合實力五十強第6名，凝聚着社會各界對佳兆業物業品牌的充分信賴。

Contents

Corporate Information

EXECUTIVE DIRECTORS
Mr. LIAO Chuanqiang *(Chairman)*
Ms. GUO Li
Mr. WENG Hao (appointed on 21 February 2019)
Mr. WU Jianxin (appointed on 21 February 2019)

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. LEE Lung Piu (resigned on 12 March 2019)
Mr. YU Kwok Leung (appointed on 12 March 2019)

COMPANY SECRETARY
Mr. LEE Lung Piu (resigned on 12 March 2019)
Mr. YU Kwok Leung (appointed on 12 March 2019)

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

HEADQUARTERS IN THE PRC
507, Block A, Kaisa Center
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Futian
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

AUDITOR

Grant Thornton Hong Kong Limited

STOCK CODE

2168. HK

COMPANY'S WEBSITE

http://www.jzywy.com

Milestones

1. In January, Kaisa Property Management (Shenzhen) Co., Ltd. ("Kaisa Property (Shenzhen)") became a qualified supplier of Bank of China, Qingdao Branch and signed a service agreement regarding the office building and four business locations of Shinan Branch, achieving a breakthrough in establishing presence in the financial system industry and laying a foundation for the subsequent expansion of back-office service of the financial system.

2. On 24 March, "K Life" and "K Service" mobile apps were launched to provide one-stop services and to offer a wider range of comprehensive solutions to customers.

3. On 24 April, Kaisa Property (Shenzhen) successfully signed the Boluo Agricultural Technology Demonstration Field Project, achieving a new breakthrough in industrial park service projects.

4. On 8 June, an agreement on the management of the Zunyi Central Park Smart City Project was signed, and Shenzhen Jiake Intelligent Engineering Co., Ltd* (「深圳市佳科智能工程有限公司」)("Jiake Intelligent") successfully expanded into the market of Guizhou Province.

5. On 11 June, a project in relation to the four distinctive towns in Wuyun Mountain in Zhengzhou developed by Juyi International Holding Group* (「居易國際控股集團」) was signed with Orenda Tribe (「奧倫達部落」), a brand established by that group. The project not only symbolised a breakthrough in market expansion into regions of Central China, but also represented a new breakthrough in the Company's smart solution services for health preservation town projects.

6. On 28 June, a strategic cooperation agreement was signed with Taizhou Expressway Real Estate Development Co., Ltd.* (台州高速公路房地產開發有限公司). Kaisa Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") became the most preferred property service provider by it for its development projects, and meanwhile gradually expanded into the integrated service operation of the expressway service area with its resources.

7. On 19 July, Kaisa Property (Shenzhen) was granted "2017 Top 50 Shenzhen Property Service Enterprises for Comprehensive Strength" in 2018 and ranked 6th.

8. On 24 July, Kaisa Property (Shenzhen) signed a project with an army in the northern war zone, achieving a new breakthrough given that it is the Group's first military public civic infrastructure project.

9. On 11 October, Jiake Intelligent signed a smart engineering strategic cooperation agreement with Tahoe Medical Centre (泰禾醫療中心), laying a foundation for undertaking property management services for hospital in the future.

10. On 15 October, Kaisa Property ranked 12th in Top 100 Property Management Companies of China.

11. On 6 December, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and officially entered into the international capital market.

Honors and Awards

The Group received the following major honors and awards in 2018:

2018
12th among TOP 100 Property Management Companies of China

China Property Management Institute

2018
6th among Top 50 Shenzhen Property Service Enterprises for Comprehensive Strength

Shenzhen Property Management Association

2018
Top 30 Shenzhen Property Owner Satisfaction Rating Index (by sampling)

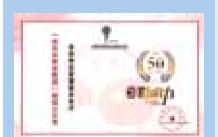
Shenzhen Property Management Association

2018
Excellent Organization Award

Shenzhen Property Management Association

2018
Guangdong Province Enterprise of Observing Contract and Valuing Credit

Shenzhen Market Supervision and Management Bureau



2018
Top 10 Influential WeChat Public Accounts (property management industry)

China Property Management Institute

2018
Outstanding Enterprise

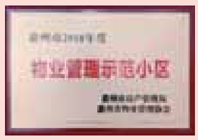
Zhuzhou Property Management Institute

2018
Gold Property Award for 2017 on Urban Construction Ranking

Chongqing Times

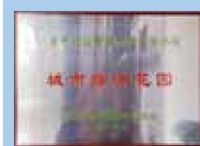
2018
Sichuan AAA Trustworthy Property Services Enterprises

Sichuan Provincial Real Estate Industry Association



2018
Property Management Demonstration Project in Huizhou

Huizhou Property Management Association

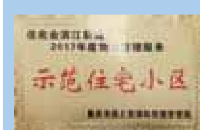


2018
"Dongguan Oasis Town" as the Property Management Demonstration Pilot Residential Community in Dongguan

Dongguan Property Management Association

2018
Outstanding Member with Special Contribution

Shenzhen Property Management Association



2018
Demonstration Pilot Residential Community

Chongqing Bureau of Land, Resources and Building Administration

2018
"Changsha Kaisa Meixi Lake" as the Property Management Demonstration Residential Community in Changsha

Changsha Property Management Office

Note: For identification purpose only and should not be regarded as the official English translation of the Chinese names.

Chairman's Statement

Dear Shareholders,

On behalf of Kaisa Property Holdings Limited ("Kaisa Property" or the "Company", together with its subsidiaries, the "Group"), I hereby present to you the audited consolidated results of the Group for the year ended 31 December 2018 (the "Year").

RESULTS OVERVIEW

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

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

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

BUSINESS EXPANSION

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

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

INTEGRATED SMART SOLUTION – K LIFE SERVICE PLATFORM

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

OPTIMISED MANAGEMENT SYSTEM

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

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

OUTLOOK

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

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

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

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

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

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend my wholehearted gratitude to the shareholders, business partners and customers for their trust and support, as well as to all the staff members and management of the Company for their dedication and contribution. We will continue to work hard to maintain our professionalism and adhere to continuous innovation in order to deliver superior service to more customers.

Chairman and Executive Director
LIAO Chuanqiang

Management Discussion and Analysis

Overall Performance

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

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

The Board recommended payment of a final dividend of HK$18.0 cents per share, representing the payout ratio of 40% in respect of the year ended 31 December 2018.

BUSINESS REVIEW

As one of the leading comprehensive property management service providers in China, the Group focuses on mid- to high-end properties, in particular the quality projects in the Guangdong-Hong Kong-Macau Bay Area and Yangtze River Delta with enormous potential for economic growth. The Group has been providing property management services for almost 20 years since 1999, and since then has established a strong footprint in the Guangdong-Hong Kong-Macau Bay Area, covering a wide range of properties and providing property owners and residents with tailored quality services through the one-stop service platform to enhance their quality of life and satisfaction.

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

PROPERTY MANAGEMENT SERVICES

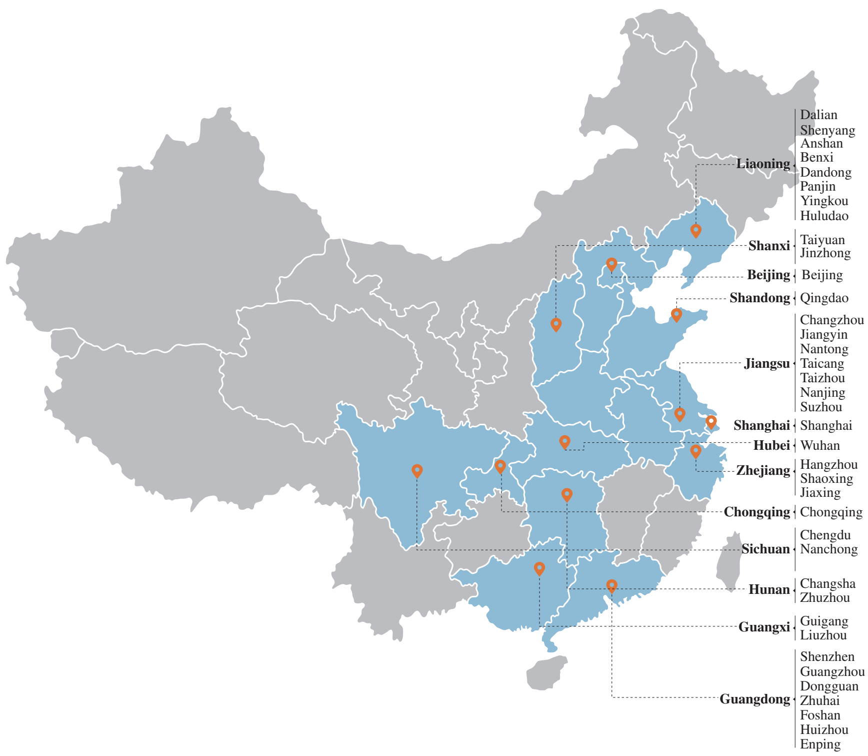
As of 31 December 2018, the Group's property management services covered 38 cities across 13 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 26.8 million sq.m. and a total of 132 managed properties, comprising 105 residential communities and 27 non-residential properties.

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

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

Geographic Coverage

The map below illustrates the geographic coverage of our managed properties as of 31 December 2018:



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

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

Types of Properties Managed

The Group managed a diversified portfolio of properties covering mid- to high-end residential communities and non-residential properties, including commercial properties, office buildings, arenas and stadiums, government buildings, public facilities and industrial parks. Regarding the property management services, the Group adopted two revenue models under which property management fees are charged on a lump-sum basis or commission basis. For lump-sum basis, the Group recorded all the fees as revenue and all the expenses incurred in connection with providing the property management services as cost of services. For commission basis, the Group essentially acted as the agent of the property owners and therefore records only a pre-determined percentage of the property management fees or cost of services as set out in the property management service contracts as revenue. By adopting these two highly effective charging modes, the Group covered the expenses incurred in connection with providing property management services with the property management fees collected.

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

	Year ended/as of 31 December									
	2018					2017				
	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)	%	Number of projects	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)	%	Number of projects
Residential communities	203,130	54.0	23,888	88.9	105	137,316	51.2	21,603	90.0	100
Non-residential properties	172,807	46.0	2,981	11.1	27	131,052	48.8	2,405	10.0	19
Total	375,937	100.0	26,869	100.0	132	268,368	100.0	24,008	100.0	119

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

	Year ended/as of 31 December									
	2018					2017				
	Revenue *(RMB'000)*	%	GFA under management *('000 sq.m.)*	%	Number of projects	Revenue *(RMB'000)*	%	GFA under management *('000 sq.m.)*	%	Number of projects
Property management services (lump-sum basis)	336,970	89.6	9,795	36.5	65	233,739	87.1	8,178	34.1	56
Property management services (commission basis)	38,967	10.4	17,074	63.5	67	34,629	12.9	15,830	65.9	63
Total	375,937	100.0	26,869	100.0	132	268,368	100.0	24,008	100.0	119

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

Nature of the Property Developers Served

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

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

	Year ended/as of 31 December									
	2018					2017				
	Revenue *(RMB'000)*	%	GFA under management *('000 sq.m.)*	%	Number of projects	Revenue *(RMB'000)*	%	GFA under management *('000 sq.m.)*	%	Number of projects
Properties developed by the Kaisa Group	285,865	76.0	22,595	84.1	89	220,511	82.2	20,677	86.1	85
Properties developed by independent third-party property developers	90,072	24.0	4,274	15.9	43	47,857	17.8	3,331	13.9	34
Total	375,937	100.0	26,869	100.0	132	268,368	100.0	24,008	100.0	119

PRE-DELIVERY AND CONSULTING SERVICES

Leveraging on the Group's property management expertise, the Group offered a wide range of pre-delivery and consulting services to address the issues arising during each major stage of a property development project. The Group deployed onsite staff to provide security, cleaning, concierge and maintenance services to property developers for property construction sites, pre-sale display units and property sales venues at the early stages of a property development project. Meanwhile, it also provided consulting services to other property management companies with respect to the management of properties.

In 2018, the Group's revenue generated from providing pre-delivery and consulting services amounted to approximately RMB355.6 million, accounted for approximately 39.7% of the total revenue for the Year, representing an increase of approximately 20.2% as compared to approximately RMB295.8 million in 2017. In particular, approximately RMB333.6 million was generated from the Kaisa Group, accounted for approximately 93.8% of the total pre-delivery and consulting services revenue for the same year, representing an increase of approximately 20.4% as compared to approximately RMB277.0 million in 2017. Due to the increased market reputation and business influence accumulated by the Group over the years, the number of projects from independent third parties for pre-delivery and consulting services increased steadily from 22 as of 31 December 2017 to 33 as of 31 December 2018.

Service Types

Pre-delivery Services

Pre-delivery services include the following categories:

- Construction sites management services. The Group provided primarily security services and to a less extent management services, such as cleaning and maintenance services, for the construction sites of property development projects. During the early stages of projects, the Group deployed security staff to the construction sites to guard and maintain order at the sites and assigned cleaning staff to the construction sites to keep them clean and maintain the environment of the construction sites. The Group charged a fixed fee which is payable by the property developers in installments over the course of the service contracts; and

- Display units and property sales venues management services. The Group deployed personnel onsite to assist property developers with their property marketing and selling activities. When the property developers market their property development projects, they typically set up display units to showcase their properties to potential buyers. Given the high foot traffic at the display units and the needs to secure, manage and maintain the display units, the property developers usually engage property management service providers to provide these specialised services. The Group also assisted property developers with responding to general enquiries at front desk and maintaining order at property sales venues. The Group assigned dedicated and experienced teams to these work sites to address customers' needs and is paid for a fixed service fee in return.

Consulting Services

As a property management company with extensive experience in the industry, the Group provided general daily property management consulting services to other property management companies. Consulting services are a cooperation model in which the Group assists other property management companies in achieving growth and great reputation by implementing the Group's management philosophy and successful operation models in their businesses, and therefore is able to expand the Group's consulting business to new markets and demonstrate its services quality and ability to wider audiences.

COMMUNITY VALUE-ADDED SERVICES

As an extension of its property management services, the Group's community value-added services aim to address the life-style and daily necessities needs of the property owners and residents with comprehensive, tailor-made products and services to provide a more convenient life for the property owners and residents, and enhance their quality of life. The Group provided community value-added services, including car parking, space leasing and value-added services through the integration of offline and online channels.

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

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

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

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

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

Utilisation of the K Life Mobile APP

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

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

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

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

SMART SOLUTION SERVICES

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

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

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

FINANCIAL REVIEW

Revenue

The Group derived revenue from: (i) property management services; (ii) pre-delivery and consulting services; (iii) community value-added services; and (iv) smart solution services. Revenue increased by approximately 33.9% from approximately RMB669.2 million in 2017 to approximately RMB895.8 million in 2018.

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

	Year ended 31 December				Changes	
	2018		2017			
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Property management services	375,937	42.0	268,368	40.1	107,569	40.1
Pre-delivery and consulting services	355,599	39.7	295,788	44.2	59,811	20.2
Community value-added services	81,672	9.1	57,749	8.6	23,923	41.4
Smart solution services	82,560	9.2	47,254	7.1	35,306	74.7
Total	895,768	100.0	669,159	100.0	226,609	33.9

- Property management services, which primarily include property management fees for providing security, cleaning and gardening and property repair and maintenance services to residential communities, commercial properties and public facilities, and the revenue increased by approximately 40.1% from approximately RMB268.4 million in 2017 to approximately RMB375.9 million in 2018. Such increase was primarily attributable to the increase in the total GFA under management resulting from the business expansion through organic growth as well as increase in the average property management fee rates.

- Pre-delivery and consulting services, which primarily include fees for construction sites management, display units and property sales venues management and consulting services, and the revenue increased by approximately 20.2% from approximately RMB295.8 million in 2017 to approximately RMB355.6 million in 2018. Such increase was primarily attributable to the existing customers' continued rolling out of new property projects and the Group's efforts to engage more with independent third-party property developers.

- Community value-added services, which primarily include fees generated from the car parking, space leasing and value-added services through both offline and online channels, and the revenue increased by approximately 41.4% from approximately RMB57.7 million in 2017 to approximately RMB81.7 million in 2018. Such increase was primarily due to the rapid growth in the Group's rental of parking spaces, space leasing and property rental services, resulting from the increase in the number of the Group's managed properties which provided a larger customer base.

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

Cost of Services

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

Gross Profit and Gross Profit Margin

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

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

1) Property management services

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

2) Pre-delivery and consulting services

Gross profit margin of the Group's pre-delivery and consulting services remained at a relatively stable level of approximately 28.8% in both 2017 and 2018.

3) Community value-added services

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

4) Smart solution services

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

Selling Expenses

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

Administrative Expenses

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

Income Tax Expenses

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

Profit and Total Comprehensive Income for the Year

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

Liquidity, Capital Structure and Financial Resources

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

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

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

Goodwill

As of 31 December 2018, the Group recorded goodwill of approximately RMB5.5 million, as a result of acquisition of a subsidiary, Qijia Technology, on 28 December 2017. According to the impairment assessment made by the management of the Company, there was no indication of any impairment of goodwill and hence no impairment provision is required for the Year.

Trade and Other Receivables

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

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

Payments on behalf of Residents

The Group made payments on behalf of residents of the managed residential communities under commission basis. Payments on behalf of residents represent working capital expenditures paid by the Group on behalf of the residential communities. The Group's payments on behalf of residents decreased by approximately RMB12.9 million from approximately RMB53.3 million as of 31 December 2017 to approximately RMB40.4 million as of 31 December 2018, primarily due to (i) the Group's limitation of new payment to the residential communities under commission basis; and (ii) the acceleration of collection of such payments.

Amounts due from Related Parties

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

Trade and Other Payables

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

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

Amounts due to Fellow Subsidiaries

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

Other Borrowings

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

Proceeds from the Listing

The Company was listed on the Main Board of the Stock Exchange on 6 December 2018 and issued 35,000,000 new shares. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing amounted to approximately HK$262.1 million (equivalent to approximately RMB230.7 million). As of 31 December 2018, the net proceeds from the Listing have not been used. As of the date of this report, the directors of the Company (the "Directors") anticipate that such proceeds will be applied in the manner consistent with that in the Prospectus.

