2019 年報
ANNUAL REPORT

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

於開曼群島註冊成立的有限公司
Incorporated in the Cayman Islands with limited liability
Stock Code股份代號: 2168

About Us 企業介紹

全國綜合實力排名12名

KAISA PROSPERITY RANKED 12th IN THE NATIONAL COMPREHENSIVE STRENGTH

物業服務資質

國家一級

SERVICE QUALITY

NATIONAL LEVEL ONE QUALIFICATION

品牌估值(人民幣)

31 億

VALUATION

3.1 BILLION

物業分公司

20+

BRANCH COMPANIES

20+

進駐全國

42 城

SERVING IN

42 CITIES

在管項目

304 個

PROJECTS UNDER MANAGEMENT

304

管理面積

46.2 百萬平方米

GFA UNDER MANAGEMENT

46.2 MILLION sq.m.

為全國近

24 萬個

物業單位提供服務

ALL OVER THE COUNTRY

240,000

UNITS TO PROVIDE SERVICES

Contents

Corporate Information

EXECUTIVE DIRECTORS
Mr. LIAO Chuanqiang *(Chairman)*
Ms. GUO Li
Mr. WENG Hao
Mr. WU Jianxin

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. LIU Hongbai
Ms. MA Xiumin
Mr. CHEN Bin

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

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

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

AUTHORISED REPRESENTATIVES
Mr. LIAO Chuanqiang
Mr. YU Kwok Leung

COMPANY SECRETARY
Mr. YU Kwok Leung

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

HEADQUARTERS IN THE PRC
Room 507, Block A, Kaisa Center
66 Nanyuan Road
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

COMPLIANCE ADVISER

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

AUDITOR

Grant Thornton Hong Kong Limited

STOCK CODE

2168. HK

COMPANY'S WEBSITE

http://www.jzywy.com

Milestones in 2019

March

Shenzhen Jiake Intelligent Engineering Co., Ltd.* (深圳市佳科智能工程有限公司) ("Jiake Intelligent") signed the East China (in March) and Shenzhen District (in June) intelligent engineering strategic cooperation agreement respectively with Galaxy Real Estate Group* (星河地產集團).

April

Kaisa Property Management (Shenzhen) Co., Ltd. ("Kaisa Property (Shenzhen)") acquired 60% equity interest in Jiaxing Dashu Property Management Company Limited* (嘉興大樹物業管理有限公司) at a consideration of RMB36.58 million, enhancing its property portfolio and increasing its market influence in the Yangtze River Delta Economic Rim.

May

Kaisa Prosperity Holdings Limited (the "Company", together with its subsidiaries, the "Group") was awarded "2019 Top 10 Listed Company of Property Management Service" for its excellent services and reputation.

The Company continues to rank 12th in the "2019 TOP 100 Property Management Companies of China" amid the intense competition.

June

The Group commenced strategic cooperation with Zhongguancun Medical Engineering and Transformation (Chongqing) Centre* (中關村醫學工程轉化(重慶)中心), achieving an important breakthrough in the biomedical services domain.

* For identification purpose only

Milestones in 2019

Jiake Intelligent undertook a municipal project – Chengdu International Commercial Public Transport Hub Smart Project for the first time, with a view to expanding into the new sector of municipal public transport hub smart project.

The Group organized "Kaisa Prosperity, Building a Bright Future (美好佳 • 築未來), the first Summit Forum on Property Management of Stadiums* (體育場館物業管理高峰論壇) in Shenzhen, fostering professionism and standardization of the stadium property management industry.

* For identification purpose only

Milestones in 2019

July

The Company has officially changed its name from "Kaisa Property Holdings Limited" to "Kaisa Prosperity Holdings Limited" to better demonstrate our focus on delivering diversified and modern services.

The Group signed a property management project in relation to Qianhoucang Technology and Fashion Town in Guangzhou, achieving a new breakthrough in the characteristic town services sector.

August

Six rental and sales centres of the Group located in Shenzhen, Chengdu, Guangzhou, Shenyang, Zhuhai and Wuhan commenced operation, accelerating the provision of diversified and modern services.

The Group officially launched its first public rental property management project in Shenzhen.

October

Kaisa Property (Shenzhen) acquired 51% equity interest in Jiangsu Hengyuan Property Management Company Limited* (江蘇恒源物業管理有限公司) at a consideration of approximately RMB34.16 million, further expanding its property management portfolio in the Yangtze River Delta.

* For identification purpose only

Honors and Awards

Awards received by the Group in 2019

2019

12th among Top 100 Property Management Companies of China

China Index Academy

2019

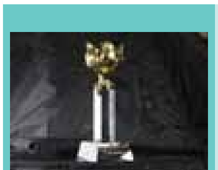
2019 Top 10 Listed Company of Property Management Service

China Property Management Institute, Shanghai E-house China R&D Institute and China Real Estate Appraisal Centre

2019

Award of Excellence 2018/2019

The Community Chest



2019

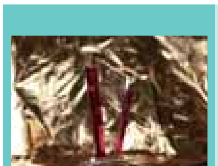
The Most Valuable Listed Company in the Greater Bay Area

Hong Kong Ta Kung Wen Wei Media Group

2019

2019 Specialized Operational Leading Brand of China Property Service Companies

China Index Academy



2019

2019 Rising Star of Listed Company Awards of Excellence

Hong Kong Economic Journal

2019

2019 TOP 50 Property Management Enterprises in the Guangdong-Hong Kong-Macao Greater Bay Area (TOP 8)

China Index Academy

2019

2019 China Leading Property Management Companies in terms of Characteristic Service

China Index Academy

2019

Innovative Property Service Pioneer in the Guangdong-Hong Kong-Macao Greater Bay Area

CRIC

2019

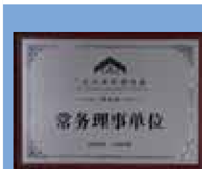
2019 Top 100 Guangdong Property Service Enterprises for Comprehensive Strength (TOP 11)

Guangdong Property Management Association

2019

2018 Enterprise of Contractual Performance and Creditworthiness in Guangdong

Market Supervision Administration of Shenzhen Municipality



2019

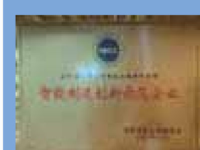
A member of standing committee (2019-2023)

China Property Management Institute

2019

2019 Property Management Enterprise of Best Devotion to Charity in Shenzhen

Shenzhen Property Management Association



2019

Jiake Intelligent as the Demonstration Enterprise in Smart Manufacturing and Innovation

Shenzhen Intelligent Manufacturing Chamber of Commerce

Chairman's Statement

During the year ended 31 December 2019 (the "Year"), the global economy and trade environment underwent a distinct slowdown with a slowing growth in major developed economies and greater downward pressure faced by the emerging economies. The higher perceived risks in the international financial market gradually weakened investors' confidence. Nevertheless, the property management market saw a rapid development in the Year. Driven by policies, consumption and technologies, property management enterprises expedited their business development to expand their service scopes and explore new business formats. The capital markets have provided strong support in the Year to many property management enterprises and the market value of the property management industry was redefined accordingly.

During the Year, Kaisa Prosperity expanded its business scale by way of internal organic growth and external mergers and acquisitions, as well as cooperation and partnership. Since its listing and as witnessed by its shareholders and potential investors, the Group has put in place an effective and transparent governance system, building a solid business foundation for a long-term development. In the face of the new landscape in the property management industry in the future, we are well-prepared for the opportunities and challenges ahead.

FINANCIAL HIGHLIGHTS

Benefitting from the long-term cooperation between the Group and its controlling shareholder, Kaisa Group Holdings Ltd. ("Kaisa Holdings", together with its subsidiaries, collectively referred to as the "Kaisa Group"), and the acquisitions in relation to the property management portfolio in the Yangtze River Delta Region, the Group's revenue increased by approximately RMB366.1 million to RMB1,261.9 million in 2019, representing an increase of approximately 40.9% as compared with that in 2018. In particular, income from property management services amounted to RMB559.6 million; income from pre-delivery and consulting services amounted to RMB467.5 million; income from community value-added services amounted to RMB121.5 million; and income from smart solution services amounted to RMB113.4 million.

Driven by the increase in revenue, the profit attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately RMB163.9 million, representing an increase of 203.0% as compared to same in 2018 (2018: RMB54.1 million). The adjusted profit (excluding non-recurring items and share-based compensation) for the year ended 31 December 2019 increased by 61.5% to approximately RMB170.7 million from approximately RMB105.7 million for the year ended 31 December 2018. Basic earnings per share amounted to RMB1.17, representing an increase of approximately 134.0% from that in 2018.

HEALTHY PROFITABILITY AND MULTI-DIMENSIONAL BUSINESS EXPANSION

Under the background of dramatic growth in the number of property services enterprises, extensive diversification of geographic location and active industry integration, the financial performance of a property services enterprise is hugely influenced by the expansion of its management scale. On top of enhancing its comprehensive strengths, improving service standards and sustaining the satisfaction of property owners, the Group took a proactive approach to expand its management scale in a multi-dimensional way. Equity cooperative acquisitions and controlling shareholder's continuous supply of the development projects for management are the two core pillars supporting the Group's expansion of management scale.

The Group actively expanded its market coverage and achieved leap-forward development in its business scale during the Year. The Group aim to continue providing excellent services in the future by leveraging on our brand value and professional management capability, in order to further enhance its own ability to acquire projects. In the first year after its listing, the Group achieved its expansion target by way of equity cooperation with property management enterprises in the Yangtze River Delta Region through two equity acquisitions. In April 2019, the Group completed the acquisition of 60% equity interest in Jiaxing Dashu Property Management Company Limited* (嘉興大樹物業管理有限公司) ("Jiaxing Dashu"). In October 2019, the Group completed the acquisition of 51% equity interest in Jiangsu Hengyuan Property Management Company Limited* (江蘇恒源物業管理有限公司) ("Jiangsu Hengyuan"). In 2019, the Group's total GFA under management by way of equity acquisition increased by more than 16.3 million sq.m., broadening its coverage in the Yangtze River Delta Region in accordance with its long-term development strategy of business expansion in the developed coastal areas.

In addition, benefitting from the stable supply of the GFA under management from the controlling shareholder, the Group's income from pre-delivery and consulting services amounted to approximately RMB467.5 million, representing an increase of 31.5% as compared with that in the same period last year. As approximately 87.8% of income from pre-delivery and consulting services was derived from Kaisa Group, the rapid growth of Kaisa Group is expected to provide premium project resources for the Group. It is expected that this income stream will be stable and sustainable and is the foundation for the Group's future development.

BRINGING "PROSPERITY" BY FOSTERING INDUSTRY STANDARDIZATION

While focusing on expansion, the Group has always stayed firm to its mission and dedicated to maintaining its service quality and enhancing its brand image. We believe that only by combining management scale with service quality can the Group achieve a healthy development.

To better demonstrate the Group's endless efforts in offering diversified and modern services to customers, in July 2019, the company name was changed from "Kaisa Property Holdings Limited" to "Kaisa Prosperity Holdings Limited". In addition to traditional property management business, the Group has included a wide range of customized household intelligent services and transformed itself from a traditional property management services company to a modern comprehensive provider of community lifestyle intelligent property management services, highlighting the Group's future development direction and a fabulous vision.

At the same time, in response to China Property Management Institute's call for the "2019 Standard Construction Year", the Group held the first Summit Forum of Stadium Property Management in Shenzhen in June 2019, with a view to better analyzing the development trend of the stadium property management market, taking lead in setting a high industry standard, and promoting professionalism and standardization of the stadium property management industry. Stadium, with a large site area and comprehensive content, is an integrated mega property serving more than one single function. From the successful operation of Shenzhen Universiade Sports Centre, the Group accumulated operational experience in serving international events such as China Super League and successfully participated in the drafting of the National Stadium Property Management Standard to establish the industry benchmark. Our ability to coordinate and facilitate the establishment and implementation of industry standards brings us a great sense of fulfillment and strengthens our sense of social responsibility.

INVESTING FOR THE FUTURE AND FORWARD-LOOKING APPLICATION OF INTELLIGENT TECHNOLOGIES

The year of 2019 marked the tenth year of the Group's development of its smart business. The past decade was not only an important period for the China's all-round high-speed development of intelligent industry, but also an important ten-year milestone for Shenzhen Jiake Intelligent Engineering Co., Ltd.* (深圳市佳科智能工程有限公司) ("Jiake Intelligent"), a smart solution service provider under the Group, to be well-prepared to forge ahead. Jiake Intelligent was transformed from an internal functional unit to an established market player and from a contractor holding the National Electronic and Intelligent Engineering Professional Contracting Qualification to a smart city construction provider engaging in the research and development and application of new technologies such as Internet of Things, cloud computing, big data and Internet+. The Group will work with Jiake Intelligent to capture the development direction of property management industry in a timely manner, and will actively participate in the exploration of smart cities projects.

During the Year, Jiake Intelligent took an active initiative to undertake municipal projects in Chengdu, and explored into the new sector of intelligent projects of municipal public transport hub. It entered into strategic cooperation with a number of the top 100 property developers in China, jointly innovating touch-free access technologies under different scenarios. The Group implemented automated license plate recognition parking system in the Year and gradually implemented its strategy of intelligent engineering business development. During the Year, income from smart solution services amounted to approximately RMB113.4 million, representing a year-on-year increase of approximately 37.4%. The Company believes that a forward-looking application of intelligent technologies in the future will create greater value and business opportunities for the Group.

In addition, the Group's community value-added services provided property owners with convenient services and an ideal living environment through online and offline home delivery and commercial services. During the Year, income from community value-added services amounted to approximately RMB121.5 million, representing a significant increase of 48.7% as compared to that in the corresponding period in 2018.

* *For identification purpose only*

Chairman's Statement

OUTLOOK

Under the impacts of the Coronavirus Disease 2019 ("COVID-19"), the Group is of the view that we, as a property management enterprise, shall bear the responsibilities and obligations to ensure that relevant safety measures are properly implemented. Supported by the government's favourable policies and having a strong sense of social responsibility, we will continue to provide quality management solutions with our professional capability as always by optimizing our own property management services.

To strengthen our own competitiveness and enhance market value, the Group is constantly exploring new development trend of the industry and government policy with the aim to create higher value for the property management industry. Looking forward, the Group will continue to maintain a sound and healthy development mode as usual, and gradually push ahead with third-party business and equity cooperation based on our key development needs and plan. Set against a background of spectacular performance of the industry, we have confidence in capturing opportunities and bringing a fruitful return to our shareholders.

ACKNOWLEDGEMENT

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

Chairman
LIAO Chuanqiang

Hong Kong, 26 March 2020



Management Discussion and Analysis

Overall Performance

Total revenue for the year ended 31 December 2019 increased by approximately 40.9% to approximately RMB1,261.9 million from approximately RMB895.8 million for the year ended 31 December 2018.

The profit attributable to the owners of the Company for the year ended 31 December 2019 amounted to approximately RMB163.9 million, representing an increase of 203.0% as compared to same in 2018 (2018: RMB54.1 million).

The adjusted profit for the year ended 31 December 2019 (excluding non-recurring items and share based compensation) increased by approximately 61.5% to approximately RMB170.7 million from approximately RMB105.7 million for the year ended 31 December 2018.

The Board recommended payment of a final dividend of HK52.0 cents per share, representing the payout ratio of approximately 40% in respect of the year ended 31 December 2019.