- Approximately 50% will be used to acquire or invest in other property management companies which have comparable market positions with the Group;
- Approximately 20% will be used to acquire or invest in companies which are engaged in property management related business and companies which provide community value-added products and services complementary to those of the Group;
- Approximately 10% will be used to develop and promote the K Life mobile APP and the community value-added products and services;
- Approximately 10% will be used to develop the "management digitalization, service specialization, procedure standardization and operation automation"; and
- Approximately 10% will be used to provide funding for the working capital and other general corporate purposes.

Asset Charges

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

Material Acquisitions and Disposals of Assets

During the Year, the Group did not have any material acquisitions or disposals of assets.

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

During the Year, the Group did not have any significant investment, and there was no plan for other material investments or additions of capital assets as at the date of this report.

Gearing Ratio

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

Contingent Liabilities

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

Foreign Exchange Risk

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

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

Employees and Benefits Policies

As of 31 December 2018, the Group had approximately 5,279 employees (31 December 2017: approximately 4,285 employees). Employee's remuneration is determined based on the employee's performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programs, and will make necessary adjustment in order to be in line with the remuneration levels in the industry norm. In addition to basic salaries, employees may be granted with discretionary bonus and cash awards based on individual performance. The Group offers training to its employees so as to enable them to acquire basic skills to perform their duties and to upgrade or improve the production techniques of existing employees.

Directors and Senior Management

1. EXECUTIVE DIRECTORS

Liao Chuanqiang (廖傳強), aged 39, was appointed as a Director on 13 October 2017 and re-designated as an executive Director on 12 November 2018; Mr. Liao is also the Chairman 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 17 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 4,000,000 shares of Kaisa Holdings, representing approximately 0.07% 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).

Guo Li (郭麗), aged 37, was appointed as a Director on 9 May 2018 and re-designated as an executive Director on 12 November 2018 and is responsible for overseeing the administration and human resources matters, financial management and procurement 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 11 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.

Weng Hao (翁昊), aged 38, was appointed as an executive Director on 21 February 2019, an executive director of Kaisa Holdings on 4 January 2019 and executive president of Kaisa Group in January 2019. Meanwhile, he served as the chairman of Kaisa Technology & WEWA Space Group (a wholly owned subsidiary of Kaisa), mainly in charge of management. Mr. Weng joined Kaisa Group in June 2003, and has served as the assistant general manager of project management department of Kaisa Group, general manager of Nanjing branch of real estate group, executive vice president and president of real estate group, chairman and president of Shanghai region real estate business, executive vice president of Kaisa Group and chief operation officer of Kaisa Group etc. Mr. Weng graduated from Southeast China University in 2003 and obtained the degree of bachelor of engineering.

As at the date of this report, Mr. Weng had share options granted by the controlling shareholder of the Company, Kaisa Holdings, to subscribe for 7,000,000 shares of Kaisa Holdings, representing approximately 0.12% of the issued share capital of Kaisa Holdings Ltd. Save as disclosed above, Mr. Weng was not interested in any Shares (within the meaning of Part XV of the SFO).

Wu Jianxin (吳建新), aged 40, was appointed as an executive Director on 21 February 2019 and vice president of Kaisa Group in December 2018, and is mainly responsible for finance, tax and capital management of Kaisa Group. Mr. Wu joined Kaisa in August 2015 and has successively held the post of general manager of the capital management department, general manager of the financial management department and assistant president of Kaisa Group. Prior to joining Kaisa, Mr. Wu worked in China Electronics ShenZhen Company, Huawei Technologies Co., Ltd and Country Garden Holdings Company Limited, mainly responsible for capital management affairs. Mr. Wu graduated from Zhongnan University of Economics and Law in 2001 with a bachelor's degree in economics.

As at the date of this report, Mr. Wu had share options granted by the controlling shareholder of the Company, Kaisa Holdings, to subscribe for 7,000,000 shares of Kaisa Holdings, representing approximately 0.12% of the issued share capital of Kaisa Holdings. Save as disclosed above, Mr. Wu was not interested in any Shares (within the meaning of Part XV of the SFO).

2. INDEPENDENT NON-EXECUTIVE DIRECTORS

Liu Hongbai (劉洪柏), aged 46, 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 26 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 also received a bachelor's degree of finance from The Open University of China in January 2017. Mr. Liu obtained the certificate of certified public account granted by the MOF, 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 46, 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 17 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 46, 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 25 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.

3. SENIOR MANAGEMENT

Xie Junpeng (謝俊鵬), aged 37, 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.

Yi Xuezhong (易學忠), aged 44, was appointed as the general manager of the financial planning department of the Group in September 2016 and is responsible for the financial management matters of the Group. Mr. Yi joined the Kaisa Group in September 2009 and served as the audit manager and senior audit manager of the Kaisa Group's risk management department and was primarily responsible for the audit affairs of the Kaisa Group. Mr. Yi has been serving in the Group since March 2013. Mr. Yi has accumulated nearly 20 years of experience in financial management. Prior to joining the Kaisa Group, Mr. Yi worked in Yulong Communications Shenzhen Co., Ltd. and Huafu Holdings Co., Ltd., responsible for in financial business. Mr. Yi graduated from Xiangyang Technical College, where he obtained a diploma degree in 1995, and also obtained a Master's degree of accounting from Wuhan University of Technology in December 2005.

Environmental, Social and Governance Report

OBJECTIVES AND STANDARDS OF THE REPORT

This Environmental, Social and Governance Report provides the performance of Kaisa Property Holdings Limited and its subsidiaries ("Kaisa Property", the "Group" or "We") in respect of environmental, social and governance for the year ended 31 December 2018.

This Report has been prepared in accordance with 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, for the purpose of identifying and making disclosure of the material matters and key performance indicators in relation to the Group's environmental, social and governance and promoting the full implementation of sustainable development and social responsibilities by the Group.

REPORTING SCOPE AND PERIOD

This report made disclosure of material matters and key performance indicators in relation to environmental management, social responsibility and governance of Kaisa's Property's head office located in Shenzhen and the core operating branches of its property management business located in the following selected areas: 1) Guangdong-Hong Kong-Macau Bay Area; 2) Yangtze River Delta; 3) Central China; 4) Western China; and 5) Bohai Economic Rim, for the period from 1 January 2018 to 31 December 2018 ("the Reporting Period").

The Group will continue to optimize its data collection and reporting system of environmental management, social responsibility and governance and gradually expand the disclosure scope to improve the quality and comprehensiveness of the report in the long term.

DATA COLLECTION METHOD

Information used in this report is provided by Kaisa Property's head office located in Shenzhen and the core operating branches of its property management business located in Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta, Central China, Western China and Bohai Economic Rim. Kaisa Property is responsible for the supervision of accuracy, completeness, disclosure and statement of all the relevant information in this report.

PARTICIPATION OF STAKEHOLDERS AND COMMUNICATION

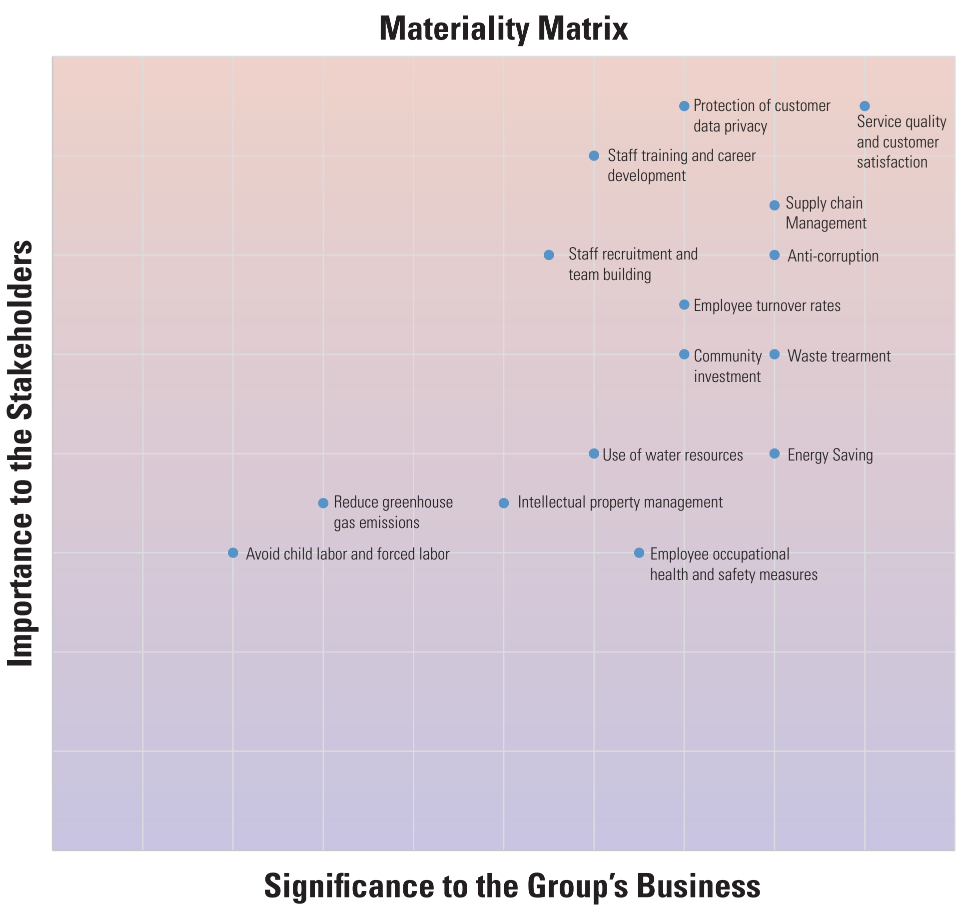
Kaisa Property actively communicates with key stakeholders, including customers, employees, investors, the government, suppliers and the community, through various communication channels such as reports, event seminars, opinion surveys or other platforms to understand their concerns, in order to achieve common progress and development, meet the expectations and requirements of stakeholders, and contribute the highest value to the community. The communication process with the stakeholders provided a basis for importance assessments, allowing the Group to identify and prioritize important issues.

Stakeholders	Communication Goals	Communication Methods/Channels
The government	• Fulfill the compliance requirements of regulatory bodies • Pay taxes in compliance with laws on time and in full • Maintain good relationship with the local government • Promote employment to support local development	• Public consultations • Seminars • Reports/opinion surveys • Visits
Customers	• Service quality • Customer service and experience • Privacy • Feedbacks and handling of complaints	• Collect feedbacks on services • Listen to customer opinions and handle enquiries or complaints • Communication visits • Customer satisfaction survey • Customer communication meeting
Shareholders and investors	• Return on investment • Transparency of the Company's information • Protection of rights • Increase the Company's value • Realize information transparency and highly efficient communication	• General meetings • Annual and interim reports • Analyst meeting • Emails • Interviews and conference calls with investors
Employees	• Health and safety • Career development • Training opportunities • Compensation benefits • Company culture	• Continuously improve the training and development system • Create a competitive working atmosphere • Improve performance appraisal and compensation and welfare system • Care and welfare activities for staff • Staff mailboxes • Company's intranet • Opinion survey
Suppliers and partners	• Transparent procedures for selecting suppliers • Development opportunities • Business integrity • Performance of the contract	• Supplier performance review and evaluation • Information sharing • Opinion survey
The community	• Energy saving • Public welfare • Community culture and services • Community safety management	• Organize/participate in social welfare activities • Fulfill corporate social responsibilities • Actively communicate with local government bodies

IMPORTANCE ASSESSMENT

The Group compiled a list of issues related to sustainable development based on its businesses and daily operations, and prioritized and used a matrix diagram setting out the results based on the analysis on the importance assessment. The matrix diagram identified the important issues covered by this report which formed the basis for the Group's management and disclosure of environmental, social and governance matters.

The results of the importance assessment are presented in the following materiality matrix diagram. The issue in the upper right corner is of higher importance to the stakeholders.



During the Reporting Period, the Group identified a total of 15 issues on sustainable development and concluded that service quality and customer satisfaction, protection of customer data privacy, staff training and career development and supply chain management were of higher significance based on the result of the above importance assessment. In 2019, we will give higher priority to such issues and take full account of the opinions of all stakeholders through continuous communications, and will conscientiously optimize our long-term development strategy to effectively address the concerns of stakeholders.

The following section sets out how these important issues are addressed.

Matters related to sustainable development by categories	No.	List of issues
Environment	1	Use of water resources
	2	Waste treatment
	3	Energy saving
	4	Reduce greenhouse gas emissions
The society – Employment and Labor Practices	5	Staff training and career development
	6	Staff recruitment and team building
	7	Employee turnover rates
	8	Employee occupational health and safety measures
	9	Avoid child labor and forced labor
The society – Operating Practices	10	Anti-corruption
	11	Protection of customer data privacy
	12	Service quality and customer satisfaction
	13	Intellectual property management
	14	Supply chain management
The society – Community Investment	15	Community investment

MAJOR ISSUES AND THE KEY PERFORMANCE INDICATORS OF CORE BUSINESS IN RELATION TO ENVIRONMENTAL MANAGEMENT, SOCIAL RESPONSIBILITY AND GOVERNANCE

About the Environment

Kaisa Property fully recognizes that development of every enterprise will inevitably cause certain impacts to the ecological environment. In this regard, the Group actively integrated environmental protection concepts into its business projects and the daily operations of its offices, and has implemented a series of environmental protection measures such as emission and consumption reduction in order to achieve the long-term goal of mitigating or eliminating the impact of its operations on the environment. During the Reporting Period, the Group has promoted various energy-saving projects in its offices' daily operations, including energy conservation improvement of water pumps, installation of smart lighting controllers, and installation of voice-activated switches in public areas, and is planning to gradually switch to green equipment such as energy-saving lamps. During the Reporting Period, the Group did not identify any significant non-compliance related to environmental protection.

A1. Emissions

Greenhouse gases and other air pollutants

Emission reduction is a crucial issue of the Group's environmental protection plan. While promoting energy conservation projects, the Group also encourages employees to participate in them, such as turning off unnecessary lighting and electronic devices or switching them to the energy-saving mode, and maintaining the offices' room temperature at a reasonable level of 24-26°C to avoid waste of energy. During the Reporting Period, the Group collected data of greenhouse gas emissions and other air pollutants. The emissions were mainly generated from the fuel consumed by vehicles owned or controlled by the Group, electricity purchased externally, and water and sewage treatment.

The following information is the greenhouse gas and other air pollutants emitted during the Reporting Period:

Greenhouse gas (CO_2) emissions	Emissions (Kilograms)	Density (Kilograms per employee)
Direct emission of greenhouse gas	64,398	108
Indirect emission of greenhouse gas from energy consumption	436,153	728
Other indirect greenhouse gas emissions	4,813	8

Air pollutant emissions	Emissions (Grams)	Density (Grams per employee)
Nitrogen oxides	186,867	312
Particulates	17,905	30
Sulfur dioxide	401	1

Wastes

The Group's daily operations do not produce any hazardous waste as defined in the "1989 The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal[1]". As for non-hazardous waste, the Group generally only produces domestic wastes in its daily operations, and the waste collection company will transport the wastes to the waste incineration plants designated by the government. Information of the wastes generated during the Reporting Period is as follows:

Type of Wastes	Total Volume (Tons)	Density (Tons per employee)
Hazardous waste	Nil	Nil
Non-hazardous waste	168,019	280

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 fulfill the environmental protection responsibilities, we have implemented various measures to conserve the use of resources and reviewed and assessed the efficiency and effectiveness of the Group's environmental protection plan from time to time, which has enabled us to strike an optimum balance between environmental protection and business growth. In addition, in hopes of reducing the impact of carbon footprints, we also encourage the use of video conferencing or teleconferencing systems to reduce the needs for business trips so as to avoid large amounts of carbon dioxide emissions from aircraft or vehicles.

Energy consumption

The Group's main energy consumption is attributable to the electricity consumed in daily operation, followed by gasoline and diesel used by vehicles. Information of the energy consumption during the Reporting Period is as follows:

Type of Energy	Total Consumption	Unit	Density (Units per employee)
Diesel	652	Litre	1
Gasoline	26,565	Litre	44
Electricity	552,092	kWh	922

1 This convention defines the classification as "hazardous waste", of which include medical and chemical wastes, and wastes from the manufacture and use of inks, dyes, pigment and paints. For details, please visit https://www.epd.gov.hk/epd/tc_eng/international_conventions/hazardous_wastes/hazardous_wastes_main.html

Water Resources Processing

Information of the total water consumption for the Reporting Period is as follows:

Water Resources	Total Volume (cubic meters)	Density (cubic meters per employee)
Total water consumption	11,835	20

A3. Environment and Natural Resources

Although the Group's property management business do not exert a profound impact on the natural environment and natural resources, we understand that natural resources are scarce. Hence, our policies and 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:

In office premises

- Opt for environmentally-friendly and energy-saving equipment to advocate a green office, and turn off energy-consuming equipment after work to save electricity;
- Encourage the use of natural lighting to reduce the use of unnecessary lighting systems;
- Encourage the air conditioning system to be set at 24-26°C;
- Promote the use of emails and e-office systems as well as black-and-white and double-sided printing mode to reduce paper consumption;
- Limit the amount of office supplies purchased and uphold the principle of replacing only when the supplies are no longer usable, and promote the concept of cherishing; and
- Check regularly the utilization level of materials and consider the feasibility of internal asset transfer before purchasing or reimbursing.

Property management business

- Gradually replace with energy-saving water pumps and lighting systems to reduce waste of energy;
- Transplant the green plants discarded by the property owners in the green belt of the community to reduce carbon emissions;
- Organize 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
- Collect used products for recycle and deliver them to relevant local professional organizations to give away to those in need to support environmental protection and for charitable purposes.

Example: Community Recycling Program

Kaisa Property encourages property owners to recycle through WeChat notification, doorstep promotion and placing recycling boxes at the buildings' main entrances and exits. Recycled items will be regularly transferred to recycling companies, local voluntary institutions, charitable organizations or communities, including the following:

- China Children and Teenagers' Fund*;
- Xiaohuanggou Environmental Protection Technology Co., Ltd.*;
- Blue Sky Rescue*;
- Hangzhou Shenqi Retrieve Co., Ltd.*;
- Huizhou Used Clothes Charity Service Center*; and
- Guangdong Used Clothes Recycling Environmental Protection Co., Ltd.*

* For identification purpose only and should not be regarded as the official English translation of the Chinese names.

About the Society

B1. Employment

Kaisa Property'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 Group's sustainable development. We strictly abide by the laws and regulations regarding employment protection and benefits. Meanwhile, we communicate with all staff and promote diverse training programmes for their development, striving to create a pleasant, inclusive and energetic working environment for them to continuously improve staff quality and achieve mutual development of both our staff and the Group.

Staff Overview

As of 31 December 2018, the Group hired a total of 599 staff members in the Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta, Central China, Western China and Bohai Economic Rim, covering 17 cities including Shenzhen, Changsha and Chengdu. In terms of gender, the male to female ratio of the Group was 6:4; in terms of region, the Group had a total of 343 employees from the Guangdong-Hong Kong-Macau Bay Area, which accounted for approximately 57% of the total number of employees, followed by the Yangtze River Delta, with a total of 93 staff members, accounting for 16% of the total number of employees; in terms of age, about half of the employees aged 30 or below, 44% of the employees aged 31-40, 5% of the employees aged 41-50 and less than 1% of the employees aged 51 or above.

Number of employees by region, gender, age and type of employment:

	Gender		Age				Type of employment
Region	Male	Female	30 or below	31-40	41-50	51 or above	Full-time
Guangdong-Hong Kong-Macau Bay Area	202	141	171	150	22	–	343
Yangtze River Delta	49	44	56	32	4	1	93
Central China	29	29	30	25	3	–	58
Western China	36	27	29	29	5	–	63
Bohai Economic Rim	26	16	13	26	3	–	42
Total	342	257	299	262	37	1	599
Percentage	57%	43%	50%	44%	6%	0%	100%

Staff Recruitment, Remuneration and Benefits

The Group has established different systems and guidelines to regulate staff recruitment and promotion, remuneration, benefits and other personnel matters. The department of administration and human resources reviews and revises the system every year to ensure that it is compliant with legal regulations and to provide a fair and non-discriminatory work atmosphere for employees. During the Reporting Period, the Group did not identify any non-compliance issues related to staff recruitment, remuneration, dismissal, promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other matters regarding benefits and welfare.

Staff recruitment: In all recruitment and promotion procedures, we adhere to the principles of openness and equal opportunity and fight against discrimination in relation to religion, race, gender, age and disability. During job interviews, discussion on personal and private issues that are unrelated to job performance shall be avoided, and the recruitment assessment shall be conducted in an objective and impartial manner. The Group has also put in place guidelines to avoid cronyism and requests our staff to declare the relative relationship among them, in order to make re-designation of position to avoid supervisor-subordinate relationship within the same company or business unit.

In order to introduce more talents, we strengthened our efforts in recruiting talents by recruiting individuals with different qualifications, backgrounds and experiences through various channels including campus recruitment, large recruitment events, business recruitment websites and newspapers.

Example: Campus recruitment-Kaisa Property Program (佳兆業物業班)

In 2018, Kaisa Property commenced the campus recruitment under "Kaisa Property Program". 70 outstanding candidates from different universities including Chongqing University of Technology, Shenyang Institute of Engineering and Changsha Institute succeeded after introduction session, selection of resumes, written tests and interviews. The management of the Group provided those candidates with various taught classes covering corporate culture, talent standards, talent cultivation system, career development and professional technical skills, followed by two-month on-the-job training for them to practice what they had learnt.

Remuneration: The Group makes a proper adjustment on remuneration based on researches on prevailing remuneration packages in the market annually, in order to ensure the competitiveness of the remuneration and benefits offered. In addition, we conduct regular performance appraisal on our employees, where the directors of each department conduct appraisal on their employees in terms of quality, competence and performance. Adjustment on remuneration packages and benefits as well as promotion opportunities would be provided to the employees according to the appraisal results. Leveraging on the appraisal, we can listen to our employees' views and make efforts in assisting them to be integrated into our corporate culture.

Benefits and welfare: The Group provides basic benefits, such as paid annual leave, maternity leave, paid sick leave and marriage leave, in compliance with the relevant laws, regulations and market practices. Besides, we also offer high temperature, transportation and overtime allowances and holiday benefits so as to deliver our caring for our employees. We occasionally organized various activities including quarterly team-building activities, annual trip, birthday parties and festival activities, with the aim of integrating our employees to the Group and improving their sense of happiness.

Communication with our employees

The Group values the relationship with our employees. We will closely monitor the turnover rate and take active approach to retain talents. Besides from regular adjustment on benefits and remuneration packages, we also collect information on the issues concerned by our employees and respond to their needs and advices in a timely manner through various communication channels including employee relationship officers (員工關係專員), their immediate supervisors and quarterly management meetings, so as to improve their sense of belonging towards the Group.

Example: Platforms for employee relationship

Kaisa Property welcomes our employees to provide any comments through the dedicated hotline, mailbox and instant messaging application. Employee relationship officers are responsible for handling such issues and giving appropriate reply within two working days. In addition, employees can also make a complaint through the channels mentioned above, and the content of the complaint shall be kept strictly confidential so as to safeguard the legal rights of our employees and ensure a reasonable and transparent working environment.

B2. Health and Safety

As a responsible employer, the Group provides a comfortable and safe working environment, comprehensive office equipment, simple but appropriate office improvements with adequate office spaces and abundant complementary resources. Apart from social insurance we purchase for our employees in compliance with laws, we also purchase employer responsibility insurance to provide further protection for our employees. The Group advocates the importance of safety through various channels, including office safety inspection, fire prevention patrols and regular fire drills, so as to increase employees' awareness towards safety. Emergency kits are put in place in our offices to cater for future needs. During the Reporting Period, there were 42 employees who have participated in trainings in respect of occupational safety with training hours of approximately 144 hours.

Besides, the Group pays close attention to our employee's health conditions, by providing body check-ups annually and holding various types of outdoor activities regularly, such as hiking, trips and sporting matches to encourage their participation. During the Reporting Period, the Group did not record any work-related fatality of employees and the lost days due to work-related injury was amounted to approximately 21 days. During the Reporting Period, we did not identify any cases contravening the laws and regulations related to workplace health and safety.

B3. Development and Training

Outstanding talents are essential to the sustainable development of the Group, therefore we attach great importance to the improvement of their occupational skills and provide them with relevant trainings in helping them to fully unleash their expertise and potential in the long run. In order to establish and increase the competitiveness and quality of all employees, we assist them in skills enhancement, career development and improvement in interpersonal and management skills. During the Reporting Period, the total training hours provided to employees by the Group was amounted to approximately 13,849 hours, among which about 5 hours were the average training time of 35% of the management, around 22 hours were that of 92% of middle level employees and approximately 26 hours were that of 98% general staff.

Percentage and average training hours completed per employee by gender, position and type of employment:

	Gender		Position[3]			Type of employment
	Male	Female	Management	Mid-level staff	General staff	Full-time
Training ratios	89%	94%	35%	92%	98%	91%
Average training hours (hour)	23	24	5	22	26	23

Training Programs

The Group has set up a comprehensive training and learning system, which includes hierarchical and classified training and learning maps. Trainings for management covers concepts of management and control, great exposure and far vision, and study on the industrial benchmark; trainings for mid-level staff focuses on training of professional skills and management mindset; trainings for general staffs mainly concentrates on technical skills training and corporate culture. We provide various channels to facilitate their continuous study and progress, which include:

- Online study platform, including more than 4,000 online programs and a variety of documented information provided by the Group;
- A team of professional lecturers, to provide trainings on professional skills, corporate culture, management capability, systems and instruments;
- Tutoring system, targeting at different stages in the career path, more than one tutor would be arranged in every stage;
- Kaisa Property Program, through collaboration with education institutions, we selected 70 outstanding candidate in 2018, who were provided with taught classes by the management of the Group and two-month on-the-job training, so as to put what they had learnt into practice and inject new blood into Kaisa Property; and
- Trainee program named "New Kaisa's Power" ("NKP") has been launched since 2007 to select employees with potential and provide them with a series of on-the-job trainings and tests, including various types of training camps, through which they could rapidly become an expert and management elite in various professional fields, thereby leading the Company to make rapid progress.

[3] Management represents deputy directors or above; mid-level staff represents mangers, and general staff represents staffs below managerial level

Optimize the NKP training system to achieve talent enhancement and development

Young Geese Programme First Year	Flying Geese Programme Second to third year	Leading Geese Programme Fourth to fifth year
Positioning: to provide professionalism training and identify high-potential talents	Positioning: to select candidates for key positions such as project manager, department manager	Positioning: to select candidates for core positions such as the head of the headquarters, person in charge of branches or senior management members
Job rotation → fixed position	Headquarters' annual training scheme → branches' monthly training scheme	Intensive management training → practical experience training

Example: Training Camp-Quality Leader (品質領航員)

The training camp "Quality Leader" was held during 24 to 27 April 2018, where 27 core employees from 18 branches shared their in-depth knowledge about operation and management of property projects, so as to enhance the professional standards and comprehensive service quality of branches, which was in line with the development strategies of the Group.

Case study: Training Camp-Investment And Development (投資發展)

The training camp "Investment and Development" was held during 21 to 23 June 2018, where 23 core employees from 18 branches shared in-depth knowledge about investment, expansion and management of property projects, so as to improve the professional standards and comprehensive investment quality of branches, which was in line with the development strategies of the Group.

Example: Training Camp-Metal Commander (鐵甲指揮官)

Training camp "Metal Commander" was held during 13 to 15 September 2018, which focused on the improvement of safety management ability of staff from the inspection department through theory trainings and scenario-based simulation, so as to implement our safety management requirements at work.

B4. Labor standards

In strict compliance with relevant labor laws, the Group prohibits child labor and requires verifying the age of applicants during our recruitment process. Besides, in accordance with relevant laws, all staff is required to sign contracts before employment to safeguard legal rights of both parties. The Group also adheres to the employment principle of fairness and voluntariness. The labor contracts or agreements with our employees clearly state the information about working location, hours and salary and shall be signed on a voluntary basis, so as to prevent forced labor. To ensure that our employees are able to obtain sufficient rest, the average working hours of our employees are 8 hours, with a lunch break of 1 hour. If overtime work is needed, we would provide extra overtime allowance and ensure that their salary level would be no lower than the minimum wage required by local authorities. During the Reporting Period, there was no material non-compliance matters relating to prevention of child or forced labor.

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 the efficient supply chain management, so as to maintain our service quality and trading integrity. As at 31 December 2018, the Group has partnered with 1,235 suppliers.

Number of suppliers by regions:

Region	Number
Guangdong-Hong Kong-Macau Bay Area	582
Yangtze River Delta	193
Central China	115
Western China	179
Bohai Economic Rim	166
Total	1,235

The Group has set out "Guidance on Supplier Inspection" (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 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. Operating results, qualifications and background of suppliers would also be reviewed. Recommenders or individuals related to suppliers shall not be allowed to participate in the process of inspection and assessment with the view to avoiding any conflict of interests. In addition, we would introduce the corporate culture of Kaisa Property and requirements on partners during the process of inspection, which facilitates suppliers' understanding on the Group, establishment of good relationships and improvement of our service quality.

The Group also formulates "Guidance on Performance Assessment and Maintenance of Suppliers" (供應商履約評估和維護工作指引), which requires employees to conduct annual or performance assessments on suppliers on an ongoing basis for monitoring purpose. Technological capabilities, environmental protection and safety responsibility would be evaluated in order to grant grading for our suppliers. If actual performance does not meet our requirements or in case of involvement in bribery, non-compliance with laws and regulations and adverse operation situations, we would consider adjusting their grades to unsatisfactory and cease transactions with the relevant suppliers.

We highly value our communications with our suppliers. As for those significant suppliers with higher grading, we would communicate with them every two months with focus on their recent and future development plans and respond to their needs.

B6. Products Responsibility

Management of Services Quality

As one of the leading integrated property management service providers in the PRC, the Group has been upholding the principle of "satisfying our customer's needs" by building a harmonious living environment for our communities, so as to improve the sense of happiness and satisfaction of our residents and property owners. By continuously improving quality standards and guidance on working procedures, all of our employees are well-trained to ensure that our products and services are capable of catering to our customers' needs. Besides, our services have obtained ISO9001 Quality Management System Certification, and are well-recognized by the market for many years. During the Reporting Period, we have been granted 25 awards:

Names of awards	Granting organization
Top 100 Property Services Management Companies of China in 2018 (No. 12) (2018年中國物業服務百強企業(第12名))	China Property Management Institute (中國物業管理協會)
Top 10 Influential WeChat Public Accounts (Property Management Industry) in 2018 (2018年物業管理行業微信公眾號影響力TOP10)	
Top 50 Shenzhen Property Service Enterprises for Comprehensive Strength in 2018 (No.6) (2018年深圳市物業服務企業綜合實力五十強(第6名))	Shenzhen Property Management Association (深圳市物業管理行業協會)
Top 30 Shenzhen Property Owner Satisfaction Rating Index in terms of Property Management (by Sampling) (2018年物業管理業主滿意度深圳指數(抽樣單位)領先30企業)	
Excellent Organization Award of Occupational Skills Competition in the Property Industry in 2018 (2018年物業行業職業技能大賽優秀組織獎)	
Guangdong Province Enterprise of Observing Contract and Valuing Credit in 2018 (2018年廣東省守合同重信用企業)	Shenzhen Market Supervision and Management Bureau (深圳市市場監督管理局)
Outstanding Enterprise in 2018 (2018年優秀企業)	Zhuzhou Property Management Institute (株洲市物業管理協會)
Demonstration Pilot Residential Community 2018 (2018年物業管理示範住宅小區)	Changsha Property Management Office (長沙市物業管理辦公室)
Outstanding Company with Internal Security System in 2018 (2018年度單位內部安全保衛先進集體)	Furong Branch of Changsha Public Security Bureau (長沙市公安局芙蓉分局)
Outstanding Company in 2017 (2017年度優秀單位)	Property Management Institute of Banan, Chongqing (重慶市巴南區物業管理協會)

Names of awards	Granting organization
Chongqing Demonstration Pilot Residential Community in 2018 2018年重慶市優秀示範住宅小區	Chongqing Municipal Administration of State Land Resources and Housing (重慶市國土資源和房屋管理局)
Gold Property Award for 2017 Urban Construction Ranking (2017城建榜"年度金牌物業獎")	Chongqing Times (重慶時報)
Demonstration Pilot Property Management Community in Qingquan Community of Wenjiang in 2018 (2018年溫江清泉社區物業管理示範小區)	Qingquan Community in Yongquan Street (湧泉街道清泉社區)
Sichuan AAA Trustworthy Property Services Enterprises in 2018 (2018年四川省AAA誠信物業服務企業)	Sichuan Provincial Real Estate Industry Association (四川省房地產業協會)
Star Residential Rating (Four Star) in 2018 (2018年度星級住宅評定(四星級))	Chengdu Property Management Institute (成都市物業管理協會)
Model Project of Honesty Performance in Property Services Industry of Tianfu New Area in 2018 (2018年度天府新區物業服務行業誠信履約示範項目)	Property Management Association of Tianfu New Area in Chengdu (成都天府新區物業管理協會)
Five-Star Yard in 2018 (2018年五星級院落)	Chengdu Qingyang People's Government (成都市青羊區人民政府)
Outstanding Property Services Enterprises on credit management in 2017 (2017年度物業服務企業依信用得分管理先進單位)	Huizhou Real Estate Management Bureau, Huizhou Property Management Institute (惠州市房產管理局、惠州市物業管理協會)
Huizhou Demonstration Pilot Property Management Project in 2018 (2018年惠州市物業管理示範項目)	Huizhou Property Management Institute (惠州市物業管理協會)
Garden-style Community in 2018 (2018年園林式小區)	Wuhan Greening Committee (武漢市綠化委員會)
Outstanding Institution on Fire-Prevention Promotion in 2018 (2018年度消防宣傳先進單位)	Fire Safety Committee of Zhongshan district, Dalian (大連市中山區消防安全委員會)
Dongguan Demonstration Pilot Property Management Residential Community in 2018 (2018年東莞市物業管理示範住宅小區)	Dongguan Property Management Institute (東莞市物業管理行業協會)
Outstanding Enterprises in 2018 (2018年先進單位)	Administration of Work Safety in Guicheng Street, Nanhai, Foshan (佛山市南海區桂城街道安全生產監督管理局)
Outstanding Member with Special Contribution in 2018 (2018年特殊貢獻優秀會員)	Shenzhen Property Management Institute (深圳市物業管理行業協會)
Star Property Services Project in 2018 (2018年星級物業服務項目)	Hunan Real Estate Industry Institute (湖南省房地產業協會)

Note: For identification purpose only and should not be regarded as the official English translation of the Chinese names.

Example: "Top 50 Shenzhen Property Services Enterprises for Comprehensive Strength"

With increasing demand for better living standards in this new era, the property management industry has also undergone rapid development into a development stage focusing on high quality. Adhering to our service philosophy "being dedicated and full-hearted", we provide high-quality property management services to more and more customers. By leveraging on the comprehensive strength, Kaisa Property ranked 6th in the "Top 50 Shenzhen Property Services Enterprises for Comprehensive Strength" which was granted on 19 July 2018 by Shenzhen Property Management Association for two consecutive years.

Customer Services and Procedures for Handling Complaints

The Group highly recognizes the importance of our property owner's satisfaction and their advices on our products and services. Property owners may communicate with us through the following channels:

- calling Kaisa Property's service hotline: 400-188-1638;
- paying visit to the property service center of the communities or making phone calls the service centers;
- downloading our mobile application "K Life" in respect of property services of the communities.

The Group formulates "Guidance on Handling Complaints from Customers" (客戶投訴處理工作指引) to standardize the procedures for handling complaints and prevent escalation of complaints due to delayed handling. After receiving the complaints from our property owners, we 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. As for complaints without timely handling, we would immediately pass to the relevant competent departments, which in turn will respond to the customer within 30 minutes.

We strictly require our employees to record complaints immediately and listen to the customers and gain clear understanding on the content of the complaint as well as customers' expectations. No speculation or subjective judgement shall be made when the situation is still not clear.