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 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

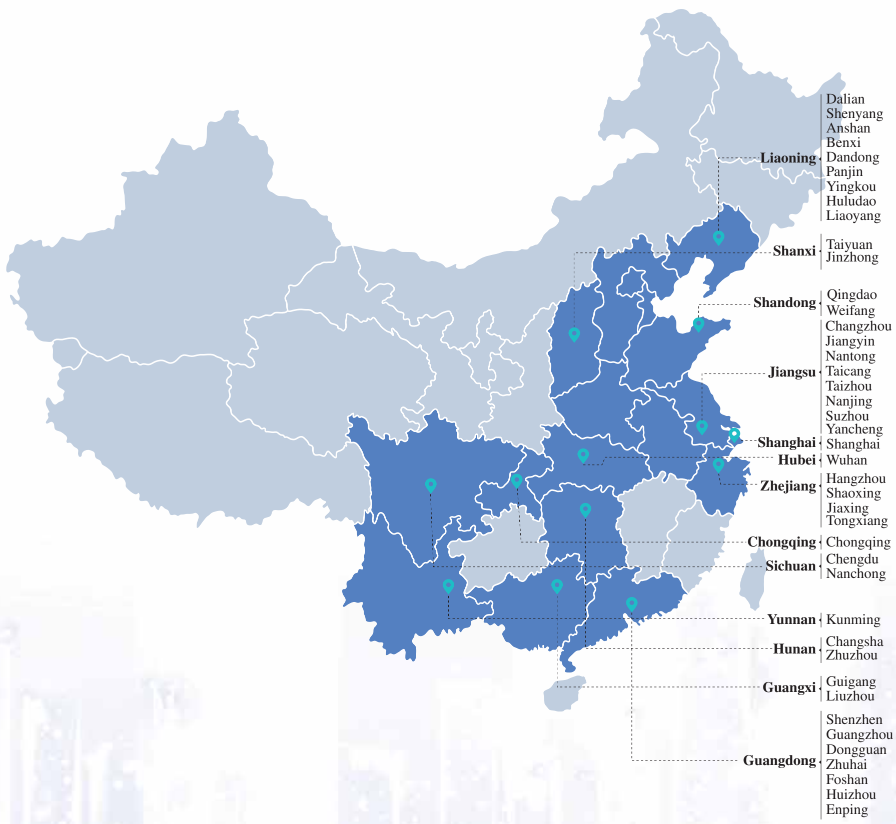
As of 31 December 2019, the Group's property management services covered 42 cities across 13 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 46.2 million sq.m. and a total of 304 managed properties, comprising 164 residential communities and 140 non-residential 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	
	2019	2018
Contracted GFA *('000 sq.m.)*	53,800	32,190
GFA under management *('000 sq.m.)*	46,207	26,869
Number of managed properties	304	132

Geographic Coverage

The map below illustrates the geographic coverage of our managed properties as of 31 December 2019:



Management Discussion and Analysis

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			
	2019		2018	
	GFA ('000 sq.m.)	Number of projects	GFA ('000 sq.m.)	Number of projects
Guangdong-Hong Kong-Macau Bay Area	12,391	63	10,951	58
Yangtze River Delta	20,940	190	4,023	30
Bohai Economic Rim	3,776	22	3,314	18
Western China	5,978	18	5,310	15
Central China	3,122	11	3,271	11
Total	46,207	304	26,869	132

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

In April 2019, the Group completed the acquisition of Jiaxing Dashu and its subsidiary, Jiaxing Rongshu Hotel Management Co., Ltd.* (嘉興市融樹酒店管理有限公司) ("Rongshu Hotel"). On the acquisition date, Jiaxing Dashu and Rongshu Hotel had a total of 78 projects under management, amounting to GFA under management of approximately 7.9 million sq.m..

In October 2019, the Group completed the acquisition of Jiangsu Hengyuan. On the acquisition date, Jiangsu Hengyuan comprised 12 residential communities and 63 non-residential projects, with a total GFA under management reaching approximately 1.3 million sq.m. and 7.1 million sq.m. respectively.

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

	2019		2018	
	GFA under management ('000 sq.m.)	Number of projects	GFA under management ('000 sq.m.)	Number of projects
As of 1 January	26,869	132	24,008	119
New engagement	3,790	30	3,072	16
Acquisition	16,300	153	–	–
Termination	(752)	(11)	(211)	(3)
As of 31 December	46,207	304	26,869	132

* *For identification purpose only*

Management Discussion and Analysis

Types of Properties Managed

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

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

	Year ended/as of 31 December									
	2019					2018				
	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	296,051	52.9	33,785	73.1	164	203,130	54.0	23,888	88.9	105
Non-residential properties	263,504	47.1	12,422	26.9	140	172,807	46.0	2,981	11.1	27
Total	559,555	100.0	46,207	100.0	304	375,937	100.0	26,869	100.0	132

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

	Year ended/as of 31 December									
	2019					2018				
	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)	515,100	92.1	27,195	58.9	202	336,970	89.6	9,795	36.5	65
Property management services (commission basis)	44,455	7.9	19,012	41.1	102	38,967	10.4	17,074	63.5	67
Total	559,555	100.0	46,207	100.0	304	375,937	100.0	26,869	100.0	132

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

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

	Year ended/as of 31 December									
	2019					2018				
	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	335,842	60.0	24,754	53.6	100	285,865	76.0	22,595	84.1	89
Properties developed by independent third-party property developers	223,713	40.0	21,453	46.4	204	90,072	24.0	4,274	15.9	43
Total	559,555	100.0	46,207	100.0	304	375,937	100.0	26,869	100.0	132

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 2019, the Group's revenue generated from providing pre-delivery and consulting services amounted to approximately RMB467.5 million, which accounted for approximately 37.0% of the total revenue for the Year, representing an increase of approximately 31.5% as compared to approximately RMB355.6 million in 2018. In particular, approximately RMB410.4 million was generated from the provision of services to Kaisa Group, which accounted for approximately 87.8% of the total pre-delivery and consulting services revenue for the Year, representing an increase of approximately 23.0% as compared to approximately RMB333.6 million in 2018. Due to the enhanced market reputation and business influence accumulated by the Group over the years, the number of projects from independent third parties for pre-delivery and consulting services increased steadily from 33 as of 31 December 2018 to 55 as of 31 December 2019.

Service Types

Pre-delivery Services

Pre-delivery services include the following categories:

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

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

Consulting Services

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

COMMUNITY VALUE-ADDED SERVICES

The Group positions its community value-added services as an "expert of asset operation and butler for better life", focusing on the service needs from "human, housing, automobile and finance". For the year ended 31 December 2019, the Group's income from community value-added services amounted to approximately RMB121.5 million, representing a year-on-year increase of 48.7% as compared with that in 2018. Gross profits amounted to approximately RMB57.2 million, representing a year-on-year increase of 96.2% as compared with that in 2018.

Spatial Resources Leasing and Car Parking

Through optimizing the use of spatial resources from the current projects under management, reducing idle resources, pricing based on market conditions for leasing and exploring new resources channels, coupled with the newly-added community spatial resources from newly delivered projects and mergers and acquisitions, rental income of spatial resources, excluding car park spaces, amounted to RMB22.0 million for the year ended 31 December 2019, representing a year-on-year growth of 81.9% as compared with that in 2018. The Group will continue to maintain strict control on spatial resources, and will adopt a market-oriented operational approach towards newly-added resources, in order to strike a proper balance between property management quality and spatial resources businesses.

In terms of leasing of car park spaces, benefitting from the increase in the utilization rate of car park spaces, the income from leasing car parking spaces amounted to approximately RMB52.1 million for the Year, representing a year-on-year increase of 5.5% as compared with that in 2018.

Housing Rental and Sales

The Group has been actively exploring housing rental and sales business in 2019. The total number of stores, micro-stores and community receptions reached 70, representing an increase of 32% from that in 2018. The Group focused on penetrating into Shenzhen, Guangzhou and Chengdu and gave priority to providing services for the quality projects under its management. The Group's housing rental and sales business mainly included first- and second-hand housing rental and sales and housing bank services, boosting demands for house purchase and leasing in the community and neighborhood while integrating the parent group's advantages in information resources of the remaining apartments in stock. For the year ended 31 December 2019, the Group's annual commission income amounted to approximately RMB17.0 million, representing a growth of approximately 34.9% as compared with that in 2018.

Decoration and Renovation

Decoration and renovation services aim to provide ready-to-move-in services for new property owners and lessees. Focusing on offline services, we gradually integrated online services to establish a one-stop purchasing platform for decoration and renovation services. In 2019, income from decoration and renovation services recorded a steady growth and preliminarily reflected a promising prospect.

Community Wealth

Through the cooperation with professional financial institutions such as banks and wealth management companies, we launched a wealth management product namely, "Property Treasure (物業寶)" to increase the synergy of our basic property services and provide a convenient tool for the community residents to invest their idle capital. Despite the fact that the internet finance industry experienced certain fluctuations in 2019, the Group sustained a sales amount of approximately RMB620 million of community wealth management products, representing an increase of 55% as compared with that in 2018. Benefitting from a higher commission ratio in 2019, the commission income increased by nearly 2.7 times over that in 2018, indicating a strong demand for community wealth management.

Community Education

Community education is an important extension to community services. In 2019, the Group employed different business models in establishing presence of this business segment in Nanjing, Wuhan and Changsha, and launched "Kaisa Classroom (佳學堂)", a brand of community education and extra-curricular training. After numerous attempts, Kaisa Classroom will mainly focus on community child care with educational guidance, developing interest and training specialty and summer camp as auxiliary services, which will become one of the Group's major businesses under community value-added services.

New Retail and Other Community Services

In 2019, the Group actively explored market opportunities in community retail and services, emphasizing the nature of community services and welfares. The Group not only launched group-buying activities, themed tours and home delivery services, but also organized the first nationwide group-buying of hairy crabs from Yangcheng Lake, which became the first commodity to reach a sales amount of more than million dollars and achieved satisfactory results. The Group will gradually establish a community consumption eco-system and a "K Series (小K)" service system with diversified services, with a view to providing residents with a better living environment.

SMART SOLUTION SERVICES

With the goal of building smart homes and smart communities, the Group provided smart solution services to property developers through collaboration with qualified third-party contractors and the Group's smart solution service provider, 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 and sales of automation products. As of 31 December 2019, the Group rendered its smart solution services to 678 residential communities and 58 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 under development are delivered. Such services generally involve the procurement, design, installation and maintenance of devices such as building automation systems, passenger flow statistics systems, security monitoring systems, visual intercom systems, wireless intercommunication systems, intelligent parking systems and smart card application systems for use in high-end office buildings, commercial complexes, hotels and residential properties.

As of 31 December 2019, the Group had 217 smart solution service contracts in progress or to be commenced with a total contract value of approximately RMB149.3 million. In particular, the Zhanjiang Rongsheng Central Plaza Complex Project signed in March 2019, with a contract value of approximately RMB9.3 million, commenced construction in June 2019; and the Chengdu International Trade City Public Transport Hub Project signed in June 2019 is the Group's first smart transportation project granted by the government, with a contract value of approximately RMB11.5 million, which is expected to commence construction in July 2020.

In addition, the Group signed an intelligent strategic cooperation agreement with Shenzhen Galaxy Real Estate Development Co., Ltd.(深圳市星河房地產開發有限公司) in June 2019, making us a strategic supplier with six of the top 100 real estate enterprises in China. The aforesaid cooperation agreement is expected to provide the Group with stable income stream in the future.

Furthermore, in 2019, Jiake Intelligent independently developed three major series of products and total solutions of touch-free access, whole-house intelligent network and smart home system, and obtained 11 certificates of computer software copyright in relation to its touch-free and faces recognition access control systems, building Jiake Intelligent as a brand of innovation. In 2020, Jiake Intelligent will focus on the new construction market, the urban renewal market and the consumer market to achieve the annual sales target of ten million renminbi dollars.

FINANCIAL REVIEW

Revenue

The Group derived its 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 40.9% from approximately RMB895.8 million in 2018 to approximately RMB1,261.9 million in 2019.

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

	Year ended 31 December				Changes	
	2019		2018			
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	559,555	44.3	375,937	42.0	183,618	48.8
Pre-delivery and consulting services	467,469	37.1	355,599	39.7	111,870	31.5
Community value-added services	121,481	9.6	81,672	9.1	39,809	48.7
Smart solution services	113,404	9.0	82,560	9.2	30,844	37.4
Total	1,261,909	100.0	895,768	100.0	366,141	40.9

- Revenue from property management services, which primarily include property management fees for providing security, cleaning and gardening and property repair and maintenance services to residential communities, commercial properties and public facilities, and the revenue increased by approximately 48.8% from approximately RMB375.9 million in 2018 to approximately RMB559.6 million in 2019. Such increase was primarily attributable to the increase in the total GFA under management resulting from the business expansion through organic growth and acquisition of third-party property management companies.

- Revenue from pre-delivery and consulting services, which primarily include fees for construction sites management, display units and property sales venues management and consulting services, and the revenue increased by approximately 31.5% from approximately RMB355.6 million in 2018 to approximately RMB467.5 million in 2019. Such increase was primarily attributable to the existing customers' continued rolling out of new property projects and the Group's efforts to engage more with independent third-party property developers.

- Revenue from community value-added services, which primarily include fees generated from the car parking, space leasing, software development service and value-added services through both offline and online channels, increased by approximately 48.7% from approximately RMB81.7 million in 2018 to approximately RMB121.5 million in 2019. Such increase was primarily due to the growth in revenue of the Group's spatial resources leasing and housing rental and sale services and the growth of the software development service, resulting from the increase in the number of the properties under management that in turn led to a larger customer base and business development.

- Revenue from smart solution services, which primarily include fees for installation and maintenance services, increased by approximately 37.4% from approximately RMB82.6 million in 2018 to approximately RMB113.4 million in 2019. Such increase was primarily due to an increase in the number of projects, mainly driven by the Group's continued efforts in exploring new customers.

Direct operating expenses

The direct operating expenses of the Group primarily comprises staff costs, subcontracting costs, construction costs, carpark leasing expenses, utility expenses, office expenses, community cultural expenses, other taxes and others. The direct operating expenses increased by approximately 42.8% from approximately RMB618.7 million in 2018 to approximately RMB883.5 million in 2019. Such increase was primarily attributable to our business expansion through organic growth and acquisition of third-party property management companies in 2019.

Gross Profit and Gross Profit Margin

The overall gross profit of the Group increased by approximately 36.6% from approximately RMB277.0 million in 2018 to approximately RMB378.4 million in 2019. The overall gross profit margin of the Group remained at a stable level of approximately 30.0% in 2019 as compared to approximately 30.9% in 2018. 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	
	2019		2018			
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Amount	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	152,956	27.3	124,057	33.0	28,899	23.3
– Lump-sum basis	108,501	21.1	85,090	25.3	23,411	27.5
– Commission basis	44,455	100.0	38,967	100.0	5,488	14.1
Pre-delivery and consulting services	134,224	28.7	102,578	28.8	31,646	30.9
Community value-added services	57,176	47.1	29,139	35.7	28,037	96.2
Smart solution services	34,055	30.0	21,264	25.8	12,791	60.2
Total	378,411	30.0	277,038	30.9	101,373	36.6

1) **Property management services**

Gross profit margin of the Group's property management services dropped by approximately 5.7 percentage points from approximately 33.0% in 2018 to approximately 27.3% in 2019. The decrease was primarily due to an increase in (i) the portion of the property management service charged under lump-sum basis with a lower profit margin as compared to those charged under commission basis and (ii) the staff costs and subcontracting costs to improve our service quality and enhance customer experience and satisfaction.

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

Gross profit margin of the Group's pre-delivery and consulting services remained relatively stable at 28.7% in 2019, as compared to 28.8% in 2018.

3) **Community value-added services**

Gross profit margin of the Group's community value-added services rose by approximately 11.4 percentage points from approximately 35.7% in 2018 to approximately 47.1% in 2019. The increase was primarily due to an increase in the proportion of our spatial resources leasing and the software development services, which have higher gross profit margins than the other community value-added services.

4) **Smart solution services**

Gross profit margin of the Group's smart solution services increased by approximately 4.2 percentage points from approximately 25.8% in 2018 to approximately 30.0% in 2019. The increase was primarily due to the increase in number of contracts which carry different gross profit margins.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by approximately 76.9% from approximately RMB5.2 million in 2018 to approximately RMB9.2 million in 2019, and the increase was due to the increase in Group's market expansion effort.

Administrative Expenses

Administrative expenses of the Group increased by approximately 2.4% from approximately RMB152.2 million in 2018 to approximately RMB155.9 million in 2019, primarily due to the recognition of a share option expense of approximately RMB14.7 million arising from the grant of share option and the increase in staff costs resulted from the expansion of the business scale of the Group in 2019, partially offset by the absence of the non-recurring listing expenses of approximately RMB30.2 million in 2018.

Management Discussion and Analysis

Income Tax Expenses

Income tax expenses of the Group decreased by approximately 24.3% from approximately RMB57.1 million in 2018 to approximately RMB43.2 million in 2019, primarily due to (i) the withholding income tax expense arising from the declaration of special dividend of RMB22.0 million in 2018; and (ii) the return of a portion of such tax expense of approximately RMB11.0 million due to tax incentive entitled in 2019.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the Year of the Group increased by approximately 212.2% from approximately RMB53.5 million in 2018 to approximately RMB167.1 million in 2019, primarily due to the business expansion in 2019, as well as the absence of non-recurring listing expenses of approximately RMB30.2 million incurred in the year ended 31 December 2018 and the return of approximately RMB11.0 million withholding income tax arising from the declaration of special dividend in the year ended 31 December 2018 due to tax incentive entitled in the Year.