Protection of Customers' Privacy

Protection of the information about property owners and others is critical to maintenance of good corporate governance and establishment of long-term relationships with our customers. In order to keep the information on property owners 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 collection, management, control of information. For example, 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 staffs. 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. In addition, we may conduct regular or occasional inspections on information about property owners and residents to ensure the completeness of the relevant information and detect risks of information leakage in early stage. If change of property owners or removal of residents was incurred, the original information would be destroyed in a timely manner, in order to reduce risks of information loss or leakage. The Group also values the privacy of our residents. We require 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.

B7. Anti-corruption

The Group are in strict compliance with regulatory requirements. Employees, directors and senior management shall comply with principles of business ethics and integrity. No commercial secrets and other confidential commercial information of the Group shall be disclosed, announced or published. The Group advocates an operating environment of fairness and a corporate culture of integrity and honesty, to prevent conflicts of interests and misconducts including bribery, blackmail, mischief and money laundering, so as to establish a good business order. Our department of audit and inspection and department of legal compliance are of great importance to management and internal control. By conducting inspections on non-compliance continuously in respect of business, we inspect any non-compliance timely in a systematic manner and improve the effectiveness of risk management and control of fraud.

The Group has established various whistle-blowing channels, including WeChat, mailbox, phone and post. We would investigate and process all whistle-blowing reporting in a fair and impartial way. We keep strict confidential of the identity of the whistle-blower and take special measures to protect the interests of relevant whistle-blower which may suffer from damages due to whistle-blowing reporting. If any interests sought or received without approval by taking advantage of business relationships, the management of relevant departments would immediately review and improve relevant procedures to prevent recurrence of similar events and the related staff would be subject to disciplinary proceedings. During the Reporting Period, no legal cases involved any corruption was identified.

B8. Community Investment

Taking "Serving for a Beautiful China" as our vision, as a member of our community, we should participate in various kinds of community projects and charitable activities to contribute to development of social wellbeing and harmonious society. During the Reporting Period, we have organized 210 charitable volunteering activities amounting to 641 hours with 3,237 volunteers. We not only collected donation materials from external resources, but also delivered donations to various social service institutions.

Example: Glowworm Charitable Program

As an ongoing social charitable activity since 2012, the Glowworm Charitable Program (螢火蟲公益計劃) embodies the dimming lights of glowworms to brighten those in need, to delivery caring from the society and corporates. Since the promotion of this program, Kaisa Property has organized nearly 500 micro-scale charitable events to deliver clothing, anti-cold materials, necessities to children in impoverished areas; breakfast, thermal bottles and earmuffs to city cleaners and help cleaning. We also organized property owners to visit children and the elderly in welfare institutions and elderly nursing homes. In partnering with social charitable organizations, we also organized events to donate moneys and blood.

Visiting elderly nursing homes to deliver materials by Kaisa Property's staff

Example: Community culture activity "Neighbors as family members" (佳鄰•佳親)

The Group organizes cultural activities regularly to bring festival culture to our community through diverse and enriched cultural performances, fun fairs and workshops of making food to celebrate festivals. Through those activities, the neighboring relationships and sense of belongings and recognition are enhanced by passing on traditional culture and delivering caring to community neighbors, so as to improve their happiness and cultural experience. During this reporting period, the Group organized three community cultural activities as follow:

Date	Names of activities
1 to 3 June 2018	Carnival on the Children's Day
18 June 2018	"Neighbors as family member" activity to celebrate the Dragon Boat Festival
24 September 2018	Activity for celebrating the Mid-autumn festival

Fun fair "Neighbors as family members" on the Dragon Boat Festival

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of Kaisa Property Holdings Limited ("Kaisa Property" 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.

Since the ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 6 December 2018 (the "Listing Date"), the Company has adopted the principles and 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") and complied with the applicable code provisions throughout the period from the Listing Date to the date of this annual report.

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.

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.

Since the Listing Date and up to 31 December 2018, the Company complied with all the code provisions of the CG Code set out in Appendix 14 to 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.

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.

(A) THE BOARD OF DIRECTORS

Board Composition

Executive Directors:
Mr. LIAO Chuanqiang *(Chairman)*
Ms. GUO Li

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 2018, 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 2018, the Board consisted of five Directors including Mr. LIAO Chuanqiang (Chairman) 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.

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 2018.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by the relevant employees of the Group, who are likely to be in possession of inside information of the Company.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2018, 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.

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.

Since the Listing Date and up to the date of this report, one Board meeting was held to consider the final results of the Group for the year ended 31 December 2018 and all Directors attended the Board meeting in person.

Going forward, regular Board meetings will be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

From the Listing Date to the date of this annual report, it is considered that the Directors are well acknowledged to the business and the operation of the Group.

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.

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 2018, 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.

Accordingly, all the Directors, comprising Mr. LIAO Chuanqiang, Ms. Guo Li, Mr. WENG Hao and Mr. WU Jianxin as executive Directors, Mr. LIU Hongbai, Ms. MA Xiumin and Mr. CHEN Bin as independent non-executive Directors, will retire from office and being eligible, offer themselves for re-election as Directors at the Annual General Meeting.

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.

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 2018, all the Directors, namely Mr. LIAO Chuanqiang, 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 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

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.

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 Board diversity (the "Board Diversity Policy") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives.

From the Listing Date and up to 31 December 2018, no Nomination Committee meeting was held.

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

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 oversight 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;
- 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; and
- to review the Company's compliance with the code and disclosure in the Corporate Governance Report of the Company.

From the Listing Date and up to 31 December 2018, no Audit Committee meeting was held.

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;

- either: (i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- 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;

- 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.

From the Listing Date and up to 31 December 2018, no Remuneration Committee meeting was held.

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 2018, 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 2018 is set out below:

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

(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 Grant Thornton Hong Kong Limited, the Company's external auditor, are set out on pages 62 to 67 of the "Independent Auditor's Report" in this annual report.

External Auditor's Remuneration

During the year under review, the fee payable to Grant Thornton Hong Kong Limited in respect of its audit services provided to the Company was RMB1 million. No non-audit service was provided during the year ended 31 December 2018.

Risk Management and Internal Control

The Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness. 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, should 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 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, at least annually, for the year ended 31 December 2018. After such review, the Board considered that the Company's enhanced internal control system was adequate and effective.

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: 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. Besides, Section 115A of the Companies Ordinance of Hong Kong provides that (i) shareholder(s) representing not less than one-fortieth of the total voting rights of all Shareholders of the Company or (ii) not less than 50 shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK$2,000 per shareholder can put forward proposals for consideration at a general meeting of the Company by depositing a requisition in writing signed by the relevant Shareholder(s) at the registered office of the Company.

There are no provisions allowing Shareholders to putting forward proposals at the general meetings under the Cayman Islands Companies Law (2012 Revision). 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;
- 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.

Report of the Directors

The board of directors (the "Board") presents the annual report and the audited consolidated financial statements of Kaisa Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2018.

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 16 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 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 68 in this annual report.

DIVIDENDS

A dividend of RMB128,000,000 was declared by the Company on 3 December 2018. The dividend was distributed out of the Company's retained earnings. The payments of the dividend above have not yet been distributed.

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 71 in this annual report.

As at 31 December 2018, the distributable reserves of the Group amounted to approximately RMB69.8 million.

BORROWINGS

Details of the borrowings are set out in note 26 to the consolidated financial statements.

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

Shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 6 December 2018. The over-allotment option in relation to allot and issue up to an aggregate of 5,250,000 additional Shares was not exercised.

Save as disclosed above, from 6 December 2018 (the "Listing Date") and up to the date of this annual report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

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 2018.

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.

DIRECTORS

During the year ended 31 December 2018 and up to the date of this report, the Directors were as follows:

Executive Directors

Mr. LIAO Chuanqiang (Chairman)
Ms. GUO Li
Mr. WENG Hao (appointed on 21 February 2019)
Mr. WU Jianxin (appointed on 21 February 2019)

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.

Accordingly, all the Directors, comprising Mr. Liao Chuanqiang, Ms. Guo Li, Mr. Weng Hao and Mr. Wu Jianxin as executive directors; Mr. Liu Hongbai, Ms. Ma Xiumin and Mr. Chen Bin as independent non-executive directors, will retire from office and, being eligible, offer themselves for re-election as Directors at the Annual General Meeting.

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 22 to 23.

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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Directors' and Chief Executive's Interests in Securities

As of 31 December 2018, 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 positions in the underlying shares:

Name of Director	Name of associated corporation	Number of shares interested	Approximate percentage of interest
LIAO Chuanqiang	Kaisa Group Holdings Ltd.	4,000,000	0.07%

Save for those disclosed above, as of 31 December 2018, 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 29 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 35 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 2018.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance between the Controlling Shareholder and any of its subsidiaries and the Group was made during the year ended 31 December 2018 save as disclosed in note 35 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As of 31 December 2018, 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.	Interest in controlled corporation	103,530,000(L) (Note 2)	73.95
Rui Jing Investment Company Limited ("Rui Jing")	Interest in controlled corporation	103,530,000(L) (Note 2)	73.95
Ye Chang Investment Company Limited ("Ye Chang")	Beneficial owner	103,530,000(L) (Note 2)	73.95

Notes:

1. The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

2. Ye Chang is beneficially wholly-owned by Rui Jing, which in turn is beneficially wholly-owned by Kaisa Group. By virtue of the SFO, each of Kaisa Group and Rui Jing is deemed to be interested in the same number of Shares which Ye Chang is interested in.

3. The percentages were calculated based on 140,000,000 Shares in issue as at 31 December 2018.

Save for those disclosed above, as of 31 December 2018, 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.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on pages 137 to 138 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 more than 30% of its goods and services to its 5 largest customers with its largest customer contributed 50% of the Group's revenue. Details of the largest customer are set out in note 6.1 to the consolidated financial statements.

At no time during the year ended 31 December 2018, 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 2018 are set out in note 35 to the consolidated financial statements, which are in compliance with the requirements of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 December 2018. Details of the transactions are set out in note 35 to the consolidated financial statements and below:

1. The Deed of HK Trademark Licensing

On November 20, 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 minimus threshold provided under Rules 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 November 20, 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 minimus threshold provided under Rules 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.

3. Sales Assistance Services Framework Agreement

On 20 November 2018, the Company entered into a sales assistance services framework agreement with Kaisa Group (the "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 Group 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 Sales Assistance Services under the Sales Assistance Services Framework Agreement for each of the two years ending December 31, 2020 will not exceed RMB5,000,000 and RMB6,000,000, respectively.

For the year ended 31 December 2018, the total amount of commission fee payable by Kaisa Group for the Sales Assistance Services amounted to RMB2,659,000, which is within the annual cap of RMB4,000,000.

Details of the Sales Assistance Services Framework Agreement have been set out in the section "CONNECTED TRANSACTIONS" in the Prospectus.

4. Property Management Services Framework Agreement

On November 20, 2018, the Company entered into a property management services framework agreement with Kaisa Group (the "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.

Kaisa Group 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 Property Management Services under the Property Management Services Framework Agreement for each of the two years ending December 31, 2020 will not exceed RMB440,000,000 and RMB485,000,000, respectively.

For the year ended 31 December 2018, the total amount of fees payable by Kaisa Group for the Property Management Services amounted to RMB402,758,000, which is with the annual cap of RMB405,000,000.

Details of the Property Management Services Framework Agreement have been set out in the section "CONNECTED TRANSACTIONS" in the Prospectus.

5. Equipment Installation Services Framework Agreement

On 20 November 2018, the Company entered into an equipment installation services framework agreement with Kaisa Group (the "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, for a term commencing from the Listing Date until 31 December 2020. The Equipment Installation Services mainly include 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.

Kaisa Group 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.

The Equipment Installation Services under the Equipment Installation Services Framework Agreement for each of the two years ending December 31, 2020 will not exceed RMB60,000,000 and RMB80,000,000, respectively.

For the year ended 31 December 2018, the total amount of fees payable by Kaisa Group for the Equipment Installation Services amounted to RMB45,266,000, which is within the annual cap of RMB52,000,000.

Details of the Equipment Installation Services Framework Agreement have been set out in the section "CONNECTED TRANSACTIONS" in the Prospectus.

6. Property Lease Framework Agreement

On 20 November 2018, the Company entered into a property lease framework agreement with Kaisa Group (the "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 December 31, 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.

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

The total amount of rental payable by the Group to the Kaisa Group for properties the Group leased for office use amounted to approximately RMB3,584,000 for the year ended 31 December 2018.

In addition, the Group had leased approximately 60,000 car parking lots from Kaisa Group as of 31 December 2018. Such 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 total amount of rent payable by the Group to the Kaisa Group for the car parking lots we leased amounted to approximately RMB39,894,000 for the year ended 31 December 2018, which is within the annual cap of RMB43,650,000.

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

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

	2019 RMB	2020 RMB
Leased properties for office use	4,200,000	4,600,000
Car parking lots	50,000,000	60,000,000
Total	**54,200,000**	**64,600,000**

Details of the Property Lease Framework Agreement have been set out in the section "CONNECTED TRANSACTIONS" in the Prospectus.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have discussed with the senior management of the Company on the agreements of the abovementioned continuing connected transactions and reviewed these continuing connected transactions and confirmed that the continuing connected transactions abovementioned have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreement governing each of the Continuing Connected Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, Grant Thornton Hong Kong Limited, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe the continuing connected transactions abovementioned:

(i) have not been approved by the Board;

(ii) are not, in all material respects, in accordance with the pricing policies of the Group;

(iii) have not been entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the annual caps.

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 are 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 relevant operation units from time to time.

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.

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

The consolidated financial statements for the year ended 31 December 2018 were audited by Grant Thornton Hong Kong Limited. A resolution to re-appoint Grant Thornton Hong Kong Limited as auditor of the Company will be proposed at the forthcoming AGM.

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, 25 March 2019

Independent Auditor's Report

Grant Thornton
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To the members of Kaisa Property Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Report on the Audit of the Consolidated Financial Statements

OPINION

We have audited the consolidated financial statements of Kaisa Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 68 to 136, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 requirement 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.

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 and note 19 to the consolidated financial statements and the accounting policies note 2.10	
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 19 to the consolidated financial statements, the carrying amount of trade receivables is RMB54,416,000 as at 31 December 2018, after net off the allowance of credit losses of RMB7,623,000, Allowance for credit losses of RMB3,168,000 for the year ended 31 December 2018 was recognised in profit or loss.	Obtaining an understanding on how the management assess the ECL of trade receivables by applying the ECL model upon application of HKFRS 9 "Financial Instruments" on 1 January 2018; 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; and 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.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Refer to note 4 and note 20 to the consolidated financial statements and the accounting policies note 2.10	
Recoverability of payments on behalf of residents We identified the recoverability of payments on behalf of residents 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 ECL of payments on behalf of residents which may affect the carrying value of payments on behalf of residents 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 payments on behalf of residents and the provision rates are based on internal credit rating as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical recovery rates and probability of default by the counter-parties taking into consideration forward-looking information. As disclosed in note 20 to the consolidated financial statements, the carrying amount of payments on behalf of residents is RMB40,440,000 as at 31 December 2018, after net off the allowance of credit losses of RMB2,914,000. Allowance for credit losses of RMB108,000 for the year ended 31 December 2018 was recognised in profit or loss.	Obtaining an understanding of how the management assess the ECL of payments on behalf of residents by applying the ECL model upon application of HKFRS 9 "Financial Instruments" on 1 January 2018; Testing the integrity of information used by management to develop the provision matrix, including the internal credit rating and impairment indicators, including whether the property management agreements for the community were terminated or expected to be terminated, historical write-off experience and the financial performance of the property management offices of residential communities; Evaluating the financial performance of the property management offices which are the representatives of the residents of the communities, by checking, on a sample basis, to the latest management accounts of relevant property management offices of residential communities to assess whether the management fee received from the residents can cover the various expenses paid by the Group on behalf of those property management offices; and Evaluating the appropriateness of the expected loss rates applied by reference to the historical recovery rates, probability of default by its counter-parties and forward-looking information.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2018 annual report of the Company, 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 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.

The directors assisted by the Audit Committee 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 HKSAs 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.

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

As part of an audit in accordance with HKSAs, 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.

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, related safeguards.

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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

25 March 2019

Chiu Wing Ning
Practising Certificate No.: P04920

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	6	**895,768**	669,159
Cost of services		**(618,730)**	(464,873)
Gross profit		**277,038**	204,286
Other (losses) and gains, net	7	**(7,880)**	1,253
Selling expenses		**(5,160)**	(4,763)
Administrative expenses		**(152,188)**	(102,309)
Operating profit		**111,810**	98,467
Impairment loss on investment in an associate		–	(597)
Share of results of an associate		–	(1,949)
Finance costs	9	**(13,898)**	(27,061)
Finance income	9	**12,723**	27,257
Finance (costs)/income, net		**(1,175)**	196
Profit before income tax	10	**110,635**	96,117
Income tax expenses	11	**(57,125)**	(24,676)
Profit and total comprehensive income for the year		**53,510**	71,441
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**54,056**	71,441
Non-controlling interests		**(546)**	–
		53,510	71,441
Earnings per share attributable to owners of the Company (expressed in RMB)			
Basic and diluted	13	**0.50**	0.69

The notes on pages 74 to 136 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**7,920**	6,933
Intangible asset	17	**6,579**	7,895
Goodwill	18	**5,534**	5,534
Other receivables	19	**133**	887
Deferred tax assets	27	**3,153**	2,273
		23,319	23,522
Current assets			
Trade receivables	19	**54,416**	27,622
Other receivables and prepayments	19	**59,347**	16,485
Payments on behalf of residents	20	**40,440**	53,320
Contract assets	21	**40,576**	24,491
Amounts due from related parties	22	**127,491**	930,962
Restricted cash	23	**617**	1,074
Cash and cash equivalents	23	**708,055**	114,098
		1,030,942	1,168,052
Current liabilities			
Trade payables	24	**86,549**	61,347
Other payables and accruals	24	**204,836**	202,238
Contract liabilities	21	**41,087**	36,031
Amounts due to fellow subsidiaries	25	**29,256**	227,736
Dividend payable	14	**128,000**	–
Other borrowings	26	**–**	325,000
Income tax payable		**33,237**	25,849
		522,965	878,201
Net current assets		**507,977**	289,851
Total assets less current liabilities		**531,296**	313,373

Consolidated Statement of Financial Position

	Notes	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Other payables	24	**3,981**	5,938
Deferred tax liabilities	27	**21,145**	1,974
		25,126	7,912
Net assets		**506,170**	305,461
EQUITY			
Share capital	28	**1,232**	–*
Reserves		**505,502**	305,479
Equity attributable to owners of the Company		**506,734**	305,479
Non-controlling interests		**(564)**	(18)
Total equity		**506,170**	305,461

* Amount less than RMB1,000.