Adjusted profit for the Year

Adjusted profit is defined as profit and total comprehensive income for the year before the costs of the Group's initial public offering, the withholding income tax recognized/returned arising from the declaration of special dividend in 2018 and the share-based compensation charged to the statement of profit or loss. As these cost items are either non-recurring in nature or share-based compensation, the Company believes that separate analysis of the impacts of these cost items adds clarity to the constituent parts of the Group's results of operations and provides additional useful information for investors to assess the operating performance of the Group's business. This is an unaudited non-HKFRS financial measure which may be defined differently from similar terms used by other companies.

The adjusted profit for the Year increased by 61.5% to approximately RMB170.7 million from approximately RMB105.7 million for the year ended 31 December 2018. The reconciliation of the adjusted profit for the Year are set out as below:

	For the year ended		
	2019	**2018**	**Change**
	RMB'000	*RMB'000*	*%*
Profit and total comprehensive income for the year	167,069	53,510	212.2%
Listing expenses (Note 1)	–	30,182	
Withholding income tax/(Return of withholding income tax) (Note 2)	(11,000)	22,000	
Share option expense (Note 3)	14,650	–	
Adjusted profit for the Year	170,719	105,692	61.5%

Note 1: No further listing expense was incurred during the year ended 31 December 2019 (2018: RMB30.2 million).

Note 2: The withholding income tax expense of RMB22.0 million recorded in the year ended 31 December 2018 arising from the declaration of special dividend and the return of a portion of such tax expense due to tax incentive entitled in the year ended 31 December 2019.

Note 3: The share option expense arising from the grant of share option on 19 July 2019.

Liquidity, Capital Structure and Financial Resources

As of 31 December 2019, the Group's cash and bank balances were approximately RMB753.9 million, represented an increase of approximately RMB45.8 million from approximately RMB708.1 million as of 31 December 2018.

The Group's financial situation remained stable. The net current assets of the Group remained at a stable level of approximately RMB574.0 million as of 31 December 2019, as compared to approximately RMB508.0 million as of 31 December 2018. As of 31 December 2019, the Group's current ratio (current assets/current liabilities) was approximately 1.99 (31 December 2018: approximately 1.97).

Goodwill

As of 31 December 2019, the Group recorded goodwill of approximately RMB48.4 million, as a result of the acquisition of Shenzhen Qijia Internet Technology Co., Limited* (深圳市齊家互聯網科技有限公司) ("Qijia Technology"), Jiaxing Dashu and Jiangsu Hengyuan on 28 December 2017, 30 April 2019 and 31 October 2019, respectively. According to the impairment assessment made by the management of the Company, there was no indication of any impairment of goodwill and hence no impairment provision is required for the Year.

Trade and Other Receivables

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 RMB76.7 million from approximately RMB181.2 million as of 31 December 2018 to approximately RMB257.9 million as of 31 December 2019, primarily due to (i) the increase in trade receivables from property management services as a result of the increase in the total GFA under management; (ii) the increase in trade receivables from pre-delivery and consulting service fees primarily due to an increase in the number of projects; and (iii) the increase in trade receivables from smart solution services resulting from its engineering business expansion.

Other receivables mainly consist of deposits, prepayments, payments on behalf of staff and payments on behalf of residents under lump-sum basis. Total other receivables of the Group decreased by approximately RMB7.9 million from approximately RMB59.3 million as of 31 December 2018 to approximately RMB51.4 million as of 31 December 2019, primarily due to the refund of the 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 RMB9.2 million from approximately RMB40.4 million as of 31 December 2018 to approximately RMB31.2 million as of 31 December 2019, primarily due to (i) the Group's limitation of new payment made for the residential communities under commission basis; and (ii) the acceleration of collection of such payments.

Trade and Other Payables

Trade payables mainly represent the obligations to pay suppliers for procurements in the ordinary course of business. The remaining balances of trade payables of the Group increased by approximately RMB66.4 million from approximately RMB115.2 million as of 31 December 2018 to approximately RMB181.6 million as of 31 December 2019, primarily due to our business expansion.

Other payables 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 and the Group managed such fees collectively in its headquarters. The remaining balances of other payables of the Group increased by approximately RMB64.2 million from approximately RMB204.8 million as of 31 December 2018 to approximately RMB269.0 million as of 31 December 2019, primarily due to our business expansion and the increase of the consideration payable for the acquisition of Jiangsu Hengyuan.

* For identification purpose only

Management Discussion and Analysis

Proceeds from the Listing

The Company was listed on the Main Board of the Stock Exchange on 6 December 2018 (the "Listing Date") and issued 35,000,000 new shares. After deducting the underwriting fees and relevant expenses, net proceeds from the listing (the "Net Proceeds") amounted to approximately HK$262.1 million (equivalent to approximately RMB230.7 million). As of 31 December 2019, the Group utilised approximately RMB96.9 million of the Net Proceeds from the Listing in accordance with the purposes set out in the prospectus dated 26 November 2018 (the "Prospectus"). The Directors expect that the unused Net Proceeds will be applied in the manner consistent with that detailed in the Prospectus and as set forth below:

During the period from the Listing Date to 31 December 2019, the Net Proceeds had been utilised as follows:

Intended use of Net Proceeds as stated in the Prospectus	Planned use of proceeds *RMB in million*	Actual use of proceeds up to 31 December 2019 *RMB in million*	Unutilised amount as at 31 December 2019 *RMB in million*
Acquire or invest in other property management companies	115.3	43.4	71.9
Acquire or invest in companies engaged in property management related business	46.1	–	46.1
Promote the K Life mobile APP and the community value-added products and services	23.1	18.3	4.8
Develop management digitalization service specialization	23.1	12.1	11.0
General working capital	23.1	23.1	–
	230.7	96.9	133.8

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

Asset Charges

As of 31 December 2019, none of the assets of the Group were pledged (31 December 2018: nil).

Material Acquisitions and Disposals of Assets

Acquisition of the equity interest in Jiaxing Dashu

On 12 April 2019, Kaisa Property (Shenzhen) acquired 60% equity interest in Jiaxing Dashu at total consideration of RMB36,580,000. Jiaxing Dashu is principally engaged in the business of property management including residential communities, offices and commercial buildings, government facilities and other non-residential projects. After the completion of such acquisition, Jiaxing Dashu became a subsidiary of the Company, with its results consolidated into the Group's results from May 2019 onwards.

Acquisition of equity interest in Jiangsu Hengyuan

On 31 October 2019, Kaisa Property (Shenzhen) acquired 51% equity interest in Jiangsu Hengyuan at a consideration of approximately RMB34,160,000. The consideration is subject to downward adjustment of certain performance targets of the Jiangsu Hengyuan Group. Please refer to note 31(b) to the consolidated financial statements in this annual report or the supplemental announcement of the Company dated 14 November 2019 for detailed information. The Jiangsu Hengyuan is principally engaged in the business of property management including residential communities, office and commercial buildings, government facilities and other non-residential projects. After the completion of such acquisition, Jiangsu Hengyuan became a subsidiary of the Company with its results consolidated into the Group's results from November 2019 onwards.

Save as the two acquisitions mentioned above, the Group did not have any material acquisitions or disposals of assets in 2019.

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

In 2019, 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 2019 (31 December 2018: nil).

Contingent Liabilities

As of 31 December 2019, the Group did not have any contingent liabilities (31 December 2018: nil).

Foreign Exchange Risk

The Group primarily conducts its business in the PRC and in Renminbi. Cash and bank balances, the loan to a third party borrower and financial assets at fair value through profit or loss denominated in Hong Kong dollar ("HKD") were approximately RMB148.9 million, RMB15.2 million and RMB34.4 million, respectively, as of 31 December 2019 and thus were subject to foreign exchange risk.

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

Employees and Benefits Policies

As of 31 December 2019, the Group had 8,137 employees (31 December 2018: 5,279 employees). Employee's remuneration is determined based on the employee's performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programs, and will make necessary adjustments in order to be in line with remuneration levels in the industry norm. In addition to basic salaries, employees may be granted with discretionary bonus and cash awards based on individual performance. The Group offers training to its employees so as to enable them to acquire basic skills to perform their duties and to upgrade or improve their production techniques. Furthermore, on 18 June 2019, the Company adopted a share option scheme (the "Share Option Scheme"). Details of the Share Option Scheme are set out in the circular of the Company dated 29 April 2019.

Subsequent events

Save as mentioned in note 37 to the consolidated financial statements, there were no other significant events up to the date of this report.

Directors and Senior Management

1. EXECUTIVE DIRECTORS

Liao Chuanqiang (廖傳強), aged 40, was appointed as a Director on 13 October 2017 and elected as an executive Director on 18 June 2019; 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 18 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 Iask 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 38, was appointed as a Director on 9 May 2018 and elected as an executive Director on 18 June 2019 and is responsible for overseeing the administration and human resources matters, financial management, procurement, media and investor relations of the Group. Ms. Guo joined the Kaisa Group in December 2007 and held senior positions in various business segments. She was primarily responsible for overseeing the administration and human resources affairs, such as human resources department, investment group and shipping group of the Kaisa Group. Since January 2018, Ms. Guo has been serving in the Group, and has about 13 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 39, was appointed as an executive Director on 21 February 2019 and elected as an executive Director on 18 June 2019. Mr. Weng was appointed as an executive director of Kaisa Holdings on 4 January 2019. He is mainly responsible for the management of the Real Estate Group, the Real Estate Group (Shanghai Region) and the International Park Group. Meanwhile, he served as the chairman of Kaisa Technology & WEWA Space Group (a wholly owned subsidiary of Kaisa Holdings), 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 41, was appointed as an executive Director on 21 February 2019 and elected as an executive Director on 18 June 2019. Mr. Wu was appointed as senior vice president of Kaisa Group in September 2019, and is mainly responsible for finance, tax and capital management of Kaisa Group. Mr. Wu joined Kaisa Group 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 vice president of Kaisa Group. Prior to joining Kaisa Group, 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 4,000,000 shares of Kaisa Holdings, representing approximately 0.07% 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 47, 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 27 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 title of senior accountant granted by the Ministry of Human Resources and Social Security, the certificate of certified public valuer granted by the MOF and the Ministry of Personnel of the PRC, the qualification of registered tax agent granted by the MOF and the Ministry of Personnel of the PRC, the qualification of certified internal auditor by The Institute of Internal Auditors and the certificate of qualified board secretary issued by the Shenzhen Stock Exchange.

Ma Xiumin (馬秀敏), aged 47, 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 18 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 47, 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 26 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 38, 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 45, 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

CONTENTS

I. ABOUT THIS REPORT

OBJECTIVES OF THE REPORT

This environmental, social and governance report ("this report" or the "ESG Report") published by Kaisa Prosperity Holdings Limited and its subsidiaries ("Kaisa Prosperity", the "Group" or "We") aims to provide the performance of the Group in respect of the environmental, social and governance aspects in a transparent and open manner over the past year, in response to the concerns and expectations of all stakeholders on the sustainable development of the Group.

REPORTING SCOPE

This report covers the period from 1 January 2019 to 31 December 2019 (the "Reporting Period" or the "Year"), which is in conformity with the Group's financial year. This report focuses on the Group's management approach, performance and measures in respect of the environmental, social and governance aspects. In particular, the environmental KPIs disclosed in this report cover selected core functional units[1] including its offices and 122 projects[2 and 3], while the social KPIs cover its overall business scope[4]. Due to the business expansion during the Reporting Period, the number of its core functional units and the projects under their management increased, and hence, the reporting scope becomes much more extensive than that for the year ended 31 December 2018. The number of core functional units covered in this report increased from 19 in the report last year to 21.

REPORTING STANDARDS

This Report has been prepared in accordance with the requirements set out in the "Environmental, Social and Governance Reporting Guide" (the "Guide") contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The disclosure in this report complies with the disclosure requirements of the "comply or explain" as set out in the Guide. This report was reviewed, confirmed and approved by the Board on 26 March 2020. During the process of preparation of this report, we summarized the Group's performance in corporate and social responsibilities based on the principles of "Materiality, Quantitative, Balance and Consistency". Please refer to the table below for our understanding and response to such reporting principles.

Reporting Principles	Implications	Our Reponses
Materiality	If the directors decided that the threshold at which ESG issues become sufficiently important to investors and other stakeholders, they should be reported by the issuer.	This report provided procedures for stakeholders engagement and materiality assessment and states the provisions of "Comply or explain" in relation to the matters not to be disclosed as they are not material to the Group and the reasons for making this decision.
Quantitative	The disclosure of KPIs needs to be measurable. The data of standards, methods and assumption or calculation on emissions and energy consumption, as well as standards for reporting emissions and energy consumption as well as conversion factors used shall be disclosed.	This report made quantitative disclosure about KPIs, and reported the standards, methods, assumption or data for calculation of emissions and energy consumption, as well as the conversion factors used.
Balance	The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.	This report discussed our achievements and challenges in sustainability.
Consistency	The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.	This report adopted, as much as practicable, consistent methodologies and provided explanation on any differences in the methodologies adopted last year.

1 The selected core functional units are the companies of the Group located in the Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta, Central China, West China and Bohai Economic Rim, principally engaged in property management services and pre-delivery and consulting services.

2 Excludes the property management projects only charged under commission basis.

3 The environmental KPIs for last year only covered the offices of selected functional units.

4 The social KPIs for last year only covered the selected core functional units.

Source of Information

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

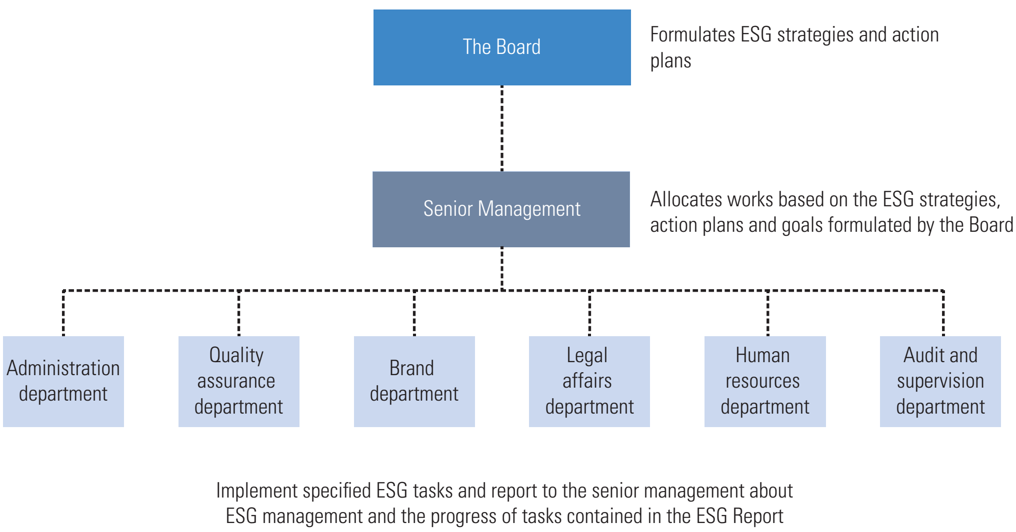
II. SUSTAINABLE DEVELOPMENT PHILOSOPHY AND GOVERNANCE

Development Goals of Sustainable Governance

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

Sustainable Governance Strategies

The Group has formed a top-down environmental, social and governance ("ESG") structure in adhering to its sustainable development philosophy. The Board is responsible for formulating ESG strategies and assessing and determining the risks associated with ESG, in order to ensure the effectiveness of risk management and internal control. The senior management is responsible for the job allocation based on the ESG strategies, for the report to the Board about the progress of ESG tasks and for the Group's annual ESG Report. The administration, quality assurance, brand, legal affairs, human resources and audit and supervision departments are responsible for performing ESG tasks, including collection of stakeholders' opinions, internal and external materiality assessment, preparation of the ESG Report, and reporting to the senior management about the progress of ESG tasks and the preparation of the ESG Report.



Board Engagement

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

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

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

III. COMMUNICATION WITH STAKEHOLDERS

We believe that through responding to stakeholders' feedbacks, the Group is able to build a solid foundation for its long-term development and success. The Group proactively communicates with major stakeholders, including shareholders and investors, the government, our employees, customers, suppliers and the community, to understand their concerns through diverse communication channels, such as reports, workshops, opinion surveys or other platforms, achieving mutual growth and development.

The table below summarizes our communication channels with stakeholders, and our concerns and action plans in place.

Stakeholder Group	Communication Ways/Channels	Major Requirements/Concerns	Our Action Plans
Shareholders and investors	• General meetings • Publication of annual report • Public information disclosure	• Maintenance of continuous profitability • Formulation of sustainable development strategies • Enhancement of transparency • Protection of the interest of shareholders and investors	• To convene regular general meetings • To convene regular board meetings • To convene meetings with investors • To make statutory disclosure in a timely manner
The government	• Filing of tax returns • Reporting on policy implementation	• Operational compliance • Payment of taxes in full according to the laws • Response to the government's policies • Support to local development	• To comply with national laws and regulations • To maintain good relationship with local governments • To provide job opportunities • To pay taxes on time and in full according to the laws

Stakeholder Group	Communication Ways/Channels	Major Requirements/Concerns	Our Action Plans
Employees	• Opinion surveys and questionnaires[5] • Workshops[6]	• Career development • Training opportunities • Remuneration and benefits • Corporate culture	• To organize trainings for professional development, occupational skills and safety procedures • To understand employees' development needs and evaluate them in an impartial and objective way • To create a competitive working environment • To organize care and welfare activities for staff • Staff mailboxes • Company's intranet
Customers	• Individual meeting[7] • Customer satisfaction survey[8] • Customer communication meeting[9]	• A comfortable and safe living environment • Timely services • Safety of residents • Protection of privacy • Enhancement of service quality	• To systemize and standardize our services • To carry out regular satisfaction survey • To promptly respond to and handle customer complaints • To effectively protect customer privacy
Suppliers	• Review and evaluation of the performance of suppliers • Communication meetings • Phone discussion	• Promotion of daily communication • Performance of contract • Openness and fairness	• To establish an open and transparent tendering system to provide suppliers with equal opportunity for competition • To communicate on an ongoing and direct
The community	• Media coverage • Organization/participation in charitable activities	• Investment in charitable business • Green operations • Participation in community establishment • Devotion to charity events • Care for vulnerable groups	• To regularly organize charitable activities • To conduct charity events • To advocate energy saving and conservation

5 Two opinion surveys were conducted during the Reporting Period involving nearly 600 employees.
6 38 workshops were organized during the Reporting Period involving nearly 100 employees.
7 Approximately 130,000 customers attended individual meetings.
8 Approximately 2,500 customers participated in satisfaction surveys.
9 Approximately 400 customers participated in communication meetings.

IV. MATERIALITY ASSESSMENT

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

Step One: Identification of potential ESG issues

The Group identified the following 20 issues in accordance with the disclosure requirements set out in the "Environmental, Social and Governance Reporting Guide" and based on the business characteristics and daily operation of Kaisa Prosperity. These issues are considered to have impacts on the environment and the society during our operation.

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

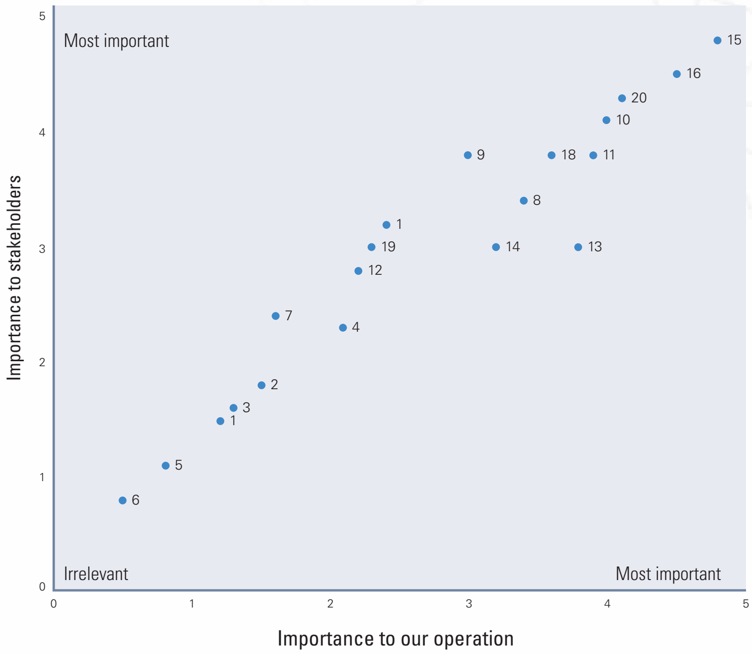
Step Two: Materiality Assessment

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

Step Three: Priority

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

Materiality Matrix



No.	ESG Issues
1	Exhaust emissions
2	Greenhouse gas emissions
3	Waste management
4	Energy consumption
5	Water consumption
6	Paper consumption
7	Management of risks associated with Environmental and natural resources
8	Equal opportunity
9	Employee benefits
10	Occupational health and safety
11	Employee development
12	Prevention of child labor and forced labor
13	Selection and evaluation of suppliers
14	Control and management on environmental and social risks along the supply chain
15	Service quality
16	Complaint handling
17	Protection of intellectual property rights
18	Customer data privacy and data security
19	Anti-corruption and money laundering
20	Community engagement

As the Group principally provides property management and pre-delivery and consulting services, the key issues focus on service quality, complaint handling and community engagement. Bearing in mind its environmental and social responsibilities, the Group will focus more on the aforesaid aspects. To effectively respond to stakeholders' concerns, we stress on the discussion of important issues, fully take into consideration the opinions of all stakeholders and practically optimize our long-term development strategy.

V. ENVIRONMENTAL ASPECTS

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

A1: Emissions

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

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

Air Emissions

The main sources of our air emissions are the boilers at the community swimming pools and central air-conditioning and heating system, gas stoves in staff canteen, emergency electric generators, weeding machines used in garden greening, fuel consumption of fixed source equipment in chain saws and leaf blowers as well as fuel oil consumption of business vehicles. During the Reporting Period, the emissions of nitrogen oxides, sulphur oxides, inhalable particulates, fine particulates, carbon monoxide and hydrocarbon generated by the Group amounted to 670 kilograms, 236 kilograms, 144 kilograms, 137 kilograms, 3,285 kilograms and 442 kilograms, respectively.

Greenhouse gases

In light of the business characteristics of property management services, our greenhouse gas emissions (Scope 1) [10] are mainly from the fuel consumption of fixed source equipment and the fuel oil consumption of business vehicles; greenhouse gas emissions (Scope 2) [11] are mainly from the use of electricity, vapour, town gas and natural gas purchased externally; greenhouse gas emissions (Scope 3) [12] are mainly from the use of electricity by the government departments during the treatment process of drinking water and sewage, the waste paper disposed of to the landfill sites and the aviation fuel consumption from our staff during their business trips. During the Reporting Period, the total greenhouse gas emission of the Group amounted to approximately 100,224 tons of carbon dioxide equivalents(CO2e), of which 98% generated from the use of electricity purchased externally. To reduce the impact from greenhouse gas emissions over the environment, the Group planted a total of 1,767 trees in the surrounding areas of its offices, successfully reducing approximately 41 tonnes of carbon dioxide generated during the operation of business.

Hazardous and Non-hazardous Waste

Our day-to-day operation does not generate material hazardous and non-hazardous wastes.

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

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

12 Scope 3 covers all other indirect greenhouse gas emissions generated outside the area the Company, including emissions from upstream and downstream operations.

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 our corporate environmental protection responsibilities, we review and assess the efficiency and effectiveness of the environmental protection plan from time to time, which has enabled us to strike an optimum balance between environmental protection and business growth.

Use of Energy

Our direct energy consumptions are mainly from the natural gas, liquefied petroleum gas, diesel and gasoline used in the fixed source equipment and business vehicles; indirect energy consumptions are mainly from electricity, vapour, town gas and natural gas. In hopes of reducing the impact of carbon footprints, we encourage our staff to use video conferencing or teleconferencing systems to reduce the needs for business trips. Where business trips are necessary, staff should take mass transit transportation such as airport coaches or railways as much as possible so as to avoid the considerable amount of carbon dioxide emitted during a flight on a plane or a journey on a taxi. During the Reporting Period, the total energy consumption of the Group amounted to approximately 115,675,000 kWh.

Water Consumption

The water resources we use are supplied from municipal water, and thus, there are no issues with water sourcing. As a property management service enterprise, owing to rather huge water consumption by the Group as a result of the services such as greening and public swimming pool maintenance, the Group adopts water-saving irrigation such as sprinkling irrigation and micro-irrigation to carry out green irrigation and reduce water consumption in gardening. We also test if there is any leakage in water pipes on a regular basis and carry out daily maintenance for water equipment. During the Reporting Period, the water consumption of the Group amounted to approximately 1,262,681 m^3.

A3: Environmental and Natural Resources

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

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

Through formulating various goals and plans for sustainable development and conducting active monitoring over the implementation and execution of the environmental protection goals, we anticipate to further strengthen the effectiveness of the Group's environmental protection policies and work:

Sustainable development targets		Plans adopted
Greenhouse gas emissions	• Reduce the average electricity consumption in per-unit GFA under management	• Used solar energy as an alternative to electricity as much as possible • Reduced electricity consumption of public lighting systems to a reasonable extent • Replaced constant frequency equipment with variable frequency equipment • Used smart-control escalators
Use of energy	• Further encourage our staff to implement energy saving in the course of daily operation	• Encourage our staff to switch off idle computers and monitors • Posted labels to emphasize the importance of energy saving • Switched off the lights and appliances during non-office hours
Use of water	• Reduce the average water consumption in per-unit GFA under management • Further encourage our staff to implement water saving in the course of daily operation • Research the opportunity to recycle and reuse the sewage	• Used sprinkling irrigation and droppers as an alternative to surface irrigation • Reutilized water resources when feasible, e.g. water the plants with the water used for washing the mops • Grew drought-enduring plants • Checked water pipes and water supply facilities regularly to prevent leakage and conducted regular maintenance • Raised our employees' awareness on water saving to reduce the use of water and energy consumption

VI. SOCIAL ASPECTS

B1: Employment

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

Recruitment and Promotion

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

We uphold the principle of openness and fairness to provide promotion opportunities for our staff. Kaisa Prosperity Performance Assessment Management System sets out detailed regulations on staff promotion and awards, which include those to decide whether the staff get promoted based on the performance assessment for our staff on a regular basis. Through communication and giving feedback on the working performance of our staff, we believe we can continuously raise the performance level of our staff, thereby boosting the favorable development for the organization and raising the operational results and management level to benefit both the Group and its staff.

Remuneration and Welfare

To give full play to the incentive effect of remuneration, we formulate the Kaisa Prosperity Staff Remuneration Management System to standardize the management of staff remuneration. The standard wage for our staff is distributed based on the corresponding wage standard for the respective position levels and ranks set out in the Staff Wage Level Standard Table. Besides, we conduct performance assessment for our staff on a regular basis based on Kaisa Prosperity Performance Assessment Management System and adjust the salary package for our staff based on the assessment results. We also take this opportunity to listen to staff's opinion and are committed to helping our staff to integrate into our corporate culture.

We formulated Kaisa Prosperity Welfare Management System to provide multi-aspect preferential treatment and launched a variety of cultural construction activities to let our staff feel the care from the Group. We:

- organized a variety of cultural and sports activities to enhance staff communication and strengthen their physical health. The form of activities includes staff birthday parties, football, basketball, badminton, table tennis, hiking, swimming, sports competitions, chess, and variety shows, etc.;
- organized company gala, Spring Festival and Mid-Autumn Festival celebration gatherings for our staff;
- offered festival bonus to each staff during Spring Festival, Dragon Boat Festival and Mid-Autumn Festival each year;
- arranged body check for our staff annually, the costs of which are borne by the Group;
- offered various kinds of allowances including meal allowance, on-duty meal allowance, overtime working and transportation allowance, celebrative gratuities and hospitalization consolation fees;
- provided rent-free dormitory for a portion of staff with exemption of management fees and sharing the water and electricity costs;
- reimbursed a portion of transportation fees to the fresh graduates who are recruited through campus recruitment when they report duty to the Company; and
- Enjoy RMB100-150 of cooling allowance per person per month between June and October.

Working Hours and Holidays

The Group pays overtime working wages based on the overtime working approved under the national requirements and Kaisa Prosperity Regulations on Managing Employees' Overtime Work. In addition, in accordance with the Kaisa Prosperity Welfare Management System, our employees are entitled to all kinds of paid leaves such as statutory festivals and holidays, marriage leave, funeral leave, maternity leave, nursing leave and annual leave. It will also adjust the number of annual leaves based on the seniority of staff.

Equal Opportunities, Diversity and Anti-discrimination

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

As of 31 December 2019, the Board of Kaisa Prosperity comprised a total of 7 members, among which male members accounted for approximately 71% and female members accounted for approximately 29%, of the total. We had a total of 5,043 staff, among which the proportions of male staff and female staff were approximately 64% and 36%, respectively. No cases of discrimination were recorded during the Reporting Period.

B2: Health and Safety

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

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

We provide guidelines in relation to occupational health and safety training in Kaisa Prosperity Training Management System (佳兆業美好集團培訓管理制度). As for the newly recruited staff, the Group will provide training courses on occupational safety and position-related professionalism, the contents of which include the operation procedures of positions and work instruction manuals. As for the job-transfer staff, we also provide job-transfer trainings. Apart from passing on the new skills, the trainings also include position-related knowledge and skills, operation procedures, safety knowledge and procedures, etc. All of the above trainings are conducive to raising the safety awareness of staff and minimizing the occurrence of accidents as a result of human error.

The Group has also established Kaisa Prosperity Measures for the Management of Emergencies (佳兆業美好集團突發事件管理辦法) to provide guidelines for the information management in emergencies and the management processes of reporting, handling, judging and assessing all kinds of emergencies. In case of emergencies, we require our staff to regard their personal safety as the overriding principle. Upon the occurrence of emergencies, the departments of safety monitoring function, quality assurance and engineering management function, administration and manpower function, etc. of each branch company are required to formulate corresponding rectifying measures and report to the Group's headquarters for filling.

Meanwhile, we have purchased social insurance and commercial insurance for our staff according to law to ensure that our staff are under the protection of work-related injury insurance. During the Reporting Period, the number of staff involved in work-related fatalities of the Group was zero, while the number of working days lost due to work-related injury was approximately 393.

B3: Development and Training

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

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

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

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

During the Reporting Period, 61% of our staff received training and the average training hours completed by each employee was 18 hours.

B4: Labor standards

In strict compliance with laws and regulations such as Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China and Prohibition of Child Labor Provisions, the Group safeguarded staff's legal rights and prohibited the recruitment of those who aged under the age of 18. To this end, we established Kaisa Prosperity Recruitment Management System to respect legal rights of staff. We value privacy of staff such that we avoid raising questions related to personal privacy but unrelated to his/her work performance. The information of assessing knowledge of the candidate are only available for reading for relevant staff in the recruitment of this position. In addition, we would conduct background check, review information about age of candidates and prohibit the unlawful use of child labor.

For those staff who have to work overtime and on duty, we would pay overtime salary in accordance with national requirements and Kaisa Prosperity Regulations on Managing Employees' Overtime Work and overtime transportation allowance as the case may be. If any violation against laws and regulations in relation to labor standards is found, we would punish those who shall be accountable for the incident subject to the severity, also we would analyse the reasons of the issue, review, update and adjust issues present in the systems or management measures in place.

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

B5: Supply Chain Management

The steady business development of the Group relies on support from various suppliers and partners. Therefore, we place significant importance on supply chain management, so as to maintain our service quality and trading integrity. As at 31 December 2019, the Group has partnered with a total of 566 [13] suppliers.

13 Includes suppliers with a cooperation amount of RMB100,000 or above only. For suppliers with a cooperation amount of less than RMB100,000, there is no accurate data as of now.