Approved and authorised for issue by the Board of Directors on 25 March 2019.

Liao Chuanqiang
Director

Guo Li
Director

The notes on pages 74 to 136 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Equity attributable to owners of the Company								
	Share capital RMB'000 (note 28)	Share premium RMB'000 (note c)	Other reserves RMB'000 (notes a and c)	Contribution reserve RMB'000 (note c)	Statutory reserve RMB'000 (note b)	Retained earnings RMB'000 (note c)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As 1 January 2017	–	–	76,071	2,512	36,170	118,067	232,820	–	232,820
Profit and total comprehensive income for the year	–	–	–	–	–	71,441	71,441	–	71,441
Issue of new share upon incorporation	–*	–	–	–	–	–	–*	–	–*
Acquisition of a subsidiary (note 33)	–	–	–	–	–	–	–	(18)	(18)
Share-based payment (note 29)	–	–	–	1,218	–	–	1,218	–	1,218
Transfer to statutory reserve	–	–	–	–	9,595	(9,595)	–	–	–
As at 31 December 2017 and 1 January 2018	–*	–	76,071	3,730	45,765	179,913	305,479	(18)	305,461
Profit and total comprehensive income for the year	–	–	–	–	–	54,056	54,056	(546)	53,510
Issue of new shares (note 28)	9	5,609	–	–	–	–	5,618	–	5,618
Capitalisation issue of shares (note 28)	915	(915)	–	–	–	–	–	–	–
Issue of new shares pursuant to the initial public offering (note 28)	308	288,597	–	–	–	–	288,905	–	288,905
Net expense incurred in connection with issue of shares	–	(21,548)	–	–	–	–	(21,548)	–	(21,548)
Share-based payment (note 29)	–	–	–	2,224	–	–	2,224	–	2,224
Transfer to statutory reserve	–	–	–	–	36,135	(36,135)	–	–	–
Dividend declared	–	–	–	–	–	(128,000)	(128,000)	–	(128,000)
Balance as at 31 December 2018	1,232	271,743	76,071	5,954	81,900	69,834	506,734	(564)	506,170

* Amount less than RMB1,000.

Notes:

(a) Other reserve represents the difference between the consideration paid and the share capital of the subsidiaries under the restructuring.

(b) In accordance with the relevant rules and regulations in the People's Republic of China (the "PRC") and the provision of the articles of association of the PRC companies comprising the Group, the local investment enterprises are allowed to appropriate 10% of the net profit to the statutory reserves until the accumulated appropriation exceeds 50% of the registered capital.

(c) Total amount of RMB505,502,000 as at 31 December 2018 (2017: RMB305,479,000), represents the amount of reserves as presented in the consolidated statement of financial position.

The notes on pages 74 to 136 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before income tax		**110,635**	96,117
Adjustments for:			
Amounts written off as uncollectible	7	**1,593**	154
Depreciation and amortisation	10	**4,146**	2,857
Impairment loss on investment in an associate		–	597
Interest expense	9	**13,898**	27,061
Interest income	9	**(12,723)**	(27,257)
Net losses on disposal of property, plant and equipment	7	**51**	27
Losses on deemed disposal of an associate	7	–	64
Provision for loss allowance	7	**4,235**	2,395
Reversal of provision for loss allowance	7	–	(187)
Share of results of an associate		–	1,949
Share-based payment	29	**2,224**	1,218
Operating profit before working capital changes		**124,059**	104,995
Increase in trade and other receivables		**(74,622)**	(8,850)
Decrease/(Increase) in payments on behalf of residents		**12,772**	(5,279)
Increase in contract assets		**(16,085)**	(11,272)
Decrease/(Increase) in amounts due from related parties		**425,214**	(83,687)
Increase in trade and other payables		**25,843**	61,209
Increase in contract liabilities		**5,056**	18,134
(Decrease)/Increase in amounts due to fellow subsidiaries	31(a)	**(7,654)**	15,410
(Decrease)/Increase in restricted cash		**(45)**	221
Cash generated from operating activities		**494,538**	90,881
Interest paid		**(12,631)**	(27,061)
Income tax paid		**(31,446)**	(40,361)
Net cash from operating activities		**450,461**	23,459
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	33	–	(5,260)
Decrease in amounts due from related parties		**310,980**	59,816
Proceeds from disposal of property, plant and equipment		**24**	12
Purchase of property, plant and equipment	15	**(3,892)**	(2,769)
Net cash from investing activities		**307,112**	51,799

Consolidated Statement of Cash Flows

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Decrease in amounts due to fellow subsidiaries	31(a)	**(190,826)**	(5,312)
Net proceeds from issuance of shares upon initial public offering		**267,357**	–
Proceeds from issuance of shares		**5,618**	–
Decrease in restricted cash		**502**	10,231
Proceeds from other borrowings	31(a)	**71,667**	–
Interest paid		**(1,267)**	–
Repayment of other borrowings	31(a)	**(316,667)**	–
Net cash (used in)/from financing activities		**(163,616)**	4,919
Net increase in cash and cash equivalents		**593,957**	80,177
Cash and cash equivalents at the beginning of the year		**114,098**	33,921
Cash and cash equivalents at the end of the year, represented by cash and bank balances	23	**708,055**	114,098

The notes on pages 74 to 136 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. CORPORATE INFORMATION

Kaisa Property Holdings Limited (the "Company") was incorporated in the Cayman Islands on 13 October 2017 as an exempted company with limited liability under the Companies Law. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 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 consider Kaisa Group Holdings Ltd. ("Kaisa Holdings") as the Company's ultimate holding company, a company incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation

2.1.1 Basis of preparation

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation and presentation (Continued)

2.1.2 Basis of presentation

Prior to the incorporation of the Company and the completion of the reorganisation as detailed in the Prospectus, the Group's existing business ("Listing Business") was mainly conducted through the companies now comprising the Group ("Listing Business Operating Companies"), which are under the common control of controlling shareholder, i.e. Kaisa Holdings. Pursuant to the Reorganisation, the Listing Business Operating Companies are transferred to and held by the Company. As the Company has not involved in any other business prior to the Reorganisation and does not meet the definition of a business, the Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and its controlling shareholder of Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under Kaisa Holdings and the consolidated financial statements have been prepared and presented as a continuation of the consolidated financial statements of Listing Business Operating Companies under the common control of Kaisa Holdings immediately before and after the Reorganisation as if the current group structure had been in existence throughout the periods presented, or since the date when the companies first came under the control of Kaisa Holdings, whichever is a shorter period.

The net assets of Listing Business Operating Companies were consolidated using the existing book values from Kaisa Holdings' perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling shareholder's interest.

Inter-company transaction, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

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.

As aforementioned in note 2.1.2, the consolidated financial statements have been prepared and presented as a continuation of the consolidated financial statements of Listing Business Operating Companies under the common control of Kaisa Holdings immediately before and after the Reorganisation as if the current group structure had been in existence throughout the periods presented, or since the date when the companies first came under the control of Kaisa Holdings, whichever is a shorter period. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial periods presented rather than from the date of their acquisition. Accordingly, 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 of the Group for the year ended 31 December 2017 include the financial information of the Company and its subsidiaries with effect from 1 January 2017 or since their respective dates of incorporation, whichever is shorter.

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, 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

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.

2.4 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.

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).

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Renminbi. Assets and liabilities have been translated into Renminbi at the closing rates at the reporting date. Income and expenses have been converted into the Renminbi at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 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.

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.

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%-20%
Motor vehicles	10%-20%

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.

2.6 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary.

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.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds 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 interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.8).

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible asset (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

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 2.8.

2.8 Impairment of non-financial assets

Goodwill are not subject to amortisation and are tested annually for impairment irrespective of whether there is any indication that they are impaired. Other assets include intangible assets, property, plant and equipment and the Company's interests in subsidiaries 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 from 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. 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.

2.9 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

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, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("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 consolidated statement of profit or loss and other comprehensive income.

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

– amortised cost;

– FVTPL; or

– fair value through other comprehensive income ("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 costs, finance income or other financial items, except for expected credit losses ("ECL") of trade receivables which is presented within other (losses) and gains, net.

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, payments on behalf of residents and amounts due from related parties fall into this category of financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

Classification and measurement of financial liabilities

The Group's financial liabilities include other borrowings, trade and other payables, dividend payable and amounts due to fellow subsidiaries.

Financial 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 are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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 costs or finance income.

Other borrowings

Other borrowings are recognised initially at fair value, net of transaction costs incurred. Other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the other borrowings using the effective interest method.

Other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade payables and other payables, amounts due to fellow subsidiaries and dividend payable

Trade and other payables, amounts due to fellow subsidiaries and dividend payable are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.10 Impairment of financial assets and contract assets

HKFRS 9's impairment requirements use more forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under HKFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets and contract assets (Continued)

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.

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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets and contract assets (Continued)

Other financial assets measured at amortised cost (Continued)

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the aforegoing, 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 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).

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).

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

2.11 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.19) 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 2.10 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.9).

The Group's construction contracts are at fixed prices. The accounting policy for contract revenue is set out in note 2.19.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.19). 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 2.9).

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.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank 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 statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

iii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

2.14 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.

2.15 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.17 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Accounting for income taxes (Continued)

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.

2.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits (Continued)

Share-based compensation benefits of Kaisa Property Holdings Limited

Kaisa Holdings operates equity-settled share option schemes, under which Kaisa Holdings including the Group receives services from employees as consideration for equity instruments ("option") of the Group. 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 revise their estimates of the number of options and awarded shares 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.

2.19 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 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 cost of services. 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; and ii) fees generated from our car parking and space leasing, which is recognised over the time when such services are rendered. 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) Interests income

Interests income is recognised using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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.

2.21 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); or

(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.

2.22 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 "Revenue from Contracts with Customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3. ADOPTION OF NEW AND AMENDED HKFRSs

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

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

Issued but not yet effective HKFRSs

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

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

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaced HKAS 17 and three related Interpretations.

As disclosed in note 2.13, currently the Group classifies leases into operating leases. The Group enters into some leases as the lessor and others as the lessee.

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

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

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

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As disclosed in note 34, as at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB7,681,000, the majority of which is payable either within one year after the reporting date.

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

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 and foreign currency 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

	2018 RMB'000	2017 RMB'000
Financial assets at amortised cost:		
Trade receivables	**54,416**	27,622
Other receivables (excluding prepayments)	**58,362**	13,126
Payments on behalf of residents	**40,440**	53,320
Amounts due from related parties	**127,491**	930,962
Restricted cash	**617**	1,074
Cash and bank balances	**708,055**	114,098
	989,381	1,140,202
Financial liabilities at amortised cost:		
Trade payables	**86,549**	61,347
Other payables (excluding other tax payables)	**201,734**	198,105
Amounts due to fellow subsidiaries	**29,256**	227,736
Dividend payable	**128,000**	–
Other borrowings	**–**	325,000
	445,539	812,188

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(i) Interest rate risk

The Group's interest rate risk mainly arises from other borrowings. Other borrowings at variable rates exposes the Group to cash flow 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.

The management considers the interest rate risk is insignificant as at 31 December 2018 and 2017.

(ii) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The amount of contingent liabilities in relation to financial guarantee issued by the Group is disclosed in note 32.

Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Trade receivables

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. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward-looking information. The Group expects that the credit risk associated with the balances of neither past due nor impaired is considered to be low. No significant concentration of risk exists as the Group has no material exposures to the trade receivables.

Deposits and amounts due from related parties

The Group expects that the credit risk associated with deposits and other receivables due from related parties (including a related company, fellow subsidiaries and joint ventures of fellow subsidiaries) is considered to be low, since the majority of the deposits is due from government authorities as pledge for the ordinary business and related parties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the ECL rate for the amounts due from related companies are immaterial under 12 months ECL method. Thus, the impairment provision recognised during the period was limited to 12 months expected losses, which was 1% allowance rate for deposits.

As at 31 December 2018, the maximum exposure to loss of the amounts due from related companies was RMB127,491,000 (2017: RMB930,962,000).

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Other receivables other than those from related parties

The Group has large number of counterparties for its other receivables other than those from related parties. There was no concentration of credit risk. 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.

Contract assets and payments on behalf of residents

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. Payments on behalf of residents are related to various expenses paid in advance for the residents of the communities under management by the Group, which are also the customers of the Group. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets and payments on behalf of residents. Since the contract assets and payments on behalf of residents are still in performing and the payment is not due. The expected loss rate of contract assets is assessed to be the same as that of trade receivables neither past due nor impaired.

As at 31 December 2018, the internal credit rating of contract assets and payments on behalf of residents were performing. The Group considered customers having a low risk of default and a strong capacity to meet contractual cash flows as performing. The Group has assessed that the ECL for these receivables are not material under the 12 months ECL method. Thus, no loss allowance provision was recognised for contract assets for the year ended 31 December 2018, while only 5% and 25% of provision was made for payments on behalf of residents.

Forward-looking information 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 forwarding-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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Forward-looking information incorporated in the ECL model (Continued)

As at 31 December 2018 and 2017, the loss allowance provision was determined as follows:

		2018		2017	
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000	Gross carrying amount RMB'000	Loss allowance provision RMB'000
Trade receivables					
Neither past due nor impaired	0%	**331**	**–**	2,085	–
Overdue within 1 year	5%	**48,205**	**2,410**	19,854	993
Overdue 1 to 2 years	25%	**6,213**	**1,553**	5,704	1,426
Overdue 2 to 3 years	35%	**2,857**	**1,000**	2,497	874
Overdue over 3 years	60%	**4,433**	**2,660**	1,937	1,162
		62,039	**7,623**	32,077	4,455

		2018		2017	
	Expected loss rate	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	1%	**48,164**	**482**	4,403	44
Other receivables and payments on behalf of residents					
Overdue within 1 year	5%	**49,117**	**2,456**	63,645	3,182
Overdue 1 to 2 years	25%	**4,570**	**1,141**	1,378	344
Overdue 2 to 3 years	35%	**1,019**	**356**	858	300
Overdue over 3 years	60%	**918**	**551**	81	49
		103,788	**4,986**	70,365	3,919

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 that the input used in the determination of the expected loss rate do not significantly improved or deteriorated. Accordingly, there is no change in expected loss rate for the year ended 31 December 2018.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Forward-looking information incorporated in the ECL model (Continued)

As at 31 December 2018 and 2017, 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 RMB'000	Deposits, other receivables and payments on behalf of residents (excluding prepayments) RMB'000	Total RMB'000
At 1 January 2018	**4,455**	**3,919**	**8,374**
Provision for loss allowance recognised in profit or loss	**3,168**	**1,067**	**4,235**
At 31 December 2018	**7,623**	**4,986**	**12,609**
At 1 January 2017	2,324	3,842	6,166
Provision for loss allowance recognised in profit or loss	2,131	264	2,395
Reversal of provision for loss allowance recognised	–	(187)	(187)
At 31 December 2017	4,455	3,919	8,374

As at 31 December 2018, the gross carrying amount of trade and other receivables, deposits and payments on behalf of residents (excluding prepayments) was RMB165,827,000 (2017: RMB102,442,000) and thus the maximum exposure to loss was RMB153,218,000 (2017: RMB94,068,000) respectively.

(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 and other payables and its financing obligations, 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 2018 and 2017. 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.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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

	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 amount RMB'000	Carrying amount RMB'000
As at 31 December 2018						
Trade payables	**86,549**	**–**	**–**	**–**	**86,549**	**86,549**
Other payables	**197,753**	**896**	**1,539**	**1,546**	**201,734**	**201,734**
Amounts due to fellow subsidiaries	**29,256**	**–**	**–**	**–**	**29,256**	**29,256**
Dividend payable	**128,000**	**–**	**–**	**–**	**128,000**	**128,000**
	441,558	**896**	**1,539**	**1,546**	**445,539**	**445,539**
As at 31 December 2017						
Trade payables	61,347	–	–	–	61,347	61,347
Other payables	192,167	1,725	2,903	1,310	198,105	198,105
Amounts due to fellow subsidiaries	227,736	–	–	–	227,736	227,736
Other borrowings	337,166	–	–	–	337,166	325,000
Financial guarantee contract (note)	1,000,000	–	–	–	1,000,000	–
	1,818,416	1,725	2,903	1,310	1,824,354	812,188

Note: The amount included above for financial guarantee contracts are the maximum amount the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at 31 December 2017, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement.

(iv) Fair value measurement

The directors of the Company consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(v) 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 overseas cash and cash equivalents which is partially denominated Hong Kong Dollar ("HKD"). They are not the functional currencies of the group entities to which these transactions relate.

Foreign currency denominated financial assets and liabilities, translated into RMB at the closing rates, are as follows:

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	**202,588**	31

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	**Increase/ (Decrease) in profit or loss** RMB'000	**Increase/ (Decrease) in equity** RMB'000
2018			
HKD	50 basis point	7,597	7,597
2017			
HKD	50 basis point	2	2

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 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 capital structure of the Group consists of debt, which includes the other borrowings (note 26) less cash and cash equivalents (note 23), restricted cash (note 23) and equity attributable to owners of the Company, comprising share capital and reserves. The directors of the Company review the capital structure periodically.

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.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances and restricted cash. Total capital is calculated as "total equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios of the Group as at 31 December 2018 and 2017 were as follows:

	2018 RMB'000	2017 RMB'000
Other borrowings	**–**	325,000
Less: Cash and cash equivalents (note 23)	**(708,055)**	(114,098)
Restricted cash (note 23)	**(617)**	(1,074)
Net debt	**(708,672)**	209,828
Total equity	**506,170**	305,461
Gearing ratio (note)	**N/A**	69%

Note:

The decrease in the gearing ratio during the year ended 31 December 2018 primarily resulted from the settlement of other borrowings in 2018. There were no changes in the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements by its lenders. The gearing ratio at 31 December 2018 were not presented as the Group has no net debt as at 31 December 2018.