Engagement of suppliers

We prepared Kaisa Prosperity Procurement Management System (佳兆業美好集團採購管理制度) and 13 operating instructions and administrative measures to govern procurement behaviours and safeguard our legal rights. Our procurement adheres to the tender and procurement principles of openness, fairness and transparency:

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

Selection of suppliers

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

To raise awareness and incentivise suppliers to contribute to sustainable development, we favour suppliers who demonstrate their commitment to sustainability. Suppliers awarded ISO14001, ISO9001 and OSHMS will be considered with higher priority.

Ongoing monitoring suppliers' performance

At the same time, we would monitor supplier's performance. The Group also formulates "Guidance on Performance Assessment and Maintenance of Suppliers of Kaisa Prosperity Group" (佳兆業美好集團供應商履約評估和維護工作指引), which established a strict monitoring system and conducted three types of ongoing monitoring assessment to suppliers:

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

B6: Products Responsibility

As one of the leading integrated property management service providers in the PRC, Kaisa Prosperity has been upholding the principle of "satisfying our customer's needs" by striving to build a harmonious living environment for our communities. The Group strictly complies with the laws and regulations in relation to rights entitled in property management activities, formulation and revision of management contracts and owners' meetings and material impact brought to our property management industry by owners' committee member elections under the Property Management Regulations and Law of the People's Republic of China on the Protection of Consumer Rights and Interests. We formulated a series of policies in relation to health and safety, advertising, labeling, privacy matters and methods of redress relating to products and services, including "Guidance on Handling Complaints from Customers of Kaisa Prosperity" (佳兆業美好集團客戶投訴處理工作指引), "Guidance on Caring our Customers of Kaisa Prosperity" (佳兆業美好集團客戶關懷工作指引), "Guidance on Owners' Satisfaction Assessment of Kaisa Prosperity" (佳兆業美好集團業戶滿意度測評工作指引), "Guidance on Quality Control System Building of Kaisa Prosperity" (佳兆業美好集團品質管制體系建設工作指引), "Guidance on Quality Grid Management of Kaisa Prosperity" (佳兆業美好集團品質網格化管理工作指引) and "Guidance on Call Centre Management System of Kaisa Prosperity" (佳兆業美好集團呼叫中心管理制度), which aimed at providing more convenient and thoughtful services to owners so as to improve the sense of happiness and satisfaction of our residents and property owners.

Environmental, Social and Governance Report

Improvement of customer's satisfaction

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

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

Procedures for Handling Complaints from Customers

The Group highly recognizes the importance of our property owner's satisfaction and their advices on our products and services. "Guidance on Handling Complaints from Customers of Kaisa Prosperity" is effective in giving guidance to the procedures for handling complaints and conducting scientific and systematic analysis and statistics, giving alerts and directions of service quality, which helps to reduce and prevent complaints and enhance customers' satisfaction. The Group requires that after receiving the complaints from our property owners, the department who receives complaints would pass the case to the competent departments within 5 minutes. Upon receipt of cases, the competent department is required to contact the customers within 30 minutes for preliminary communication and respond to their complaints in 24 hours. For all kinds of complaints including walk-ins, phone calls, e-mail, APP, internet, publications, the department who receives complaints require full record. We would also organize and analyse customers' complaints regularly, the analysis covers the reasons, conclusion of experience and lessons, proposals for rectification measures, pattern of identifying customers' complaints and trend analysis, so as to raise standard for handling customer's complaints while prevent material complaints and group complaints. During the Reporting Period, the Group received 60 cases of complaints in relation to services.

Protection of Customers' Privacy

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

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

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

Observing and protecting intellectual property rights

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

B7: Anti-corruption

Kaisa Prosperity strictly complies with laws and regulations in relation to business ethics and prohibition of operators to reach monopoly agreement or to abuse the predominate position in the market which will pose material impact to our business under Anti-Unfair Competition Law of the People's Republic of China, Interim Provisions on Prohibiting Commercial Bribery and Anti-Monopoly Law of the People's Republic of China. To operate business without any negative impact, our "Gifts Management System due to business reasons for controlling employees of Kaisa

Group" (佳兆業集團控股員工因公受禮管理制度) offers guidelines in relation to the receipt of interests of employees and clearly governs how to handle the receipt of gifts (either cash or non-cash):

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

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

Besides, the Group also requires its staff to sign "Agreement on Integrity and Cooperation" advocating a corporate culture of integrity and honesty, to prevent conflicts of interests and misconducts including bribery, blackmail, mischief and money laundering, so as to ensure the compliance with relevant regulations, principles and requirements in relation to occupational ethics in the agreement. In addition to promoting WeChat Public Accounts Whistleblowing Platform, the Group implements an awarding policy to whistle blower to combat all misconducts of corruption and bribery. During the Reporting Period, we provided 4 hours of training in the form of seminar in respect of anti-bribery and ethics for our directors and employees to increase awareness of integrity among our employees and educate them the ethical standard they should upheld in the performance of their duties.

B8: Community Investment

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

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

Types of welfare	Specific Achievement
Culture	Decorated the community with national flags, lanterns and fresh flowers to create a festive atmosphere during Spring Festival and Lantern Festival Organized field trips for the young and middle-aged property owners Deliver festival blessings on Mother's Day Organized community activities under the theme of Children's Day Organized community activities under the theme of Dragon Boat Festival Hosted a summer camp Organized hiking activities and dance parities for the middle-aged and elderly property owners Visited and greeted the elderly soldiers of the Red Army to deliver a warmth of "better home", thereby continuously giving love to the society and further improving the brand image of the Group
Health	Visited the children with mental disorders at the "Zhanxiang Social Work Service Center" and donated RMB1,000 worth of supplies Together with the Street Office of Kangnan Community in Huangpu District in Guangzhou, visited and paid tribute to the veterans in the city square community, and purchased RMB1,000 worth of supplies Visited Children's Hope – Little Home in Guangzhou, and donated a batch of RMB1,000 worth winter supplies to the children with severe illness Donated the charity funds of RMB3,000 raised from the charity sale organized for each project to a rare blood donor who donated his/her blood without compensation but unluckily suffered from multiple myeloma, to help him/her go through the difficult times Together with Lijing Harbour community, launched the glow-worm charitable event "2019 Emergency Blood Donation in Wenjiang District", which attracted more than 20 participants, donating blood volume of 7,000 ml Launched a blood donation campaign under the theme of "Love is boundless and connected by blood (大愛無疆，血脈相連)", with an aim of providing an opportunity for employees and property owners who are physically fit to join the team of blood donation without compensation, and eventually six healthy male participants donated their blood
Vulnerable groups	The office was responsible for purchasing food such as cooking oil and rice, and visiting the elderly who live alone in Huicheng District in Huizhou Distributed rice and cooking oil to households enjoying five guarantees and the elderly who live alone in the nearby villages and towns of Longtian Town in Longmen County We visited the "Dialogue in the Dark" experience hall on Thanksgiving Day, to organize an event under the glow-worm charitable program for the visually impaired Visited the impoverished households in rural villages to provide them with voluntary repair and maintenance services Carried out glow-worm charitable activities in a home for the aged at Jiujiang Town in Shuangliu District, showing the love and care for the elderly Organized the fundraising activities for welfare institutions under the theme of "igniting hope with concerted devotion and heart (凝聚奉獻之力，用心點燃希望)", and applied such raising funds to purchase baby supplies and as donation given to Jinzhong Welfare Institution

Types of welfare	Specific Achievement
Education	Donated supplies received through voluntary fundraising activities, to support the education services in the western China
Labor demand	Prepared and distributed healthy soup to the frontline couriers, cleaning workers and deliverymen, and gave away gloves for protection under cold weather, and appealed to the society for showing more care and love for the frontline workers
Environmental Protection	Organized environmental protection public welfare activities, to clean up the garbage around the community so as to improve the environment outside the community, and appealed to the society for showing more care for the environment Established small public welfare teams to carry out rubbish cleaning operations separately on municipal roads and public parks in districts such as Futian, Nanshan, Luohu and Longgang in Shenzhen

VII. OVERVIEW OF KEY PERFORMANCE INDICATORS (KPIs)[1]

Environmental Performance

Aspects	KPIs	Unit	2019
A1.1 Emissions[2]	Nitrogen oxides (NO_x)	Kilograms	670.32
	Sulfur oxides (SO_x)	Kilograms	235.70
	Inhalable particulate matter (PM_{10})	Kilograms	144.33
	Fine particulate matter ($PM_{2.5}$)	Kilograms	137.33
	Carbon monoxide (CO)	Kilograms	3,284.81
	Hydrocarbon (HC)	Kilograms	442.09
A1.2 Greenhouse gas emissions[3]	**Scope 1: Direct emissions of greenhouse gas**		
	Stationary combustion source – boiler for maintaining constant temperature for the swimming pool	tons of CO_2e	109.55
	Stationary combustion source – heat generating boiler of the central air conditioner	tons of CO_2e	516.21
	Stationary combustion source – gas stoves in staff canteens	tons of CO_2e	4.48
	Stationary combustion source – emergency generators	tons of CO_2e	187.78
	Stationary combustion source – weeding machines, chainsaws and leaf blowers used for landscaping management	tons of CO_2e	6.62
	Mobile combustion source – official vehicles	tons of CO_2e	177.12
	Greenhouse gas removals from newly planted trees	tons of CO_2e	40.64
	Direct carbon dioxide equivalent emissions in total	tons of CO_2e	961.11
	Intensity of direct carbon dioxide equivalent emissions[4]	tons of CO_2e/million square meters	21.65

Aspects	KPIs	Unit	2019
	Scope 2: Energy Indirect emissions		
	Electricity purchased[5]	tons of CO_2e	98,167.01
	Steam purchased[6]	tons of CO_2e	0.01
	Coal gas purchased	tons of CO_2e	4.27
	Natural gas purchased	tons of CO_2e	7.31
	Indirect carbon dioxide equivalent emissions in total	tons of CO_2e	98,178.60
	Intensity of indirect carbon dioxide equivalent emissions[7]	tons of CO_2e/million square meters	2,211.23
	Scope 3: Other indirect emissions of greenhouse gas		
	Waste paper discarded in a landfill	tons of CO_2e	104.09
	Electricity consumed by governmental authorities for handling drinking water and sewage[8]	tons of CO_2e	892.24
	Business air travel by employees	tons of CO_2e	87.86
	Other indirect carbon dioxide equivalent emissions in total	tons of CO_2e	1,084.19
	Intensity of other indirect carbon dioxide equivalent emissions[9]	tons of CO_2e/million square meters	24.42
	Greenhouse gas emissions in total		
	Greenhouse gas emissions in total	tons of CO_2e	100,223.90
	Intensity of greenhouse gas emissions[10]	tons of CO_2e/million square meters	2,257.30
A2.1 Energy[11]	**Direct energy consumption**		
	Natural gas	'000 kWh	3,132.35
	Liquefied petroleum gas	'000 kWh	19.82
	Diesel	'000 kWh	734.73
	Gasoline	'000 kWh	650.47
	Direct energy consumption in total	'000 kWh	4,537.36
	Intensity of direct energy consumption[12]	'000 kWh/million square meters	102.19
	Indirect energy consumption		
	Electricity purchased	'000 kWh	111,072.61
	Steam purchased	'000 kWh	0.65
	Coal gas purchased	'000 kWh	27.78
	Natural gas purchased	'000 kWh	36.60
	Indirect energy consumption in total	'000 kWh	111,137.63
	Intensity of indirect energy consumption[13]	'000 kWh/million square meters	2,503.10
	Energy consumption in total		
	Energy consumption in total	'000 kWh	115,674.99
	Intensity of energy consumption[14]	'000 kWh/million square meters	2,605.29
A2.2 Water consumption	Total water consumption	cubic meters	1,262,681.47
	Intensity of water consumption	cubic meters/million square meters	28,438.77

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

2 The calculation of the emission is based on the "Air pollutant emission inventory based on local emission source surveys in Hangzhou, China - Acta Scientiae Circumstantiae (基於本地污染源調查的杭州市大氣污染物排放清單研究—環境科學學報)" (2017 Edition) published by research institutions, the "Production and supply industry of electric power (Including industrial boilers) (熱力生產和供應行業(包括工業鍋爐))"(sulphur content S = 30mg/m^3) published by the State Environmental Protection Administration, the conversion factors provided by scientific research institutions: http://w.astro.berkeley.edu/~wright/fuel_energy.html, the "Emission factors used in the estimations of emissions from combustion" published by Statistics Norway, the Project CLEAN AIR (清新空氣約章), the business guidance published by Hong Kong General Chamber of Commerce, the Manual for Air Pollutant Emission Factors (空氣污染物排放係數手冊) (AP-42, the 5th Edition) published by United States Environmental Protection Agency, the Technical Guidelines for the Compilation of Air Pollutant Emission Lists for Road Vehicles (Trial) (道路機動車大氣污染物排放列表編製技術指南(試行)) issued by the Ministry of Environmental Protection of the People's Republic of China and the Study of Air Quality in the Pearl River Delta Region published by the Environmental Protection Department of the Hong Kong Special Administrative Region.

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

4 Intensity of direct carbon dioxide equivalent emissions = Direct carbon dioxide equivalent emissions ÷ aggregate area of the 122 projects under management during the year

5 The data of emission factors for the power grids in Mainland China is based on the "China's Regional Power Grids Baseline Emission Factors for Emission Reduction Projects in 2016 (2016 年度減排項目中國區域電網基準線排放因子)" issued by the National Development and Reform Commission.

6 The calculation of emissions from steam is based on the Greenhouse Gas Reporting: Conversion Factors 2018 issued by the government of the United Kingdom.

7 Intensity of indirect carbon dioxide equivalent emissions = Indirect carbon dioxide equivalent emissions ÷ aggregate area of the 122 projects under management during the year

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

9 Intensity of other indirect carbon dioxide equivalent emissions = Other indirect carbon dioxide equivalent emissions ÷ aggregate area of the 122 projects under management during the year

10 Intensity of greenhouse gas emissions = Greenhouse gas emissions in total ÷ aggregate area of the 122 projects under management during the year

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

12 Intensity of direct energy consumption = direct energy consumption ÷ aggregate area of the 122 projects under management during the year

13 Intensity of indirect energy consumption = indirect energy consumption ÷ aggregate area of the 122 projects under management during the year

14 Intensity of energy consumption = energy consumption in total ÷ aggregate area of the 122 projects under management during the year

Social Performance

Aspects	KPIs	Unit	2019
B1.1 Total number of employees	**By types of employment**		
	Full-time	person	5,043
	Part-time	person	Nil
	By geographical region		
	Guangdong-Hong Kong-Macao Greater Bay Area	person	2,537
	Yangtze River Delta region	person	918
	Central China	person	213
	Western China	person	631
	Bohai Economic Rim	person	744
	By gender		
	Male	person	3,211
	Female	person	1,832
	By age		
	30 or below	person	2,529
	31-40	person	1,675
	41-50	person	621
	51 or above	person	218

Aspects	KPIs	Unit	2019
B1.2 Employee turnover rate	**By types of employment**		
	Full-time	%	67%
	Part-time	%	Nil
	By geographical region		
	Guangdong-Hong Kong-Macao Greater Bay Area	%	68%
	Yangtze River Delta region	%	78%
	Central China	%	85%
	Western China	%	52%
	Bohai Economic Rim	%	61%
	By gender		
	Male	%	68%
	Female	%	67%
	By age		
	30 or below	%	86%
	31-40	%	54%
	41-50	%	37%
	51 or above	%	39%
B2.1 Number and rate of work-related fatalities	Number of work-related fatalities	person	Nil
	Rate of work-related fatalities	%	Nil
B2.2 Number of working days lost due to work injury	Number of working days lost due to work injury	day	393
B3.1 Percentage of trained employees	Percentage of trained employees	%	61%
	By gender		
	Male	%	63%
	Female	%	56%
	By positions		
	Management	%	78%
	Middle-level employee	%	89%
	Entry-level employee	%	59%
B3.2 Average training hours completed per employee	Average training hours completed per employee	hour	18
	By gender		
	Male	hour	18
	Female	hour	17
	By positions		
	Management	hour	20
	Middle-level employee	hour	25
	Entry-level employee	hour	16

Environmental, Social and Governance Report

Aspects	KPIs	Unit	2019
B5.1 Number of suppliers	**Number of suppliers by geographical region**		
	Guangdong-Hong Kong-Macao Greater Bay Area	supplier	239
	Yangtze River Delta region	supplier	110
	Central China	supplier	35
	Western China	supplier	77
	Bohai Economic Rim	supplier	105
B6.2 Number of complaints about products and services	Number of complaints about products and services received	case	60
B7.1 Legal cases in relation to corruption	Number of legal cases in relation to corruption filed and concluded	case	Nil
	Training hours in relation to anti-corruption provided to the Directors and employees	hour	4
B8.1 & B8.2 Community investment	**Total amount of donation (by core contribution area)**		
	Education	RMB	2,782
	Health	RMB	7,886
	Vulnerable groups	RMB	9,983
	Total number of hours for providing voluntary services (by core contribution area)		
	Education	hour	56
	Environmental protection	hour	42
	Labor demand	hour	40
	Health	hour	73
	Vulnerable groups	hour	97
	Total number of people received the voluntary services (by core contribution area)		
	Education	person	512
	Environmental protection	person	426
	Labor demand	person	100
	Health	person	284
	Vulnerable groups	person	305

VIII. HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

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

Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Disclosure Status	Section/Explain
Aspect A3: Environmental and Natural Resources			
General disclosure Policies on minimizing the issuer's significant impact on Environmental and Natural Resources.		Disclosed	V. Environments Aspects
KPI A3.1	Description of the significant impacts of activities on Environmental and Natural Resources and the actions taken to manage them.	Disclosed	V. Environments Aspects
B. Social			
Employment and Labor Practices			
Aspect B1: Employment			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Disclosed	VI. Social Aspects
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Disclosed	VI. Social Aspects, VII. Overview of KPIs
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	VI. Social Aspects, VII. Overview of KPIs
Aspect B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Disclosed	VI. Social Aspects
KPI B2.1	Number and rate of work-related fatalities.	Disclosed	VI. Social Aspects, VII. Overview of KPIs
KPI B2.2	Lost days due to work injury.	Disclosed	VI. Social Aspects, VII. Overview of KPIs
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	VI. Social Aspects
Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Disclosed	VI. Social Aspects
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	VI. Social Aspects, VII. Overview of KPIs
KPI B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	VI. Social Aspects, VII. Overview of KPIs

Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Disclosure Status	Section/Explain
Aspect B4: Labor standards			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing use of child labour or forced labour.		Disclosed	VI. Social Aspects
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	VI. Social Aspects
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	VI. Social Aspects
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing the environmental and social risks of the supply chain.		Disclosed	VI. Social Aspects
KPI B5.1	Number of suppliers by geographical region.	Disclosed	VI. Social Aspects, VII. Overview of KPIs
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	VI. Social Aspects
Aspect B6: Product Responsibility			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters in relation to products and services provided and methods of redress.		Disclosed	VI. Social Aspects
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	This KPI is not applicable to our business.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	VI. Social Aspects, VII. Overview of KPIs
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	VI. Social Aspects
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable	This KPI is not applicable to our business.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	VI. Social Aspects

Subject Areas, Aspects, General Disclosures and Overview of Key Performance Indicators (KPIs)		Disclosure Status	Section/Explain
Aspect B7: Anti-corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Disclosed	VI. Social Aspects
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Disclosed	VI. Social Aspects, VII. Overview of KPIs
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	VI. Social Aspects
Community			
Aspect B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Disclosed	VI. Social Aspects
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	VI. Social Aspects
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	VI. Social Aspects, VII. Overview of KPIs

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

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

CORPORATE GOVERNANCE

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

During the year ended 31 December 2019, the Company complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the below deviation:

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

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

Code provision A.6.7 provides that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Due to their other important engagements, the independent non-executive Directors of the Company, Ms. MA Xiumin and Mr. CHEN Bin, were unable to attend the annual general meeting of the Company held on 18 June 2019 and the extraordinary general meeting of the Company held on 24 December 2019.

(A) THE BOARD OF DIRECTORS

Board Composition

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

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 2019, 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 2019, the Board consisted of seven Directors including Mr. LIAO Chuanqiang (Chairman), Ms. GUO Li, Mr. WENG Hao and Mr. WU Jianxin 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 2019.

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

Chairman and Chief Executive Officer

According to paragraph A.2.1 of the CG Code as set out in Appendix 14 of the Listing Rules, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer. For the year ended 31 December 2019, 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.

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 2019, there were no significant changes to the Articles.

Appointment, Re-election and Removal of Directors

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

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

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

Training and Support for Directors

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

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

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

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

For the year ended 31 December 2019, all the Directors, namely Mr. LIAO Chuanqiang, Ms. GUO Li, Mr. WENG Hao, Mr. WU Jianxin, Mr. LIU Hongbai, Ms. MA Xiumin and Mr. CHEN Bin, had participated in appropriate continuous professional development activities by ways of attending the director training webcast series organized by the Hong Kong Stock Exchange and/or attending trainings organized by professional firm and/or reading materials relevant to the Company's businesses or to the Directors' duties and responsibilities.

Board Diversity Policy

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

Board Committees

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

Nomination Committee

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.

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;
- to review the Company's compliance with the code and disclosure in the Corporate Governance Report of the Company; and
- to review the consolidated financial statements of the Group for the year.

Remuneration Committee

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

Chairman:
Mr. LIU Hongbai, independent non-executive Director

Members:
Mr. LIAO Chuanqiang, executive Director
Ms. MA Xiumin, independent non-executive Director
Mr. CHEN Bin, independent non-executive Director

The Remuneration Committee was primarily responsible for the following duties:

- to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- to determine, with delegated responsibility, the specific remuneration packages of all executive Directors and senior management members of the Company;

- to make recommendations to the Board on the remuneration of non-executive directors;

- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

- to review and approve the compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

- to ensure that no director or any of his associates is involved in deciding his own remuneration.

The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed "Report of the Directors" and note 12 to the consolidated financial statements. During the year ended 31 December 2019, 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 2019 is set out below:

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

Meeting Attendance

The attendance of Directors at Board meetings and meetings of the Board committees and general meetings during the year ended 31 December 2019, as well as the number of such meetings held, is set out as follows:

Meetings attended/held

Directors	Board	Nomination Committee	Audit Committee	Remuneration Committee	General Meetings
Executive Directors					
Mr. LIAO Chuanqiang	4/4	1/1	N/A	1/1	1/2
Ms. GUO Li	4/4	N/A	N/A	N/A	2/2
Mr. WENG Hao	1/4	N/A	N/A	N/A	0/2
Mr. WU Jianxin	1/4	N/A	N/A	N/A	0/2
Independent Non-Executive Directors					
Mr. LIU Hongbai	4/4	1/1	2/2	1/1	2/2
Ms. MA Xiumin	3/4	0/1	2/2	1/1	0/2
Mr. CHEN Bin	4/4	1/1	2/2	1/1	0/2

(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 82 to 86 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 and non-audit services provided to the Company for the year ended 31 December 2019 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Service	1,400
Non-audit Services	
— Interim review of financial results for the six months ended 30 June 2019	250
— Review on continuing connected transactions	30

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

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

The Directors, through the Audit Committee, reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group, at least annually, for the year ended 31 December 2019. 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: Room 507, Block A, Kaisa Center, No. 66, Nanyuan Road, Futian District, Shenzhen, Guangdong, PRC

Fax: (86) 0755-25887635

Telephone: (86) 0755-22658123

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

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

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

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

(D) DIVIDEND POLICY

Purpose

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

Principles and Guidelines

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

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

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

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of Shareholders;
- 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 Prosperity Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2019.

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 17 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 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 87 in this annual report.

DIVIDENDS

Taking into account the Group's business development needs and shareholders' investment return, at the Board meeting held on 26 March 2020, the Directors proposed to declare a final dividend of HK52.0 cents per share for the year ended 31 December 2019 (2018: HK18.0 cents per share) to all persons registered as holders of shares of the Company on Thursday, 25 June 2020. Subject to the approval of the Shareholders of the Company at the forthcoming annual general meeting (the "AGM"), the dividend will be paid on or about Thursday, 16 July 2020.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 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 90 in this annual report.

As at 31 December 2019, the distributable reserves of the Group amounted to approximately RMB170.3 million.

BORROWINGS

The Group had no borrowing during the year ended 31 December 2019.

PROPERTY, PLANT AND EQUIPMENT

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

RETIREMENT BENEFIT SCHEME

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

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

PERMITTED INDEMNITY PROVISION

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

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 2019 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.

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 27 to 28.

DIRECTOR'S SERVICE CONTRACTS

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

THE SHARE OPTION SCHEME

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

(1) Purpose of the Share Option Scheme

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

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) Participants of the Share Option Scheme

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

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

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

The total number of Shares that may fall to be allotted and issued under the Share Option Scheme would be 14,000,000 Shares, representing 10% of the total number of 140,000,000 Shares in issue as at the date of this annual report.

On 19 July 2019, the Company proposed to a total grant of 11,450,000 share options under the Share Option Scheme.

(4) Maximum entitlement of each Participant

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

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

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

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

(6) Payment on acceptance of option offer

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

(7) Basis of determining the exercise price

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

(8) Remaining life of the Share Option Scheme

The Share Option Scheme will remain valid until 18 June 2029 after which no further options shall be offered. However, the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of this Share Option Scheme and the options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme. The summary below sets out the details of options granted as at 31 December 2019 pursuant to the Share Option Scheme:

Grantee	Date of grant	Exercise price HK$	Closing price of the shares on the date of grant HK$	Balance as of 1 January 2019	Granted during the year ended 31 December 2019	Exercised during the year ended 31 December 2019	Cancelled/ Forfeited/ Lapsed during the year ended 31 December 2019	Balance as of 31 December 2019	Note
Directors									
LIAO Chuanqing	19 July 2019	15.70	15.70	–	2,000,000	–	–	2,000,000	(a)
GUO Li	19 July 2019	15.70	15.70	–	600,000	–	–	600,000	(a)
MA Xiumin	19 July 2019	15.70	15.70	–	50,000	–	–	50,000	(a)
LIU Hongbai	19 July 2019	15.70	15.70	–	50,000	–	–	50,000	(a)
CHEN Bin	19 July 2019	15.70	15.70	–	50,000	–	–	50,000	(a)
Other employees									
In aggregate	19 July 2019	15.70	15.70	–	8,700,000	–	–	8,700,000	(a)
Total				–	11,450,000	–	–	11,450,000	

As at 31 December 2019, no options were exercisable.

Note:

(a) Such share options shall be vested in four tranches in accordance with the following dates: (i) up to 20% of the share options granted to each grantee at any time after the expiration of 12 months from the date of grant, i.e. 18 July 2020; (ii) up to 40% of the share options granted to each grantee at any time after the expiration of 24 months from the date of grant, i.e. 18 July 2021; (iii) up to 60% of the share options granted to each grantee at any time after the expiration of 36 months from the date of grant, i.e. 18 July 2022; and (iv) all the remaining share options granted to each grantee at any time after the expiration of 48 months from the date of grant. The shares options are exercisable within a period of ten years from the date of grant, i.e. 18 July 2029, subject to the vesting schedule.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to each Eligible Participant in any 12-month period exceeding 1% of the issued share capital of the Company from the date of grant shall be subject to the shareholders' approval.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Directors' and Chief Executive's Interests in Securities

As of 31 December 2019, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange were as follows:

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

Name of Director	Nature of interest	Number of underlying shares in which the Directors hold under the Share Option Scheme[(1)]	Approximate percentage of issued share[(2)]
LIAO Chuanqiang	Beneficial	2,000,000	1.43%
GUO Li	Beneficial	600,000	0.43%
MA Xiumin	Beneficial	50,000	0.04%
LIU Hongbai	Beneficial	50,000	0.04%
CHEN Bin	Beneficial	50,000	0.04%

Note:

(1) The number of underlying shares in which the Directors hold under the Share Option Scheme are detailed in "The Share Option Scheme" section.

(2) The percentages were calculated based on 140,000,000 shares in issue as at 31 December 2019, assuming all the share options granted under the Share Option Scheme have been exercised.

ii. Interest in associated corporation

Name of Director	Name of associated corporation	Number of shares interested	Approximate percentage of interest
LIAO Chuanqiang	Kaisa Group Holdings Ltd.	4,000,000	0.07%
WENG Hao	Kaisa Group Holdings Ltd.	7,000,000	0.12%
WU Jianxin	Kaisa Group Holdings Ltd.	4,000,000	0.07%

Save for those disclosed above, as of 31 December 2019, 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 30 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 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors are of the view that during the year ended 31 December 2019, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly with the Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance between the Controlling Shareholder and any of its subsidiaries and the Group was made during the year ended 31 December 2019 save as disclosed in note 35 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As of 31 December 2019, so far as the Directors were aware, persons other than the Directors or chief executive of the Company, who had interests or a short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are set out as follows:

Name of substantial shareholder	Capacity	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
Kaisa Group Holdings Ltd. ("Kaisa Holdings")	Interest in controlled corporation	103,530,000 (L) (Note 2)	73.95
Paramount Access Investments Limited ("Paramount Access")	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.

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

3. The percentages were calculated based on 140,000,000 Shares in issue as at 31 December 2019.

Save for those disclosed above, as of 31 December 2019, to the best of the Directors' knowledge, no other persons had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 171 to 172 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 approximately 45% of its goods and services to its 5 largest customers with its largest customer contributed approximately 44% 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 2019, 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 2019 are set out in note 35 to the consolidated financial statements. In relation to the related party transactions which also constituted connected transactions or continuing connected transactions, the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2019, the Group had conducted certain continuing connected transaction with connected persons of the Group as defined in Chapter 14A of the Listing Rules. Details of the transactions are set out in note 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 minimis 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 minimis 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 Holdings (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 Holdings is one of the Controlling Shareholders and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Sales Assistance Services Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing, which is subject to the reporting, annual review, announcement, but exempt from the independent shareholders' approval requirement.

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 2019, the total amount of commission fee payable by Kaisa Group for the Sales Assistance Services amounted to RMB4,123,000, which is within the annual cap of RMB5,000,000.

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

On 29 November 2019, the Company entered into the supplemental agreement ("Supplemental Agreement") with Kaisa Group to revise the annual caps of the continuing connected transactions for the year ending 31 December 2020 under the Property Management Services Framework Agreement. The revised annual caps for the two years ending 31 December 2020 were RMB500,000,000 and RMB550,000,000, respectively, which was duly passed during the extraordinary general meeting held on 24 December 2019.

For the year ended 31 December 2019, the total amount of fees payable by Kaisa Group for the Property Management Services amounted to RMB467,916,000, which is with the annual cap of RMB500,000,000.

Details of the Property Management Services Framework Agreement and the Supplemental Agreement have been set out in the section "CONNECTED TRANSACTIONS" in the Prospectus, the announcement and circular dated 29 November 2019 and 6 December 2019, respectively.

5. Equipment Installation Services Framework Agreement

On 20 November 2018, the Company entered into an equipment installation services framework agreement with Kaisa Holdings (the "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 Holdings is one of the Controlling Shareholders and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Equipment Installation Services Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing, which is subject to the reporting, annual review, announcement, but exempt from the independent shareholders' approval requirement.

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 2019, the total amount of fees payable by Kaisa Group for the Equipment Installation Services amounted to RMB59,513,000, which is within the annual cap of RMB60,000,000.

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 Holdings (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 RMB3,478,000 for the year ended 31 December 2019.

In addition, the Group had leased approximately 58,000 car parking lots from Kaisa Group as of 31 December 2019. 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 RMB38,866,000 for the year ended 31 December 2019, which is within the annual cap of RMB50,000,000.

Kaisa Holdings is one of the Controlling Shareholders and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Property Lease Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing, which is subject to the reporting, annual review, announcement, but exempt from the independent shareholders' approval requirement.

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.

7. Software Development Services Framework Agreement

On 29 May 2019, the Company entered into a software development service framework agreement with Kaisa Group (the "Software Development Services Framework Agreement"), pursuant to which the Group agreed to provide software development services (the "Software Development Services") to the Kaisa Group and/or its associates, for a term commencing from 29 May 2019 to 31 December 2021. The Software Development Services mainly include (i) the development of operational management software, (ii) Kaisa Group's customer membership management platform; and (iii) the relevant technical maintenance services.

For the year ended 31 December 2019, the total amount of fees payable by Kaisa Group for the Software Development Services amounted to RMB18,381,000, which is within the annual cap of RMB27,000,000.