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:

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.8, where the recoverable amounts of the CGU is determined based on value-in-use calculations. These calculations require the use of estimates. Management performed a comprehensive impairment test on goodwill arising from the acquisition of Shenzhen Qijia Internet Technology Co., Ltd. ("Shenzhen Qijia")* as set out in note 18 to the consolidated financial statements.

* 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.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the reporting date. Other 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 2018, the carrying amounts of the property, plant and equipment are RMB7,920,000 (2017: RMB6,933,000) respectively. Impairment loss on investment in an associate amounting to RMB Nil (2017: RMB597,000) are recognised in the consolidated statements of profit or loss and other comprehensive income during the year ended 31 December 2018, which are based on the management's best estimates.

Current and deferred tax

The Group is subject to corporate income tax in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Allowance on doubtful receivables

The Group makes allowances on receivables 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 and other receivables and doubtful debt expenses 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 2018, the carrying amounts of trade receivables and deposits, other receivables and payments on behalf of residents (excluding prepayments) are RMB54,416,000 (net of ECL allowance of RMB7,623,000) and RMB98,802,000 (net of ECL allowance of RMB4,986,000) (2017: RMB27,622,000 (net of ECL allowance of RMB4,455,000) and RMB66,446,000 (net of ECL allowance of RMB3,919,000)) respectively.

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 year ended 31 December 2018 is as follows:

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

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

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

The details of contract assets and contract liabilities were disclosed in note 21.

(b) **Unsatisfied performance obligations**

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

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

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

6. REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information

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

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

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

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

7. OTHER (LOSSES) AND GAINS, NET

	2018 RMB'000	2017 RMB'000
Unconditional government subsidy income	**1,727**	446
Net losses on disposal of property, plant and equipment	**(51)**	(27)
Losses on deemed disposal of an associate (note 33)	**–**	(64)
Provision for loss allowance (notes 4.1 and 10)	**(4,235)**	(2,395)
Reversal of provision for loss allowance (notes 4.1 and 10)	**–**	187
Trade receivables written off	**(1,593)**	(154)
Exchange (losses)/gains, net	**(3,465)**	2,921
Others	**(263)**	339
	(7,880)	1,253

8. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 RMB'000	2017 RMB'000
Wages, salaries and other benefits	**409,072**	308,121
Share-based payment (note 29)	**2,224**	1,218
Contributions to defined contribution retirement plans	**27,837**	22,784
	439,133	332,123

9. FINANCE INCOME AND COSTS

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

10. PROFIT BEFORE INCOME TAX

	2018 RMB'000	2017 RMB'000
Profit before income tax has been arrived at after charging/(crediting):		
Advertising and promotion expenses	**5,160**	4,763
Auditor's remuneration	**1,190**	670
Business and other taxes	**4,809**	3,466
Business entertainment expenses	**2,456**	1,874
Cost in relation to smart solution services	**60,853**	34,732
Depreciation (note 15)		
– Included in cost of services	**1,734**	1,845
– Included in administrative expenses	**1,096**	1,012
Amortisation of intangible asset (note 17)	**1,316**	–
Legal and professional fees	**4,014**	907
Listing expenses	**30,182**	4,376
Operating lease		
– Included in cost of services	**43,675**	30,809
– Included in administrative expenses	**4,598**	2,240
Office expenses	**9,519**	6,593
Provision for loss allowance		
– Trade receivables (note 4.1)	**3,168**	2,131
– Deposits, other receivables and payments on behalf of residents (excluding prepayments) (note 4.1)	**1,067**	264
Reversal of provision for loss allowance		
– Deposits, other receivables and payments on behalf of residents (excluding prepayments) (note 4.1)	**–**	(187)
Staff costs – including directors' emoluments (note 8)		
– Included in cost of services	**342,874**	252,570
– Included in administrative expenses	**96,259**	79,553
Travelling	**4,037**	4,373

11. INCOME TAX EXPENSES

	2018 RMB'000	2017 RMB'000
Current income tax		
– PRC Enterprise Income Tax	**38,834**	25,266
Deferred tax		
– PRC Enterprise Income Tax (note 27)	**18,291**	(590)
	57,125	24,676

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

	2018 RMB'000	2017 RMB'000
Profit before income tax	**110,635**	96,117
Add: Share of results of an associate	**–**	1,949
	110,635	98,066
Tax on profit before income tax, calculated at the rate of 25%	**27,659**	24,517
Tax effects of:		
– different income tax rates of certain companies	**2,620**	1,613
– preferential income tax rates of certain companies	**(2,364)**	(1,934)
– non-deductible expenses	**8,143**	150
– tax loss not recognised	**869**	330
– utilisation of previously unutilised tax losses	**(1,802)**	–
– temporary difference arising from withholding tax for undistributed profits	**22,000**	–
Income tax expenses	**57,125**	24,676

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

11. INCOME TAX EXPENSES (Continued)

Hong Kong Profit Tax

Hong Kong profit tax has not been provided as the Hong Kong incorporated company within the Group had no estimated assessable profits in Hong Kong for the years ended 31 December 2018 and 2017.

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

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

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

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

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

12.1 Directors' emoluments

The directors received emoluments from the Group (including in their role as senior management and employee before their appointment as director respectively) for the years ended 31 December 2018 and 2017 are set out below:

	Year ended 31 December 2018					
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors:						
Mr. Liao Chuanqiang (Chairman and President) (note a)	–	1,735	–	144	2,224	4,103
Ms. Guo Li (Vice President) (note b)	–	956	370	118	–	1,444
Independent non-executive directors:						
Mr. Liu Hongbai (note c)	–	13	–	–	–	13
Ms. Ma Xiumin (note c)	–	13	–	–	–	13
Mr. Chen Bin (note c)	–	13	–	–	–	13
	–	2,730	370	262	2,224	5,586

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

12.1 Directors' emoluments (Continued)

	Year ended 31 December 2017					
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based Payment RMB'000	Total RMB'000
Executive directors:						
Mr. Liao Chuanqiang						
(Chairman and President) (note a)	–	1,744	–	126	1,199	3,069
Ms. Guo Li (Vice President) (note b)	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Liu Hongbai (note c)	–	–	–	–	–	–
Ms. Ma Xiumin (note c)	–	–	–	–	–	–
Mr. Chen Bin (note c)	–	–	–	–	–	–
	–	1,744	–	126	1,199	3,069

Notes:

(a) Mr. Liao Chuanqiang was appointed as a director of the Company on 13 October 2017.

(b) Ms. Guo Li was appointed as a director of the Company on 9 May 2018.

(c) Mr. Liu Hongbai, Ms. Ma Xiumin and Mr. Chen Bin were appointed as independent non-executive directors of the Company on 12 November 2018.

(d) Share-based payment expenses are measured according to the accounting policies as set out in note 2.18. Particulars of the share options granted to the director under the share option scheme of the Company, the ultimate holding company, are set out in note 29.

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 2018 and 2017.

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 (2017: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2017: four) individuals during the year are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**3,215**	3,472
Bonuses	**543**	736
Retirement scheme contributions	**416**	501
	4,174	4,709

The above individuals' emoluments are within the following bands:

	2018	2017
Nil to HKD1,000,000	**–**	1
HKD1,000,001 to HKD2,000,000	**3**	3
	3	4

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 2018 and 2017. No directors or the five highest paid individuals have waived or agreed to waive any emoluments for the years ended 31 December 2018 and 2017.

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 year ended 31 December 2018.

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

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

(b) Diluted earnings per share

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

14. DIVIDEND

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

During the year ended 31 December 2018, the Company declared dividends of RMB128,000,000 to their then shareholders before the Reorganisation was completed. The dividend was not settled as at 31 December 2018.

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

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Furniture, fittings and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost				
As at 1 January 2017	1,626	17,769	2,248	21,643
Acquisition of a subsidiary (note 33)	–	197	–	197
Additions	3	2,721	45	2,769
Disposals	–	(509)	(1)	(510)
As at 31 December 2017 and 1 January 2018	1,629	20,178	2,292	24,099
Additions	577	3,240	75	3,892
Disposals	–	(456)	(293)	(749)
As at 31 December 2018	**2,206**	**22,962**	**2,074**	**27,242**
Accumulated depreciation				
As at 1 January 2017	1,577	12,017	1,186	14,780
Charge for the year (note 10)	12	2,414	431	2,857
Written back on disposals	–	(471)	–	(471)
As at 31 December 2017 and 1 January 2018	1,589	13,960	1,617	17,166
Charge for the year (note 10)	120	2,473	237	2,830
Written back on disposals	–	(404)	(270)	(674)
As at 31 December 2018	**1,709**	**16,029**	**1,584**	**19,322**
Net book amount				
As at 31 December 2018	**497**	**6,933**	**490**	**7,920**
As at 31 December 2017	40	6,218	675	6,933

As at 31 December 2018 and 2017, no property, plant and equipment were pledged nor held under hire purchase.

16. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2018 and 2017 are as follows:

Name of company	Place and date of incorporation/ establishment	Type of legal entity	Registered/Issued and fully paid capital	Percentage of ownership interests held by the Company	Principal activities
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	United States Dollar ("US$") 2	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	Hong Kong Dollar ("HKD") 10,000	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	RMB45,462,000	100%	Property management
Kaisa Property Management (Shenzhen) Co., Ltd.* (「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%	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%	Property management
Shenzhen Jiake Intelligence Engineering Co., Limited* (「深圳市佳科智能工程有限公司」)	The PRC, 23 December 2013	Limited liability company	RMB20,000,000	100%	Equipment installation
Shenzhen Dapengche Engineering Maintenance Service Co., Ltd.* (「深圳市大篷車工程維修服務有限公司」)	The PRC, 27 November 2014	Limited liability company	RMB50,000,000	100%	Maintenance and repairing

16. INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Type of legal entity	Registered/Issued and fully paid capital	Percentage of ownership interests held by the Company	Principal activities
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	RMB3,000,000	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%	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%	Property management
Kaisa Property Management (Huizhou) Co., Ltd.* (「惠州市佳兆業物業管理有限公司」)	The PRC, 16 July 2013	Limited liability company	RMB500,000	100%	Property management
Kaisa Property Management (Liuzhou) Co., Ltd. * (「柳州市佳兆業物業管理有限公司」)	The PRC, 27 April 2017	Limited liability company	RMB500,000	100%	Property management
Shenzhen Qijia Internet Technology Co., Limited* (「深圳市齊家互聯網科技有限公司」)	The PRC, 25 July 2012	Limited liability company	RMB8,000,000	92.26%	Development and sales of computer network
Taiyuan Kaisa Property Management Co., Ltd.* (note a) (「太原佳兆業物業管理有限公司」)	The PRC, 27 June 2018	Limited liability company	RMB500,000	51% (2017: N/A)	Property management
Ningbo Kaisa Property Management Co., Ltd.* (note a) (「寧波佳兆業物業管理有限公司」)	The PRC, 6 July 2018	Limited liability company	RMB5,000,000	51% (2017: N/A)	Property management

16. INTERESTS IN SUBSIDIARIES (Continued)

The directors of the Company consider that none of the non-controlling interests of the individual subsidiary was significant to the Group and thus the individual financial information of the subsidiary was not disclosed.

Notes:

(a) Company incorporated during the year ended 31 December 2018.

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

17. INTANGIBLE ASSET

	Mobile application RMB'000
Cost	
As at 1 January 2017	
Acquisition of a subsidiary (note 33)	7,895
As at 31 December 2017, 1 January 2018 and 31 December 2018	**7,895**
Accumulated amortisation	
As at 1 January and 31 December 2017 and 1 January 2018	–
Amortisation	1,316
As at 31 December 2018	**1,316**
Net book amount	
As at 31 December 2018	**6,579**
As at 31 December 2017	7,895

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

18. GOODWILL

	Community value-added services segment RMB'000
Cost	
As at 1 January 2017	–
Arising on acquisition of business during the year (note 33)	5,534
As at 31 December 2017, 1 January 2018 and 31 December 2018	**5,534**
Accumulated impairment losses	
As at 1 January 2017	–
Impairment loss recognised	–
As at 31 December 2017, 1 January 2018 and 31 December 2018	**–**
Net book amount	
As at 31 December 2018	**5,534**
As at 31 December 2017	5,534

As disclosed in note 33, the Company further acquired 67.26% of the equity interests in Shenzhen Qijia Technology Co., Limited ("Shenzhen Qijia"), an associate of the Group as at 31 December 2016, at a consideration of RMB5,382,000 (note 33). Upon the completion of acquisition, the Group owned 92.26% equity interests in Shenzhen Qijia. Total identifiable net liabilities of Shenzhen Qijia was amounted to RMB227,000, including intangible asset of RMB7,895,000 recognised by the Group. The excess of the consideration transferred over the fair value of the identifiable net liabilities acquired is recorded as goodwill.

The consideration of RMB5,382,000 was based on an arm's-length negotiation with reference to the appraised value of Shenzhen Qijia as provided by a third party valuer and taking into account the prospect of the business cooperation between Shenzhen Qijia and the Group. The valuation of Shenzhen Qijia was performed by an independent valuer using the income approach method. The cash flow projection is based on financial budgets prepared by the management covering the years from 2019 to 2022 and at a discount rate of 24% per annum. The cash flows beyond 2022 are extrapolated using a 3% growth rate.

As at 31 December 2018, the recoverable amount of Shenzhen Qijia calculated based on value in use exceeded the carrying value of RMB3,401,000. The calculation of value in use adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with discount rate of 24% (2017: 25%) per annum. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations of the market development.

A reasonable change in key parameters on the calculation of value in use of CGU of Shenzhen Qijia would not cause the carrying amount to exceed its recoverable amount.

The management of the Group determined that, by reference to the preliminary valuation result provided by the independent valuer, the carrying amount of Shenzhen Qijia approximated to its fair value as at 31 December 2018 and 2017. No impairment of goodwill was required.

19. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables		
– from third parties	**62,039**	32,077
Less: loss allowance for trade receivables (note 4.1)	**(7,623)**	(4,455)
	54,416	27,622
Other receivables		
Other deposits	**4,164**	4,403
Refundable deposit for proposed acquisition	**44,000**	–
Prepayments	**1,118**	2,623
Prepaid listing expense	**–**	1,623
Payments on behalf of staff	**6,280**	5,059
Payments on behalf of residents under lump-sum basis	**5,295**	4,405
Others	**695**	372
Less: loss allowance for other receivables (note 4.1)	**(2,072)**	(1,113)
Total other receivables	**59,480**	17,372
Less: other receivables under non-current portion	**(133)**	(887)
Current portion	**59,347**	16,485

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

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

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

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

19. TRADE AND OTHER RECEIVABLES (Continued)

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

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

20. PAYMENTS ON BEHALF OF RESIDENTS

	2018 RMB'000	2017 RMB'000
Payments on behalf of residents	**43,354**	56,126
Less: allowance for impairment of payments on behalf of residents (note 4.1)	**(2,914)**	(2,806)
	40,440	53,320

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 2018 and 2017, the payments on behalf of residents were denominated in RMB, and the fair value of the payments on behalf of residents approximated their carrying amounts.

The Group applies the general approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2018, a provision of RMB2,914,000 (2017: RMB2,806,000) respectively was made against the gross amount of payments on behalf of residents.

21. CONTRACT ASSETS/LIABILITIES

	2018 RMB'000	2017 RMB'000
Contract assets		
Contract assets related to smart solution services	**40,576**	24,491
Contract liabilities		
Contract liabilities related to smart solution services	**(6,588)**	(3,144)
Contract liabilities related to property management services	**(34,499)**	(32,887)
	(41,087)	(36,031)

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, for which revenue is recognised based on the progress of the provision of related services deliver of property management services.

When the Group receives prepayment from customers before the production activity and property management service commences, this will give rise to contract liabilities at the start of a contract until the revenue recognised on the project exceeds the amount received in advance.

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

	2018 RMB'000	2017 RMB'000
Transfers from contract assets recognised at the beginning of the year to receivables	**(14,751)**	(1,193)
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**30,981**	14,732

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

22. AMOUNTS DUE FROM RELATED PARTIES

	2018 RMB'000	2017 RMB'000
Amounts due from fellow subsidiaries		
– Trade nature	**118,753**	545,282
– Non-trade nature	**689**	378,946
	119,442	924,228
Amounts due from joint ventures of fellow subsidiaries		
– Trade nature	**7,730**	6,638
Amount due from a related company		
– Trade nature	**319**	96
	127,491	930,962

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.

	2018 RMB'000	2017 RMB'000
Within 180 days	**126,802**	137,877
181-365 days	–	72,176
1-2 years	–	117,553
Over 2 years	–	224,410
	126,802	552,016

22. AMOUNTS DUE FROM RELATED PARTIES (Continued)

Except for amount due from a fellow subsidiary amounting to RMB325,000,000 bearing interest rates at 6.175% per annum and repayable on demand as at 31 December 2017 (the balance was subsequently settled in 2018), the remaining balances of amounts due from fellow subsidiaries, joint ventures of fellow subsidiaries and a related company are unsecured, interest-free and-repayable on demand as at 31 December 2018 and 2017.

As at 31 December 2018 and 2017, amounts due from related parties were denominated in RMB, and the fair value of the amounts due from related parties approximated their carrying amounts.

23. RESTRICTED CASH AND CASH AND BANK BALANCES

Cash and bank balances are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
Denominated in – RMB	**506,084**	115,141
Denominated in – HKD	**202,588**	31
	708,672	115,172
Less: Restricted cash (note)	**(617)**	(1,074)
Cash and bank balances	**708,055**	114,098

Note: As at 31 December 2018 restricted cash mainly represents the cash deposits in banks as performance security for property management services according to the requirements of local government authorities amounting to RMB32,000 (2017: RMB30,000) respectively, maintenance fund held on behalf of the residents amounting to RMB585,000 (2017: RMB542,000) and guaranteed deposits for the benefit of loan facility granted by the bank to a fellow subsidiary amounting to nil (2017: RMB502,000) respectively.

Included in bank and cash balances of the Group is RMB506,084,000 (2017: RMB115,141,000) 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.