On 6 March 2020, Shenzhen Chunyu Information Technology Co., Ltd* (深圳市春榆信息諮詢有限公司) ("Shenzhen Chunyu") a wholly owned subsidiary of Kaisa Holdings, entered into a capital injection agreement (the "Capital Injection Agreement") with Qijia Technology in relation to the capital injection of RMB8,327,000 to Qijia Technology by Shenzhen Chunyu (the "Capital Injection"). Following Completion, the equity interest in the Qijia Technology held by the Company will decrease from approximately 92.26% to approximately 45.20%. The Qijia Technology will cease to be a subsidiary of the Company and its results will no longer be consolidated into the consolidated financial statements of the Group. The Capital Injection constitutes a deemed disposal for the Company under Rule 14.29 of the Listing Rules.

The Software Development Services would no longer be considered as a continuing connected transaction after completion of the Capital Injection.

Details of the Software Development Services Framework Agreement and the Capital Injection Agreement have been set out in the announcements dated 29 May 2019 and 6 March 2020, respectively.

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 and comparable market statistics.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

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

Relationships with the Group's other stakeholders

The Group aims at delivering constantly high standards of quality in the services to its customers in order to stay competitive. Save as disclosed in this report, the Directors are not aware of any material and significant dispute between the Group and its customers during the year ended 31 December 2019.

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 2019 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, 26 March 2020

Independent Auditors' Report

Grant Thornton
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To the members of Kaisa Prosperity Holdings Limited (formerly known as 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 Prosperity Holdings Limited (formerly known as Kaisa Property Holdings Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages 87 to 170, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 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 4.1(ii) and note 20 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 aging, 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 20 to the consolidated financial statements, the carrying amount of trade receivables is RMB257,850,000 as at 31 December 2019, after netting-off the allowance of credit losses of RMB14,294,000. Allowance for credit losses of RMB2,972,000 for the year ended 31 December 2019 was recognised in profit or loss.	Obtaining an understanding on how the management assess the ECL of trade receivables by applying the ECL model; Testing the integrity of information used by the management to develop the provision matrix, including the aging 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.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2019 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

26 March 2020

Chiu Wing Ning
Practising Certificate No.: P04920

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	6	**1,261,909**	895,768
Direct operating expenses		**(883,498)**	(618,730)
Gross profit		**378,411**	277,038
Selling and marketing expenses		**(9,172)**	(5,160)
Administrative expenses		**(155,850)**	(152,188)
Other losses, net	7	**(4,241)**	(7,880)
Operating profit		**209,148**	111,810
Fair value loss on financial assets at fair value through profit or loss	19	**(2,089)**	–
Finance income/(expenses), net	9	**3,235**	(1,175)
Profit before income tax	10	**210,294**	110,635
Income tax expenses	11	**(43,225)**	(57,125)
Profit and total comprehensive income for the year		**167,069**	53,510
Profit and total comprehensive income attributable to:			
Owners of the Company		**163,898**	54,056
Non-controlling interests		**3,171**	(546)
		167,069	53,510
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
Basic	13(a)	**1.17**	0.50
Diluted	13(b)	**1.17**	0.50

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 93 to 170 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**18,746**	7,920
Intangible assets	16	**29,514**	6,579
Goodwill	16	**48,378**	5,534
Right-of-use assets	18	**4,242**	–
Financial assets at fair value through profit or loss	19	**34,404**	–
Other receivables	20	**135**	133
Deferred tax assets	28	**5,298**	3,153
		140,717	23,319
Current assets			
Trade receivables	20	**257,850**	181,218
Other receivables	20	**51,412**	59,347
Payments on behalf of residents	21	**31,151**	40,440
Contract assets	22	**55,991**	40,576
Amounts due from related parties	23	**1,008**	689
Restricted cash	24	**1,510**	617
Cash and cash equivalents	24	**753,945**	708,055
		1,152,867	1,030,942
Current liabilities			
Trade payables	25	**181,562**	115,249
Other payables	25	**269,033**	204,836
Contract liabilities	22	**74,004**	41,087
Amounts due to related parties	26	**1,277**	556
Dividend payable		**–**	128,000
Lease liabilities	27	**3,004**	–
Income tax payable		**49,966**	33,237
		578,846	522,965
Net current assets		**574,021**	507,977
Total assets less current liabilities		**714,738**	531,296

Consolidated Statement of Financial Position

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Other payables	25	**13,274**	3,981
Lease liabilities	27	**1,238**	–
Deferred tax liabilities	28	**11,378**	21,145
		25,890	25,126
Net assets		**688,848**	506,170
EQUITY			
Share capital	29	**1,232**	1,232
Reserves		**663,234**	505,502
Equity attributable to owners of the Company		**664,466**	506,734
Non-controlling interests		**24,382**	(564)
Total equity		**688,848**	506,170

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Approved and authorised for issue by the Board of Directors on 26 March 2020.

Liao Chuanqiang
Director

Guo Li
Director

The notes on pages 93 to 170 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Equity attributable to owners of the Company									
	Share capital RMB'000 (note 29)	Share premium RMB'000 (note c)	Other reserve RMB'000 (notes a and c)	Share-option reserves RMB'000 (note c)	Contribution reserve RMB'000 (note c)	Statutory reserve RMB'000 (note b and c)	Retained earnings RMB'000 (note c)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As 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 29)	9	5,609	–	–	–	–	–	5,618	–	5,618
Capitalisation issue of shares (note 29)	915	(915)	–	–	–	–	–	–	–	–
Issue of new shares pursuant to the initial public offering (note 29)	308	288,597	–	–	–	–	–	288,905	–	288,905
Net expense incurred in connection with issue of shares	–	(21,548)	–	–	–	–	–	(21,548)	–	(21,548)
Recognition of equity-settled share-based payment transactions (note 30)	–	–	–	–	2,224	–	–	2,224	–	2,224
Transfer to statutory reserve	–	–	–	–	–	36,135	(36,135)	–	–	–
Dividend declared	–	–	–	–	–	–	(128,000)	(128,000)	–	(128,000)
As at 31 December 2018 and 1 January 2019	**1,232**	**271,743**	**76,071**	**–**	**5,954**	**81,900**	**69,834**	**506,734**	**(564)**	**506,170**
Profit and total comprehensive income for the year	–	–	–	–	–	–	163,898	163,898	3,171	167,069
Acquisitions of subsidiaries	–	–	–	–	–	–	–	–	21,625	21,625
Recognition of equity-settled share-based payment transactions (note 30)	–	–	–	14,650	1,352	–	–	16,002	–	16,002
Transfer to statutory reserve	–	–	–	–	–	41,296	(41,296)	–	–	–
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	150	150
Dividend declared	–	–	–	–	–	–	(22,168)	(22,168)	–	(22,168)
Balance as at 31 December 2019	**1,232**	**271,743**	**76,071**	**14,650**	**7,306**	**123,196**	**170,268**	**664,466**	**24,382**	**688,848**

* 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 RMB663,234,000 as at 31 December 2019 (2018: RMB505,502,000), represents the amount of reserves as presented in the consolidated statement of financial position.

(d) The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 93 to 170 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Profit before income tax		**210,294**	110,635
Adjustments for:			
Amounts written off as uncollectible	7	**6,538**	1,593
Depreciation and amortisation	10	**10,880**	4,146
Fair value loss on financial assets at fair value through profit or loss		**2,089**	–
Dividend received from unlisted managed fund		**(978)**	–
Interest expense	9	**141**	13,898
Interest income	9	**(3,376)**	(12,723)
Net losses on disposal of property, plant and equipment	7	**345**	51
Provision for loss allowance	7	**4,831**	4,235
Equity-settled share-based payment expenses	30	**16,002**	2,224
Operating profit before working capital changes		**246,766**	124,059
(Increase)/decrease in trade and other receivables		**(7,933)**	350,592
Decrease in payments on behalf of residents		**6,397**	12,772
Increase in contract assets		**(15,415)**	(16,085)
Increase in amounts due from related parties		**(319)**	–
Increase in trade and other payables		**66,486**	18,189
Increase in contract liabilities		**23,108**	5,056
Increase in amounts due to related parties		**721**	–
Increase in restricted cash		**(893)**	(45)
Cash generated from operating activities		**318,918**	494,538
Interest paid		**–**	(12,631)
Income tax paid		**(44,866)**	(31,446)
Net cash from operating activities		**274,052**	450,461
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	31	**(24,170)**	–
Decrease in amounts due from related parties		**–**	310,980
Purchase of financial assets at fair value through profit or loss	19	**(35,993)**	–
Loan to third parties		**(69,832)**	–
Repayment of loan from a third party		**55,757**	–
Interest received		**2,516**	–
Dividend received from unlisted managed fund		**978**	
Proceeds from disposal of property, plant and equipment		**–**	24
Purchase of property, plant and equipment	15	**(5,552)**	(3,892)
Net cash (used in)/from investing activities		**(76,296)**	307,112

Consolidated Statement of Cash Flows

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Decrease in amounts due to fellow subsidiaries	33(a)	–	(190,826)
Net proceeds from issuance of shares upon initial public offering		–	267,357
Proceeds from issuance of shares		–	5,618
Decrease in restricted cash		–	502
Proceeds from other borrowings	33(a)	–	71,667
Capital injection by non-controlling interests		**150**	–
Interest paid		**(141)**	(1,267)
Dividend paid	14	**(150,168)**	–
Repayment of lease liabilities	27	**(3,822)**	–
Repayment of other borrowings	33(a)	–	(316,667)
Net cash used in financing activities		**(153,981)**	(163,616)
Net increase in cash and cash equivalents		**43,775**	593,957
Cash and cash equivalents at the beginning of the year		**708,055**	114,098
Effect of foreign exchange rate changes		**2,115**	–
Cash and cash equivalents at the end of the year, represented by cash and bank balances	24	**753,945**	708,055

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 93 to 170 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. CORPORATE INFORMATION

Kaisa Prosperity Holdings Limited (formerly known as 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 regard Kaisa Group Holdings Ltd. ("Kaisa Holdings") as the Company's ultimate holding company, a company incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange.

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

The consolidated financial statements for the year ended 31 December 2019 were approved for issue by the board of directors on 26 March 2020.

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

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

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss which is stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

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

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

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

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

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

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

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

In the Company's statement of financial position, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.5 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 2.13) 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%-33.33%
Motor vehicles	10%-20%
Buildings	2.5%-5%

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Goodwill

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

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.

2.7 Intangible assets (other than goodwill)

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

Mobile application	6 years
Customer relationships	10 years

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

Intangible assets with finite useful lives are tested for impairments as described below in note 2.8.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The following assets are subject to impairment testing:

– Goodwill arising on acquisition of subsidiaries;
– Other intangible assets;
– Property, plant and equipment; and
– Right-of-use assets

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 expenses, 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)

Financial assets at FVTPL

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

Classification and measurement of financial liabilities

The Group's financial liabilities include, trade and other payables, amounts due to related parties, dividend payable and lease liabilities.

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

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives 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 expenses or finance income.

Accounting policies of lease liabilities are set out in note 2.13.

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 and other payables, amounts due to related parties and dividend payable

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.13 Leases

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

Policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Leases (Continued)

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

Policy applicable from 1 January 2019 (Continued)

Measurement and recognition of leases as a lessee

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

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

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

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

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

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Leases (Continued)

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

Policy applicable before 1 January 2019

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.

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.

Operating leases

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.

(b) The Group as a lessor

The Group as a lessor

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

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

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)

Equity-settled share-based compensation benefits

Kaisa Holdings operates equity-settled share option schemes respectively, under which Kaisa Holdings receive 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 are 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 of Kaisa Holdings that are expected to ultimately vest. They recognise the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income of the Group, with a corresponding adjustment made to contribution from shareholder over the remaining vesting period.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

(i) Revenue (Continued)

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.

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 direct operating expenese. 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 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) Interest income

Interest 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.

3. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2019

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior years have been prepared and presented.

HKFRS 16 "Leases"

HKFRS 16 replaces HKAS 17 "Leases" ("HKAS 17") along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC) Int-15 "Operating Leases-Incentives" and HK(SIC) Int-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current year. Prior year has not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.75% per annum.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2019 (Continued)

HKFRS 16 "Leases" (Continued)

As a lessee

The following table is a reconciliation of total operating lease commitments at 31 December 2018 to the opening balance for lease liabilities recognised at 1 January 2019:

	RMB'000
Total operating lease commitments disclosed at 31 December 2018 (note 34)	7,681
Less: commitments relating to lease exempt from capitalisation:	
Short-term leases with remaining lease term ending on or before 31 December 2019	(5,740)
Operating leases liabilities before discounting	1,941
Less: discounting using incremental borrowing rate as at 1 January 2019	(86)
Total lease liabilities recognised at 1 January 2019	1,855
Classified as:	
Current lease liabilities	1,377
Non-current lease liabilities	478
	1,855

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	RMB'000
Increase in right-of-use assets (non-current asset)	1,855
Increase in lease liabilities (current liabilities)	(1,377)
Increase in lease liabilities (non-current liabilities)	(478)

As a lessor

Upon initial application of HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16. Comparative information is not restated.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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.

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[2]

1 Effective for annual periods beginning on or after 1 January 2020

2 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.

Amendments to HKFRS 3 "Definition of a business"

The amendments narrowed and clarified the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

Amendments to HKFRS 3 is effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;

- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and

- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group's consolidated financial statements.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, liquidity risk 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

	2019 RMB'000	2018 RMB'000
Financial assets at amortised cost:		
Trade receivables	**257,850**	181,218
Other receivables (excluding prepayments)	**44,953**	58,362
Payments on behalf of residents	**31,151**	40,440
Amounts due from related parties	**1,008**	689
Restricted cash	**1,510**	617
Cash and cash equivalents	**753,945**	708,055
Financial assets at FVTPL:		
Unlisted managed fund	**34,404**	–
	1,124,821	989,381
Financial liabilities at amortised cost:		
Trade payables	**181,562**	115,249
Other payables (excluding other tax payables)	**280,983**	201,734
Amounts due to related parties	**1,277**	556
Lease liabilities	**4,242**	–
Dividend payable	**–**	128,000
	468,064	445,539

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(i) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk mainly arises from restricted cash, cash and cash equivalents and lease liabilities. Lease liabilities 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 2019 and 2018.

(ii) Credit risk

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

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2019 and 2018 is the carrying amount as disclosed in note 4.1 above.

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 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 2019, the maximum exposure to loss of the amounts due from related companies was RMB145,184,000 (2018: RMB127,491,000).

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 2019 and 2018, the internal credit rating of contract assets and payments on behalf of residents were performing well. 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 2019, while only 5% and 25% (2018: 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 forward-looking information. Especially the following indicators are incorporated:

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

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 2019 and 2018, the loss allowance provision was determined as follows:

		2019		2018	
	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 (excluding trade receivables from related parties)					
Neither past due nor impaired	0%	**2,429**	**–**	331	–
Overdue within 1 year	5%	**99,589**	**4,979**	48,205	2,410
Overdue 1 to 2 years	25%	**14,195**	**3,549**	6,213	1,553
Overdue 2 to 3 years	35%	**5,146**	**1,801**	2,857	1,000
Overdue over 3 years	60%	**6,609**	**3,965**	4,433	2,660
		127,968	**14,294**	62,039	7,623

		2019		2018	
	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%	**12,178**	**122**	48,164	482
Other receivables and payments on behalf of residents					
Overdue within 1 year	5%	**55,254**	**2,763**	49,117	2,456
Overdue 1 to 2 years	25%	**14,890**	**3,722**	4,570	1,141
Overdue 2 to 3 years	35%	**467**	**163**	1,019	356
Overdue over 3 years	60%	**213**	**128**	918	551
		83,002	**6,898**	103,788	4,986

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 rates for the years ended 31 December 2019 and 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 2019 and 2018, the loss allowance provision for trade and other receivables, deposits and payments on behalf of residents (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables (excluding trade receivables from related parties) RMB'000	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 and 1 January 2019	7,623	4,986	12,609
Acquisition of subsidiaries	**3,699**	**53**	**3,752**
Provision for loss allowance recognised in profit or loss	**2,972**	**1,859**	**4,831**
At 31 December 2019	**14,294**	**6,898**	**21,192**

As at 31 December 2019, the gross carrying amount of trade and other receivables, (excluding trade receivables from related parties), deposits and payments on behalf of residents (excluding prepayments) was RMB210,970,000 (2018: RMB165,827,000) and thus the maximum exposure to loss was RMB189,778,000 (2018: RMB153,218,000) 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 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 2019 and 2018. 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 2019						
Trade payables	**181,562**	**–**	**–**	**–**	**181,562**	**181,562**
Other payables	**267,709**	**10,868**	**2,246**	**160**	**280,983**	**280,983**
Amounts due to related parties	**1,277**	**–**	**–**	**–**	**1,277**	**1,277**
Lease liabilities	**3,249**	**1,115**	**293**	**–**	**4,657**	**4,242**
	453,797	**11,983**	**2,539**	**160**	**468,479**	**468,064**
As at 31 December 2018						
Trade payables	115,249	–	–	–	115,249	115,249
Other payables	197,753	896	1,539	1,546	201,734	201,734
Amounts due to related parties	556	–	–	–	556	556
Dividend payable	128,000	–	–	–	128,000	128,000
	441,558	896	1,539	1,546	445,539	445,539

(iv) Foreign currency risk

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

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(iv) Foreign currency risk (Continued)

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

	2019 **RMB'000**	2018 RMB'000
Cash and cash equivalents	**148,944**	202,588
Other receivables	**15,193**	–
Financial assets at FVTPL	**34,404**	–
	198,541	202,588

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
2019			
HKD	**50 basis point**	**9,927**	**9,927**
2018			
HKD	50 basis point	7,597	7,597

4.2 Fair value estimation

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

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value hierarchy

The Group makes estimates and assumptions concerning the future.