24. TRADE AND OTHER PAYABLES

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

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

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

25. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	2018 RMB'000	2017 RMB'000
Amounts due to fellow subsidiaries		
– Trade nature	**28,700**	36,354
– Non trade nature	**556**	191,382
	29,256	227,736

The following is the ageing analysis of amounts due to fellow subsidiaries (trade nature) based on invoice date presented at the end of the reporting date:

	2018 RMB'000	2017 RMB'000
Within 90 days	**8,810**	5,639
91-180 days	**12,859**	3,125
181-270 days	**4,861**	3,328
271-365 days	**2,170**	3,447
Over 365 days	**–**	20,815
	28,700	36,354

The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.

26. OTHER BORROWING

	2018 RMB'000	2017 RMB'000
Borrowings included in current liabilities		
Other borrowings – secured	–	325,000

Other borrowings of the Group as at 31 December 2017 bore interest rate at 6.175% per annum respectively, and are denominated in RMB.

The Group's other borrowings was secured by corporate guarantee by fellow subsidiaries as at 31 December 2017. The borrowings were repaid during the year ended 31 December 2018.

27. DEFERRED TAX ASSETS/LIABILITIES

	2018 RMB'000	2017 RMB'000
Deferred tax assets:		
Balance at beginning of year	**2,273**	1,683
Credited to the consolidated statements of profit or loss and other comprehensive income (note 11)	**880**	590
Balance at end of year	**3,153**	2,273
Deferred tax liabilities:		
Balance at beginning of year	**(1,974)**	–
Debited to the consolidated statements of profit or loss and other comprehensive income (note 11)	**(19,171)**	–
Acquisition of a subsidiary (note 33)	–	(1,974)
Balance at end of year	**(21,145)**	(1,974)

27. DEFERRED TAX ASSETS/LIABILITIES (Continued)

Deferred tax assets and liabilities are attributable to the following:

	2018 RMB'000	2017 RMB'000
Assets		
Provision for loss allowance	**3,153**	2,273
Net tax assets	**3,153**	2,273
Liabilities		
Fair value changes of intangible asset	**(1,645)**	(1,974)
Withholding tax for undistributed profits	**(19,500)**	–
Net tax liabilities	**(21,145)**	(1,974)

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.

The directors expect to declare accumulated undistributed profit based on that as of 31 December 2017. As a result, deferred tax liabilities of RMB19,500,000 was recognised as at 31 December 2018.

28. SHARE CAPITAL

Ordinary shares of HK$0.01 each	No. of shares	RMB'000
Authorised:		
Upon incorporation and as at 31 December 2017	38,000,000	321
Increased on 12 November 2018 (note (b))	462,000,000	4,079
As at 31 December 2018	500,000,000	4,400
Issued and fully paid:		
Upon incorporation		
Issue of new shares	2	–*
As at 31 December 2017 and 1 January 2018	2	–*
Issue of new shares (note (a))	999,998	9
Issue of new shares upon initial public offering (note (d))	35,000,000	308
Capitalisation issue (note (c))	104,000,000	915
As at 31 December 2018	**140,000,000**	**1,232**

Notes:

(a) On 4 May 2018, the Company entered into subscription agreement with Ms. Chen Dantong, Ms. Zhang Yinglei and Ms. Chen Yanfang, pursuant to which 9,979 shares, 1,939 shares and 2,082 shares were allotted and issued to Ms. Chen Dantong, Ms. Zhang Yinglei and Ms. Chen Yanfang at a consideration of HKD4,989,500, HKD969,500 and HKD1,041,000 (equivalent to RMB5,609,000 in total) respectively, on 8 May 2018. On 7 May 2018, the Company issued 985,998 shares of HKD0.01 each to Ye Chang Investment.

(b) On 12 November 2018, the authorised share capital of the Company was increased from HKD380,000 divided into 38,000,000 shares of a par value of HKD0.01 each to HKD5,000,000 divided into 500,000,000 shares of a par value of HKD0.01 each.

(c) Pursuant to the written resolutions passed by all shareholders of the Company dated 12 November 2018, the directors of the Company were authorised to capitalise HKD1,040,000 (equivalent to RMB915,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 104,000,000 ordinary shares of HKD0.1 each of the Company for allotment and issue to the shareholders of the Company on the register of members of the Company as at the close of business on 12 November 2018 in proportion to their then existing respective shareholdings in the Company, conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the Global Offering. The Company's initial public offering was completed on 6 December 2018.

(d) On 6 December 2018, 35,000,000 ordinary shares of HKD0.01 each of the Company were issued at a price of HKD9.38 by way of initial public offering. On the same date, the Company's shares were listed on the SEHK. The proceeds of HKD350,000 (equivalent to RMB308,000) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HKD327,950,000 (equivalent to RMB288,597,000), before issuing expenses of HKD24,486,000 (equivalent to RMB21,548,000), were credited to share premium account.

* Amount less than RMB1,000.

29. SHARE-BASED PAYMENT

The share option schemes of its ultimate holding company, Kaisa Holdings (the "Share Option Scheme") was adopted pursuant to its resolution passed on November 22, 2009 and expires on November 21, 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 the Kaisa Holdings, advisers, consultants, suppliers, agents and customers of any members 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:

	2018		2017	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At beginning of year	**2.847**	**6,160,000**	1.550	2,160,000
Granted during the year	**–**	**–**	3.550	4,000,000
At the end of year	**2.847**	**6,160,000**	2.847	6,160,000

As at 31 December 2018, 2,960,000 (2017: 2,160,000) outstanding options granted under the Share Option Scheme were exercisable.

Note: Terms of share options at the reporting date were as follows:

Exercise period	**Exercise price per share HK$**	**Number of share options 2018**	2017
23/7/2014-22/7/2020	2.000	**100,000**	100,000
23/7/2015-22/7/2020	2.000	**100,000**	100,000
6/6/2013-5/6/2022	1.500	**98,000**	98,000
6/6/2014-5/6/2022	1.500	**98,000**	98,000
6/6/2015-5/6/2022	1.500	**588,000**	588,000
6/6/2016-5/6/2022	1.500	**588,000**	588,000
6/6/2017-5/6/2022	1.500	**588,000**	588,000
19/7/2018-18/7/2027	3.550	**800,000**	800,000
19/7/2019-18/7/2027	3.550	**800,000**	800,000
19/7/2020-18/7/2027	3.550	**800,000**	800,000
19/7/2021-18/7/2027	3.550	**1,600,000**	1,600,000
		6,160,000	6,160,000

29. SHARE-BASED PAYMENT (Continued)

On July 19, 2017, Kaisa Holdings offered to grant to the director of the Group (the "July 2017 Grant") of 4,000,000 share options of HK$0.10 each in the capital of Kaisa Holdings.

The valuations were based on the Binomial Option Pricing Model with the following data and assumptions:

	July 2017 Grant
Fair value under binomial model	HK$6,828,000
Closing share price at grant date	HK$3.55
Exercise price	HK$3.55
Annual risk free interest rate	2.05%
Expected volatility	42%
Expected option life	10 years
Expected dividend yield	Nil

Expected volatility was determined by using the historical volatility of Kaisa Holdings' share price from the listing date to the grant date. The risk-free interest rate is equal to Hong Kong Dollar 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.

The Group recognised a share option expense of RMB2,224,000 (2017: RMB1,218,000) during the year ended 31 December 2018.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current asset			
Investment in a subsidiary		**246,749**	305,461
Current assets			
Other receivables		**44,000**	–
Cash and cash equivalents		**202,555**	–
Dividend receivables		**101,658**	–
Amounts due from fellow subsidiaries		**49,893**	–
		398,106	–
Current liabilities			
Amounts due to fellow subsidiaries		**–**	1,511
Other payable		**10,685**	–
Dividend payable		**128,000**	–
		138,685	1,511
Net current assets/(liabilities)		**259,421**	(1,511)
Total assets less current liability		**506,170**	303,950
Net assets		**506,170**	303,950
EQUITY			
Share capital	28	**1,232**	–*
Reserves		**504,938**	303,950
Total equity		**506,170**	303,950

* Amount less than RMB1,000.

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

(i) Amounts due to fellow subsidiaries

	Amounts due to fellow subsidiaries	
	2018	2017
	RMB'000	RMB'000
As at beginning of year	**227,736**	217,638
Changes from financing cash flows:		
Decrease in amounts due to fellow subsidiaries	**(190,826)**	(5,312)
Total changes from financing cash flows	**36,910**	212,326
Items included in operating activities		
(Decrease)/increase in amounts due to fellow subsidiaries	**(7,654)**	15,410
As at end of year	**29,256**	227,736

(ii) Other borrowings

	Other borrowings	
	2018	2017
	RMB'000	RMB'000
As at beginning of year	**325,000**	480,000
Changes from financing cash flows:		
Proceeds from other borrowings	**71,667**	–
Repayment of other borrowings	**(316,667)**	–
Total changes from financing cash flows	**80,000**	480,000
Non-cash movements:		
Repayment made by a fellow subsidiary on behalf of the Group (note 31(b))	**(80,000)**	(155,000)
As at end of year	**–**	325,000

(b) Material non-cash transactions

During the year ended 31 December 2018, other borrowings of RMB80,000,000 (2017: RMB155,000,000) was settled through amounts due from fellow subsidiaries.

32. CONTINGENT LIABILITY

As at 31 December 2017, the Group and fellow subsidiaries have provided corporate guarantees of RMB977,299,000 to secure banking facilities granted to a fellow subsidiary. The guarantees were released during the year ended 31 December 2018.

The fair value of financial guarantees are determined by the directors' best estimation. As at 31 December 2017, the Group has not recognised liabilities in respect of the above guarantees issued because the fair value of these guarantees were insignificant.

33. ACQUISITION OF A SUBSIDIARY

The Group acquired an additional equity interest of approximately 67.26% of Shenzhen Qijia at the consideration of RMB5,382,000 which was completed on December 28, 2017. Shenzhen Qijia was previously an associate of the Group. After the acquisition, the Group held effective interest rate of approximately 92.26% of Shenzhen Qijia.

The Group accordingly remeasured the fair value of its pre-existing interest in Shenzhen Qijia at the date of completion and recognised the resulting loss of RMB64,000 on the remeasurement of the Group's pre-existing interest in Shenzhen Qijia to acquisition date fair value.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised 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 non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the carrying value and fair value of the Group's pre-existing interest in Shenzhen Qijia at the acquisition date are summarised as follows:

	RMB'000
Share of net assets	7
Less: Fair value of pre-existing interest	(57)
Loss on deemed disposal of an associate	64

33. ACQUISITION OF A SUBSIDIARY (Continued)

Details of the aggregate fair values of the identifiable assets and liabilities of Shenzhen Qijia as at the date of acquisition are as follows:

	2017 RMB'000
Property, plant and equipment (note 15)	197
Intangible asset – mobile application (note 17)	7,895
Trade and other receivables	571
Cash and bank balances	122
Trade and other payables	(7,038)
Deferred tax liabilities (note 27)	(1,974)
Total identifiable net liabilities at fair value	(227)
Less: non-controlling interests	18
	(209)
Goodwill (note 18)	5,534
Total consideration	5,325
Satisfied by:	
Cash	5,382
Fair value of pre-existing interest	(57)
Cash inflow on acquisition of subsidiary	5,325
Purchase consideration settled in cash	5,382
Cash and bank balances in subsidiary acquired	(122)
Cash outflow on acquisition of subsidiary	5,260

If the acquisition had occurred on 1 January 2017, consolidated revenue and net loss for the year ended 31 December 2017 would have been RMB1,344,000 and RMB7,793,000 respectively. These amounts have been calculated using the subsidiary's results.

34. OPERATING LEASE COMMITMENTS

The Group as lessee

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

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

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

The Group as lessor

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

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

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

35. RELATED PARTY TRANSACTIONS

Except as disclosed in elsewhere, the related party transactions are summarised as follows:

(a) Name and relationship with related parties

The ultimate holding company

Kaisa Group Holdings Ltd. 佳兆業集團控股有限公司

Fellow subsidiaries of the Group

Zhuhai Zhanda Property Development Co., Ltd.* 珠海市展大房地產開發有限公司
Jinsheng Engineering Management Consulting (Shenzhen) Co., Ltd.* 今盛工程管理諮詢(深圳)有限公司
Kaisa Investment Consulting Group (Shenzhen) Co., Ltd.* 佳兆業城市更新集團(深圳)有限公司
(Formerly known as "Kaisa Zhiye Development (Shenzhen) Co., Ltd."* "佳兆業置業發展(深圳)有限公司")
Kaisa Group (Shenzhen) Co., Ltd.* 佳兆業集團(深圳)有限公司
Dongguan Kaisa Property Development Co., Ltd.* 東莞市佳兆業房地產開發有限公司
Leisure Land Hotel Management (Shenzhen) Co., Ltd.* 可域酒店管理(深圳)有限公司
Shenzhen Kaisa Commerce Group Co., Ltd.* 佳兆業商業集團有限公司
Shenzhen Jililong Shiye Co., Ltd.* 深圳市吉利隆實業有限公司
Guangzhou Jinmao Property Development Co., Ltd.* 廣州金貿房地產開發有限公司
Shenzhen Nanao Kaisa Property Development Co., Ltd.* 深圳市南澳佳兆業房地產開發有限公司
Shenzhen Woodland Height Shiye Co., Ltd.* 深圳市桂芳園實業有限公司
Sichuan Tianzi Zhiye Co., Ltd.* 四川天姿置業有限公司
Huizhou Jinhu Property Development Co., Ltd.* 惠州市金湖房地產有限公司
Shenzhen Zhengchangtai Investment Consulting Co., Ltd.* 深圳市正昌泰投資諮詢有限公司
Dongguan Yingsheng Property Development Co., Ltd.* 東莞市盈盛房地產開發有限公司
Shenzhen Longgang Kaisa Property Development Co., Ltd.* 深圳市龍崗佳兆業房地產開發有限公司
Chengdu Nanxing Property Development Co., Ltd.* 成都南興銀基房地產開發有限公司
Fenglong Group Co., Ltd.* 豐隆集團有限公司
Guangdong Kaisa Property Development Co., Ltd.* 廣東佳兆業房地產開發有限公司
Kaisa Holdings Limited* 佳兆業集團有限公司
Hunan Kaisa Property Development Co., Ltd.* 湖南佳兆業房地產開發有限公司
Dongguan Yingyan Property Development Co., Ltd.* 東莞市盈雁房地產開發有限公司
Shenzhen Dapeng Kaisa Property Development Co., Ltd.* 深圳市大鵬佳兆業房地產開發有限公司
Chengdu Kaisa Investment Co., Ltd.* 成都佳兆業投資有限公司
Shenzhen Taijian Construction & Engineering Co., Ltd.* 深圳市泰建建築工程有限公司
Huizhou Weitong Property Co., Ltd.* 惠州緯通房產有限公司
Huizhou Canrong Property Ltd.* 惠州燦榮房產有限公司
Shenzhen Xingwoer Property Development Co., Ltd.* 深圳市興沃爾房地產開發有限公司
Dongguan Yingtai Property Development Co., Ltd.* 東莞市盈泰房地產開發有限公司
Chengdu Kaisa Commerce Operation Management Co., Ltd.* 成都市佳兆業商業經營管理有限公司
Shanghai Xinwan Investment Development Co., Ltd.* 上海新灣投資發展有限公司
Jiangyin Taichang Property Development Co., Ltd.* 江陰市泰昌房地產開發有限公司
Huizhou Huasheng Investment Co., Ltd.* 惠州市華盛投資有限公司
Boluo Kaisa Property Co., Ltd.* 博羅縣佳兆業房地產開發有限公司
Boluo Kaisa Zhiye Co., Ltd.* 博羅縣佳兆業置業有限公司
Shenzhen Golden Bay Hotel Co., Ltd.* 深圳市金沙灣大酒店有限公司

35. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Fellow subsidiaries of the Group (Continued)

Shenzhen Wanyuhua Investment Consulting Co., Ltd.* 萬裕華投資諮詢(深圳)有限公司
Huizhou Kaisa Commerce Operation Management Co., Ltd.* 惠州市佳兆業商業經營管理有限公司
Beijing Kaisa Investment Consulting Co., Ltd.* 北京佳兆業投資諮詢有限公司
Kaisa Real Estate Jiangyin Co., Ltd.* 佳兆業地產江陰有限公司
Leisure Land Hotel Property Management Jiangyin Co., Ltd.* 可域酒店置業管理江陰有限公司
Kaisa Real Estate (Liaoning) Co., Ltd.* 佳兆業地產(遼寧)有限公司
Shenzhen Tianlian Industry Development Co., Ltd.* 深圳市天利安實業發展有限公司
Jiangyin Woodland Height Property Co., Ltd.* 江陰桂芳園房地產有限公司
Baoji Crafts (Shenzhen) Co., Ltd.* 寶吉工藝品(深圳)有限公司
Guangzhou Kaisa Investment Consulting Co., Ltd.* 廣州佳兆業投資諮詢有限公司
Shenzhen Liyu Construction & Design Co., Ltd.* 深圳市麗宇建築設計有限公司
Shenzhen Kaisa Hotel Management Co., Ltd.*深圳市佳兆業酒店管理有限公司
Jiangyin Washington Waterfront Property Development Co., Ltd.* 江陰水岸華府房地產開發有限公司
Nanchong Kaisa Property Co., Ltd.* 南充市佳兆業房地產有限公司
Changzhou Kaisa Property Development Co., Ltd.* 常州佳兆業房地產開發有限公司
Woodland Height Property (Yingkou) Co., Ltd.* 桂芳園地產(營口)有限公司
Kaisa Property (Yingkou) Co., Ltd.* 佳兆業地產(營口)有限公司
Zhaoruijing Hotel Zhiye Management (Suizhong) Co., Ltd.* 兆瑞景酒店置業管理(綏中)有限公司
Leisure Land Hotel Zhiye Management (Suizhong) Co., Ltd.* 可域酒店置業管理(綏中)有限公司
Kaisa Property (Anshan) Co., Ltd.* 佳兆業地產(鞍山)有限公司
Zhuzhou Kaisa Zhiye Co., Ltd.* 株洲佳兆業置業有限公司
Zhejiang Wufeng Zhiye Co., Ltd.* 浙江伍豐置業有限公司
Kaisa Zhiye (Nanchong) Co., Ltd.* 佳兆業置業(南充)有限公司
Jiangyin Jincui Garden Property Development Co., Ltd.* 江陰金翠園房地產開發有限公司
Foshan Shunde Ideal City Real Estate Investment Co., Ltd.* 佛山市順德區理想城房地產投資有限公司
Dalian Kaisa Commerce Operation Management Co., Ltd.* 大連市佳兆業商業經營管理有限公司
Kasia Real Estate (Benxi) Co., Ltd.* 佳兆業地產(本溪)有限公司
Shenzhen Yantian Kaisa Property Development Co., Ltd.* 深圳市鹽田佳兆業房地產開發有限公司
Kaisa Commerce Property Management (Panjin) Co., Ltd.* 佳兆業商業置業管理(盤錦)有限公司
Shenzhen Henggang Kaisa Investment Consulting Co., Ltd.* 深圳市橫崗佳兆業投資諮詢有限公司
Zhuhai Kaisa Property Development Co., Ltd.* 珠海市佳兆業房地產開發有限公司
Shenzhen Kaisa Nanhua Investment Consulting Co., Ltd.* 深圳市佳兆業南華城市更新有限公司
Bakai Property Development (Weifang) Co., Ltd.* 八凱房地產開發(濰坊)有限公司
Anshan Junhuishangpin Property Development Co., Ltd.* 鞍山君匯上品房地產開發有限公司
Wan Rui Fa Property (Anshan) Co., Ltd.* 萬瑞發地產(鞍山)有限公司
Dongguan City Oasis Garden Property Development Co., Ltd.* 東莞市城市綠洲花園房地產開發有限公司
Kaisa Financial Investment (Shenzhen) Co., Ltd.* 佳兆業金融投資(深圳)有限公司
Kaisa Property (Wuhan) Co., Ltd.* 佳兆業地產(武漢)有限公司
Dai River East Property (Suizhong) Co., Ltd.* 佳兆業旅遊開發有限公司
Kaisa Property (Suizhong) Co., Ltd.* 佳兆業地產(綏中)有限公司
Kaisa Dai River East Property Development Co., Ltd.* 佳兆業東戴河房地產開發有限公司
Kaisa Property (Liaoyang) Co., Ltd.* 佳兆業地產(遼陽)有限公司

35. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Fellow subsidiaries of the Group (Continued)

Anshan Kaisa Baihuo Co., Ltd.* 鞍山佳兆業百貨有限公司
Shenzhen Bantian Kaisa Investment Consulting Co., Ltd.*深圳市坂田佳兆業投資諮詢有限公司
Anshan Kaisa Commerce Operation Management Co., Ltd.* 鞍山佳兆業商業管理有限公司
Xifeng Management Consulting (Shenzhen) Co., Ltd.* 熙豐管理諮詢(深圳)有限公司
Shenzhen Jiameixuan Catering Co., Ltd.* 深圳嘉美軒餐飲有限公司
Hunan Mingtai Zhiye Development Co., Ltd.* 湖南明泰置業發展有限公司
Weifang Kaisa Sport Event Management Co., Ltd.* 濰坊佳兆業體育項目管理有限公司
Shenzhen YueFeng Investment Co., Ltd.* 深圳市悦峰投資有限公司
Guangzhou Yaxiang Property Development Co., Ltd.* 廣州市雅翔房地產開發有限公司
Shenzhen Kaisa International Trade City Co., Ltd.* 深圳市佳兆業國際物聯商貿城有限公司
Taizhou Kaisa Jiangshan Property Development Co., Ltd.* 泰州佳兆業江山房地產開發有限公司
Kaisa Property (Shanghai) Co., Ltd.* 佳兆業地產(上海)有限公司
Wuhan Kaisa Investment Co., Ltd.* 武漢市佳兆業投資有限公司
Chengdu Dingchengda Property Development Co., Ltd.* 成都市鼎誠達房地產開發有限公司
Zuobo Management Consulting (Shenzhen) Co., Ltd.* 佳兆業左博置業(深圳)有限公司
Shanghai Jinwan Zhaoye Property Development Co., Ltd.* 上海金灣兆業房地產開發有限公司
Shenzhen Kaisa Zhiye Co., Ltd.* 深圳市佳兆業置業有限公司
Jiangyin Binjiangyayuan Property Development Co., Ltd.* 江陰濱江雅園房地產開發有限公司
Wan Rui Chang Property Development (Suizhong) Co., Ltd.* 萬瑞昌房地產開發(綏中)有限公司
Chongqing Shenlian Investment Co., Ltd.* 重慶深聯投資有限公司
Kaisa Guo Cheng Management Consulting (Shenzhen) Co., Ltd.* 佳兆業國承置業(深圳)有限公司
Kaisa Property (Dandong) Co., Ltd.* 佳兆業地產(丹東)有限公司
Dalian Huapu Zhiye Co., Ltd.* 大連華普置業有限公司
Shanghai Jiawan Zhaoye Property Co., Ltd.* 上海嘉灣兆業房地產有限公司
Kaisa Culture and Sports Investment Development (Shenzhen) Co., Ltd.* 佳兆業文化體育(深圳)有限公司
Kaisa Xindu Zhiye (Qingdao) Co., Ltd.* 佳兆業新都置業(青島)有限公司
Kaisa Property (Hangzhou) Co., Ltd.* 佳兆業房地產(杭州)有限公司
Kaisa Apex Walk Zhiye (Shenzhen) Co., Ltd.* 佳兆業崴行置業(深圳)有限公司
Chengdu Tianjia Zhiye Co., Ltd.* 成都天佳置業有限公司
Shenzhen Jiawangji Property Development Co., Ltd.* 深圳市佳旺基房地產開發有限公司
Shenzhen Baoan Kaisa Zhiye Development Co., Ltd.* 深圳市寶安佳兆業置業發展有限公司
Shenzhen Xixiang Kaisa Property Development Co., Ltd.* 深圳市西鄉佳兆業房地產開發有限公司
Guangzhou Jiayu Property Development Co., Ltd.* 廣州市佳宇房地產開發有限公司
Guangzhou Jiarui Property Development Co., Ltd.* 廣州市佳瑞房地產開發有限公司
Wuhan Junhui Property Development Co., Ltd.* 武漢市君匯房地產開發有限公司
Dongguan Yulongshan Property Development Co., Ltd.* 東莞市御龍山房地產開發有限公司
Shanghai Yingwan Zhaoye Property Development Co., Ltd.* 上海贏灣兆業房地產有限公司
Shanghai Rongwan Zhaoye Property Development Co., Ltd.* 上海榮灣兆業房地產開發有限公司
Wan Tai Chang Property Development (Suizhong) Co., Ltd.* 萬泰昌房地產開發(綏中)有限公司
Hangxilongye Property (Hangzhou) Co., Ltd.* 杭溪隆業房地產(杭州)有限公司
Shenzhen Nanshan Kaisa Zhiye Development Co., Ltd.* 深圳市南山佳兆業置業發展有限公司
Shanghai Chengwan Zhaoye Property Development Co., Ltd.* 上海誠灣兆業房地產有限公司

35. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Fellow subsidiaries of the Group (Continued)

Shenzhen Guanlan Kaisa Zhiye Development Co., Ltd.* 深圳市觀瀾佳兆業置業發展有限公司
Shenzhen Longgang Kaisa Zhiye Development Co., Ltd.* 深圳市龍崗佳兆業置業發展有限公司
Shenzhen Dapeng Kaisa Zhiye Development Co., Ltd.* 深圳市大鵬佳兆業置業發展有限公司
Kaisa (Suizhong) Hotel Service Management Co., Ltd.* 佳兆業(綏中)酒店服務管理有限公司
Kaisa Property Nanjing Co., Ltd.* 佳兆業地產南京有限公司
Hunan Daye Property Development Co., Ltd.* 湖南達業房地產開發有限公司
Chongqing Kaisa Property Development Co., Ltd.* 重慶佳兆業房地產開發有限公司
Huizhou Kaisa Cinema Management Service Co., Ltd.* 惠州佳兆業影城有限公司
(Formerly known as "Huizhou Kaishi Cinema Management Service Co., Ltd."* "惠州市凱獅影院管理服務有限公司")
Guanzhou Zhaochang Property Development Co., Ltd.* 廣州市兆昌房地產開發有限公司
Dongguan Detangpu Property Development Co., Ltd.* 東莞市德塘埔房地產開發有限公司
Dongguan Zhaodeling Property Development Co., Ltd.* 東莞市兆德嶺房地產開發有限公司
Huidong Kaisa Property Development Limited* 惠東縣佳兆業房地產開發有限公司
Suzhou Kaisa Property Development Co., Ltd.* 蘇州市佳兆業房地產開發有限公司
Suzhou Kaisa Shangpin Property Development Co., Ltd.* 蘇州市佳兆業上品房地產開發有限公司
Chengdu Jincheng Jiaye Property Development Co., Ltd.* 成都錦城佳業房地產開發有限公司
Kaisa Medicine Investment (Shenzhen) Co., Ltd.* 佳兆業醫療投資(深圳)有限公司
(Formerly known as "Kaisa Medicine (Shenzhen) Co., Ltd."* "佳兆業醫藥(深圳)有限公司")
Shenzhen Afanti E-Commerce Co., Ltd.* 深圳市阿凡提電子商務有限公司
Kaisa Technology Industrial (Shenzhen) Co., Ltd.* 佳兆業科技產業(深圳)有限公司
(Formerly known as "Kaisa Jiecheng Warehousing Equipment (Shenzhen) Co., Ltd."* "佳兆業捷誠倉儲設備(深圳)有限公司")
Nanjing Aoxin Property Development Co., Ltd.* 南京奧信房地產開發有限公司
Kaisa Culture and Sports Development Co., Ltd.* 佳兆業文化體育發展有限公司
Shanghai Qingwan Zhaoye Property Development Co., Ltd.* 上海青灣兆業房地產開發有限公司
Wuhan Kaisa Logistics Co., Ltd.* 武漢市佳兆業物流有限公司
Chengdu Jinxinrui Property Development Co., Ltd.* 成都市錦新瑞房地產開發有限公司
Shenzhen Guanyang Property Development Co., Ltd.* 深圳冠洋房地產有限公司
Kaisa Tourism Development (Shenzhen) Co., Ltd.* 佳兆業旅遊發展(深圳)有限公司
Shenzhen Nanling Mingguang Technology Co., Ltd.* 深圳市南嶺明光科技有限公司
Shenzhen Jieling House Development Co., Ltd.* 深圳市傑領置業發展有限公司
Foshan Kaisa Cultural Sports Co., Ltd.* 佛山市佳兆業文化體育有限公司
Huizhou Kaisa Cultural Sports Co., Ltd.* 惠州市佳兆業文化體育有限公司
Shenzhen Football Club Co., Ltd.* 深圳市足球俱樂部有限公司
Shenzhen Jieling Information Consulting Co., Ltd.* 深圳市傑領信息諮詢有限公司
Shenzhen Jiaping City Renewal Co., Ltd.* 深圳市佳坪城市更新有限公司
Shenzhen Guangming New District Kaisa Investment Consulting Co., Ltd.* 深圳市光明新區佳兆業投資諮詢有限公司
Kaisa Sports Industry (Shenzhen) Co., Ltd.* 佳兆業體育產業(深圳)有限公司
Shenzhen Jiatai Kaisa Urban Renewal Co., Ltd.* 深圳市佳泰佳兆業城市更新有限公司
Wuhan Haiding Property Co., Ltd.* 武漢市海鼎置業有限責任公司
Shenzhen Shipping Group Co., Ltd.* 深圳市航運集團有限公司
Shenzhen Pengxing Shipping Co., Ltd.* 深圳市鵬星船務有限公司
Shenzhen Airlines General Property Management Co., Ltd.* 深圳市航總物業管理有限公司

35. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Fellow subsidiaries of the Group (Continued)

Shenzhen Blue Knight International Travel Co., Ltd.* 深圳市藍騎士國際旅遊有限公司
Shenzhen Nanao Hotel Co., Ltd.* 深圳市南澳大酒店有限公司
Shenzhen Qixiang Kaisa Industry Development Co., Ltd.* 深圳市祺祥佳兆業實業發展有限公司
Shaoxing Hongjia Housing Co., Ltd.* 紹興鴻佳置業有限公司
Foshan Jingyue Investment Co., Ltd.* 佛山市京粵投資有限公司
Guangzhou International Toys and Gift City Co., Ltd.* 廣州國際玩具禮品城有限公司
Zhuhai Jiajun Investment Company Limited* 珠海市佳駿投資有限公司
Guigang Kaisa Cultural and Sports Co., Ltd.* 貴港市佳兆業文化體育有限公司
Nantong Kaisa Culture Sports Ltd.* 南通佳兆業文化體育有限公司
Shanxi Kaisa Real Estate Co., Ltd.* 陝西佳兆業房地產有限公司
Xinzheng Kaisa Real Estate Development Company Limited* 新鄭市佳兆業房地產開發有限公司
Hunan Dingchengda Real Estate Development Co., Ltd.* 湖南鼎誠達房地產開發有限公司
Huidong Jiachang Property Co., Ltd.* 惠東縣佳昌置業有限公司
Shenzhen Baoli Jianye Investment Co., Ltd.* 深圳市保利建業投資有限公司
Shenzhen Hangzong Shangbu Gang Company Limited* 深圳市航總上步港務有限公司
Kaisa Zhenghan Property (Shenzhen) Co., Ltd.* 佳兆業正漢置業(深圳)有限公司

Associates of ultimate holding company

Shenzhen Shenxin Financial Holding Co., Ltd.* 深圳深信金融控股有限公司
Shenzhen Shenxin Financial Services Co., Ltd.* 深圳深信金融服務有限公司

Joint ventures of fellow subsidiaries

Huizhou Kaileju Company Limited* 惠州市愷樂置業有限公司
Shenzhen Jiade Travelling Company Limited* 深圳市佳德美奐旅遊開發有限公司

* 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.

(b) Key management compensation

	2018 RMB'000	2017 RMB'000
Salaries and other short-term employee benefits	**5,694**	4,637
Retirement scheme contributions	**550**	496
Share-based payments	**2,224**	1,199
	8,468	6,332

35. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with related parties

	Notes	2018 RMB'000	2017 RMB'000
Provision of property management services			
Fellow subsidiaries of the Group	(i), (iii)	**69,199**	47,108
Provision of pre-delivery and consulting services			
Fellow subsidiaries of the Group	(i), (iii)	**324,058**	269,509
Associate of the ultimate holding company	(i), (iii)	**438**	714
Joint venture of a fellow subsidiary	(i), (iii)	**9,063**	6,790
Provision of community value-added and smart solution services			
Fellow subsidiaries of the Group	(i), (iii)	**46,487**	30,467
Associate of the ultimate holding company	(i), (iii)	**48**	4,100
Joint venture of a fellow subsidiary	(i), (iii)	**1,822**	361
Interest income			
Fellow subsidiaries of the Group	(ii), (iv)	**12,723**	27,257
Rental expenses			
Fellow subsidiaries of the Group	(i), (iii)	**43,478**	28,499
Staff welfare expenses			
Fellow subsidiaries of the Group	(iv)	**1,813**	787

Notes:

(i) Property management income, pre-delivery and consulting service income, smart solution services and rental expenses for car parks and office are charged at rates in accordance to respective contracts.

(ii) Interest income was charged at effective interest rates of 5.679% (2017: 5.679%) per annum respectively on amount due from a fellow subsidiary for the year ended 31 December 2018.

(iii) Except for related party transactions related to the provision of community value-added services amounted to RMB432,000 which are fully exempted from the reporting, annual review, announcement and independent Shareholders' approval, these related party transactions in respect of above 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 Shareholders' approval (where applicable) requirements under chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed "Connected Transactions" of the section headed "Report of the Directors" of this annual report.

(iv) 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 reporting, annual review, announcement and/or independent Shareholders' 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 Rules 14A.90.

(d) Corporate guarantees to Kaisa Holdings and a fellow subsidiary

As at 31 December 2017, the Group and fellow subsidiaries have provided corporate guarantees amounting to RMB977,299,000 to secure banking facilities granted to a fellow subsidiary. The guarantees were released during the year ended 31 December 2018.

36. EVENT AFTER THE REPORTING DATE

Apart from the events disclosed elsewhere in this report, the Group had no significant events after the reporting date.

Four-Year Financial Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			
	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Revenue	478,028	539,107	669,159	**895,768**
Cost of services	(312,795)	(377,080)	(464,873)	**(618,730)**
Gross profit	165,233	162,027	204,286	**277,038**
Other gain and (losses), net	233	(4,208)	1,253	**(7,880)**
Selling expenses	(793)	(2,379)	(4,763)	**(5,160)**
Administrative expenses	(75,636)	(69,781)	(102,309)	**(152,188)**
Operating profit	89,037	85,659	98,467	**111,810**
Impairment loss on investment in an associate	(5,102)	(2,141)	(597)	**–**
Share of results of an associate	(2,759)	(2,157)	(1,949)	**–**
Finance costs	–	(5,081)	(27,061)	**(13,898)**
Finance income	–	5,081	27,257	**12,723**
Finance (costs)/income, net	–	–	196	**(1,175)**
Profit before income tax	81,176	81,361	96,117	**110,635**
Income tax expenses	(23,456)	(23,247)	(24,676)	**(57,125)**
Profit and total comprehensive income for the year	57,720	58,114	71,441	**53,510**
Profit and total comprehensive income for the year attributable to:				
Owners of the Company	57,720	58,114	71,441	**54,056**
Non-controlling interests	–	–	–	**(546)**
	57,720	58,114	71,441	**53,510**
Earnings per share attributable to owners of the Company (expressed in RMB)				
Basic and diluted			0.50	**0.69**

Four-Year Financial Summary

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December			
	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets				
Non-current assets	15,896	11,099	23,522	**23,319**
Current assets	524,844	1,179,476	1,168,052	**1,030,942**
Total assets	540,740	1,190,575	1,191,574	**1,054,261**
Equity and Liabilities				
Total equity	174,635	232,820	305,461	**506,170**
Non-current liabilities	3,178	329,438	7,912	**25,126**
Current liabilities	362,927	628,317	878,201	**522,965**
Total Liabilities	366,105	957,755	886,113	**548,091**
Total equity and liabilities	540,740	1,190,575	1,191,574	**1,054,261**

佳兆業物業集團有限公司
KAISA PROPERTY HOLDINGS LIMITED

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