During the year ended 31 December 2019, there were no transfers between level 1, 2 and 3 (Year ended 31 December 2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the reporting date in which they occur.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Financial assets at fair value through profit or loss	–	**34,404**	–	**34,404**

4.4 Fair value measurements using significant unobservable inputs (level 2)

Additions during the year ended 31 December 2019 mainly represented unlisted managed fund in Hong Kong.

Fair value loss on financial assets at FVTPL of RMB2,089,000 was included in the consolidated statement of profit or loss and other comprehensive income.

The fair value of unlisted managed fund of RMB34,404,000 as at 31 December 2019 (31 December 2018: Nil) in Level 2 is determined by reference to the net asset value of these investments prescribed by a financial institution.

4.5 Fair value of financial assets and financial liabilities at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2019 and 2018.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.6 Capital risk management

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

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as lease liabilities less cash and cash equivalents. 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

5.1 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.8, 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 Jiaxing Dashu Property Management Company Limited* (嘉興大樹物業管理有限公司) ("Jiaxing Dashu") and its subsidiary (collectively, the "Jiaxing Dashu Group"), Jiangsu Hengyuan Property Management Company Limited* (江蘇恒源物業管理有限公司) ("Jiangsu Hengyuan") and its subsidiary (collectively, the "Jiangsu Hengyuan Group") and Shenzhen Qijia Internet Technology Co., Ltd. ("Shenzhen Qijia")* (深圳市齊家互聯網科技有限公司) as set out in note 16 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.

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

The Group assesses whether there are any indicators of impairment for all non-financial assets 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 2019, the carrying amounts of the property, plant and equipment, intangible assets and right-of-use assets are RMB18,746,000, RMB29,514,000 and RMB4,242,000 (2018: RMB7,920,000,RMB6,579,000 and Nil) respectively.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Customer relationships identified in the business combination on respective acquisition date (note 31) is recognised as intangible assets (note 16). As at 31 December 2019, the carrying amount of the customer relationships identified in the acquisition was RMB24,251,000. Customer relationships primarily related to the existing contracts of acquirees on the acquisition date. A large portion of the existing contracts of acquirees are with no specific expiration date and the remaining contracts are with contract periods of one to five years. Based on past experience, termination or non-renewal of property management contracts with the property developers or property owners' association are uncommon. The Group thus estimates the useful life and determines the amortisation period of the customer relationship to be 10 years based on the expected contract duration of the property management contracts.

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

5.4 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. Please refers to note 11 for details.

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. Please refers to note 28 for details.

5.5 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 2019, the carrying amounts of trade receivables, deposit, other receivables and payment on behalf of residents are RMB257,850,000 (net of ECL allowance of RMB14,294,000) and RMB76,104,000 (net of ECL allowance of RMB6,898,000) (2018: RMB181,218,000 (net of ECL allowance of RMB7,623,000) and RMB98,802,000 (net of ECL allowance of RMB4,986,000) respectively.

5.6 Valuation of share options granted

The fair value of share options granted was calculated using Binomial option pricing model valuation model based on the Group management's significant inputs into calculation including an estimated life of share options granted to be four years, based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. For details of the key assumptions and input used, see note 30.

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT INFORMATION

6.1 Revenue

(a) Revenue mainly comprises of proceeds from provision of property management services, pre-delivery and consulting services, community value-added services and smart solution services. An analysis of the Group's revenue for the years ended 31 December 2019 and 2018 are as follows:

	2019		2018	
	Revenue RMB'000	Direct operating expenses RMB'000	Revenue RMB'000	Direct operating expenses RMB'000
Revenue from customers and recognised over time				
Property management services	559,555	406,599	375,937	251,880
Pre-delivery and consulting services	467,469	333,245	355,599	253,021
Community value-added services	121,481	64,305	81,672	52,533
Smart solution services	113,404	79,349	82,560	61,296
	1,261,909	883,498	895,768	618,730

For the year ended 31 December 2019, revenue from Kaisa Holdings and its subsidiaries (the "Kaisa Group") contributed 44% (2018: 50%) of the Group's revenue. Other than the transactions with Kaisa Group, none of the other transactions contributed 10% or more of the Group's revenue for the years ended 31 December 2019 and 2018.

The details of contract assets and contract liabilities were disclosed in note 22.

(b) **Unsatisfied performance obligations**

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December 2019 and 2018 are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	90,449	50,841
More than one year	46,322	24,408
	136,771	75,249

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 2019 and 2018, the Group engaged mainly in the provision of property management services, pre-delivery and consulting services, community value-added services and smart solution services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources allocations. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. Accordingly, all the Group's revenue were derived in the PRC for the years ended 31 December 2019 and 2018.

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

7. OTHER LOSSES, NET

	2019 **RMB'000**	2018 RMB'000
Unconditional government subsidy income (note)	**4,356**	1,727
Net losses on disposal of property, plant and equipment	**(345)**	(51)
Provision for loss allowance (notes 4.1 and 10)	**(4,831)**	(4,235)
Trade and other receivables and payment on behalf of residents written off as uncollectible	**(6,538)**	(1,593)
Dividend received from unlisted managed fund	**978**	–
Exchange gains/(losses), net	**1,859**	(3,465)
Others	**280**	(263)
	(4,241)	(7,880)

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

8. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 RMB'000	2018 RMB'000
Wages, salaries and other benefits	**503,797**	409,072
Equity-settled share-based payment expenses (note 30)	**16,002**	2,224
Contributions to defined contribution retirement plans	**30,539**	27,837
	550,338	439,133

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

9. FINANCE INCOME/(EXPENSES), NET

	2019 RMB'000	2018 RMB'000
Finance income		
Interest income from loans to third parties	**3,376**	–
Interest income from amount due from a fellow subsidiary of Kaisa Holdings	**–**	12,723
	3,376	12,723
Finance expenses		
Interest expense of lease liabilities	**(141)**	–
Interest expense of other borrowings	**–**	(13,898)
	(141)	(13,898)
Finance income/(expenses), net	**3,235**	(1,175)

10. PROFIT BEFORE INCOME TAX

	2019 RMB'000	2018 RMB'000
Profit before income tax has been arrived at after charging:		
Staff costs – including directors' emoluments (note 8)		
– Included in direct operating expenses	**440,172**	342,874
– Included in administrative expenses	**110,166**	96,259
Cost in relation to smart solution services	**78,821**	60,853
Lease charges		
– Land and buildings held under operating lease	**–**	48,273
– Short term leases as at initial application of HKFRS 16	**43,786**	–
Total lease charges	**43,786**	48,273
Other taxes	**5,870**	4,809
Business entertainment expenses	**3,633**	2,456
Depreciation		
– Property, plant and equipment (note 15)	**4,706**	2,830
– Right-of-use assets (note 18)	**3,822**	–
Amortisation of intangible assets (note 16)	**2,352**	1,316
Legal and professional fees	**3,190**	4,014
Listing expenses	**–**	30,182
Office expenses	**14,770**	9,519
Fair value losses on financial assets at FVTPL	**2,089**	–
Provision for loss allowance		
– Trade receivables (note 4.1)	**2,972**	3,168
– Deposits, other receivables and payments on behalf of residents (excluding prepayments) (note 4.1)	**1,859**	1,067
Trade and other receivables and payment of behalf of residents written off as uncollectible	**6,538**	1,593
Travelling expenses	**4,321**	4,037

11. INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000
Current income tax		
– PRC Corporate Income Tax	**41,028**	38,834
Deferred tax		
– PRC Corporate Income Tax (note 28)	**2,197**	18,291
	43,225	57,125

11. INCOME TAX EXPENSES (Continued)

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

	2019 RMB'000	2018 RMB'000
Profit before income tax	**210,294**	110,635
Tax on profit before income tax, calculated at the rate of 25%	**52,574**	27,659
Tax effects of:		
– different income tax rates of certain companies	**17**	2,620
– preferential income tax rates of certain companies	**(4,684)**	(2,364)
– non-deductible expenses	**6,322**	8,143
– tax loss not recognised	**88**	869
– utilisation of previously unutilised tax losses	**(4,092)**	(1,802)
– temporary difference arising from withholding tax for undistributed profits	**(7,000)**	22,000
Income tax expenses	**43,225**	57,125

PRC Corporate Income Tax

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

The general corporate income tax rate in the PRC is 25%. Provision for the PRC Corporate Income Tax for Kaisa Property Management (Chengdu) Co., Ltd.* (成都市佳兆業物業管理有限公司), Kaisa Property Management (Chongqing) Co., Ltd.* ("重慶市佳兆業物業管理有限公司") and Kaisa Property Management (Liuzhou) Co., Ltd.* ("柳州佳兆業物業管理有限公司") are calculated at 15% of the estimated assessable profits for both years ended 31 December 2019 and 2018. Those companies are qualified as the company under the development strategy of the PRC's western region and are able to enjoy a preferential income tax rate of 15%.

Shenzhen Jiake Intelligent Engineering Co., Ltd.* (深圳市佳科智能工程有限公司 has obtained the certificate of "High and New Technology Enterprise" ("HNTE") in December 2017, and it is subject to a reduced preferential enterprise income tax rate of 15% for 3-year period from 2017 to 2019.

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

PRC Withholding Income Tax

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

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

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 has no estimate assessable profits in Hong Kong for the years ended 31 December 2019 and 2018.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The group companies incorporated in the BVI were under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

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

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 2019 and 2018 are set out below:

	Year ended 31 December 2019					
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
Executive directors:						
Mr. Liao Chuanqiang (Chairman and President) (note b)	–	1,918	–	144	4,339	6,401
Ms. Guo Li (Vice President) (note b)	–	1,129	250	144	896	2,419
Mr. Weng Hao (note a)	–	77	–	–	–	77
Mr. Wu Jianxin (note a)	–	77	–	–	–	77
Independent non-executive directors:						
Mr. Liu Hongbai (note b)	–	161	–	–	75	236
Ms. Ma Xiumin (note b)	–	161	–	–	75	236
Mr. Chen Bin (note b)	–	161	–	–	75	236
	–	3,684	250	288	5,460	9,682

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

12.1 Directors' emoluments (Continued)

	Year ended 31 December 2018					
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
Executive directors:						
Mr. Liao Chuanqiang (Chairman and President) (note b)	–	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 b)	–	13	–	–	–	13
Ms. Ma Xiumin (note b)	–	13	–	–	–	13
Mr. Chen Bin (note b)	–	13	–	–	–	13
	–	2,730	370	262	2,224	5,586

Notes:

(a) Mr. Weng Hao and Wu Jianxin were appointed as executive directors of the Company on 21 February 2019.

(b) Equity-settled 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 directors under the share option scheme of the Company by the Company and the ultimate holding company are set out in note 30.

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 2019 and 2018.

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 (2018: two) executive directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2018: three) individuals during the year are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**2,894**	3,215
Bonuses	**558**	543
Equity-settled share-based payment	**1,682**	–
Retirement scheme contributions	**432**	416
	5,566	4,174

The above individuals' emoluments are within the following bands:

	2019	2018
RMB1,000,001 to RMB2,000,000	**2**	3
RMB2,000,001 to RMB3,000,000	**1**	–
	3	3

No directors or the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2019 and 2018. No directors or the five highest paid individuals have waived or agreed to waive any emoluments for the years ended 31 December 2019 and 2018.

13. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the years ended 31 December 2019 and 2018.

	2019	2018
Total profit attributable to owners of the Company (in RMB'000)	**163,898**	54,056
Weighted average number of ordinary share in issue	**140,000,000**	107,049,277
Basic earnings per share (note) (in RMB)	**1.17**	0.50

Note: The earnings per share as presented above is calculated using the weighted average number of ordinary share of 140,000,000 and 107,049,277 shares for the years ended 31 December 2019 and 2018 respectively.

13. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

	2019 RMB'000	2018 RMB'000
Weighted average number of ordinary shares in issue during the year	**140,000,000**	107,049,277
Effect of issue of shares under adjustment for share option scheme (note)	**–**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**140,000,000**	107,049,277
Diluted earnings per share (RMB)	**1.17**	0.50

Note:

The computation of diluted earnings per share for the year does not assume the conversion of the Company's outstanding share options granted on 19 July 2019 because the adjusted exercise price of those share options is higher than the average market price of the shares for the period from the date of grant to 31 December 2019 which is regarded as anti-dilutive. During the year ended 31 December 2018, the diluted earnings per share was equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue.

14. DIVIDEND

	2019 RMB'000	2018 RMB'000
Proposed final dividend (note (a) and (b))	**65,200**	22,168
Dividends to the then shareholders (note c)	**–**	128,000

(a) A final dividend in respect of the year ended 31 December 2019 of HK52.00 cents (equivalent to approximately RMB46.60 cents) per share was proposed at the Board meeting on 26 March 2020, totalling approximately HK$72,800,000 (equivalent to approximately RMB65,200,000) and was declared from share premium by the Company at the Board meeting held on 26 March 2020.

(b) A final dividend in respect of the year ended 31 December 2018 of HK18.00 cents (equivalent to approximately RMB15.83 cents) per share was proposed at the Board meeting on 25 March 2019, totalling approximately HK$25,200,000 (equivalent to approximately RMB22,168,000) and was declared from retained earnings by the Company at the Board meeting held on 25 March 2019 and approved by the shareholders at the Annual General Meeting held on 18 June 2019.

(c) During the year ended 31 December 2018, the Company declared dividends of RMB128,000,000 to the then shareholders before the reorganisation was completed. The dividend was distributed out of the company's retained earnings for the year ended 31 December 2018.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Furniture, fittings and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
As at 1 January 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 and 1 January 2019	**–**	**2,206**	**22,962**	**2,074**	**27,242**
Additions	**–**	**–**	**5,184**	**368**	**5,552**
Acquisitions of subsidiaries (note 31)	**1,737**	**–**	**12,811**	**545**	**15,093**
Disposals	**–**	**(369)**	**(1,337)**	**(26)**	**(1,732)**
As at 31 December 2019	**1,737**	**1,837**	**39,620**	**2,961**	**46,155**
Accumulated depreciation					
As at 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 and 1 January 2019	**–**	**1,709**	**16,029**	**1,584**	**19,322**
Acquisitions of subsidiaries (note 31)	**491**	**–**	**4,078**	**199**	**4,768**
Charge for the year (note 10)	**28**	**192**	**4,073**	**413**	**4,706**
Written back on disposals	**–**	**(100)**	**(1,263)**	**(24)**	**(1,387)**
As at 31 December 2019	**519**	**1,801**	**22,917**	**2,172**	**27,409**
Net book amount					
As at 31 December 2019	**1,218**	**36**	**16,703**	**789**	**18,746**
As at 31 December 2018	–	497	6,933	490	7,920

16. GOODWILL AND INTANGIBLE ASSETS

	Goodwill			Intangible assets			
	Property management services segment	Community value-added services segment	Sub-total	Mobile application	Customer relationships	Sub-total	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at 1 January and 31 December 2018	–	5,534	5,534	7,895	–	7,895	13,429
Acquisitions of subsidiaries (note 31)	42,844	–	42,844	–	25,287	25,287	68,131
As at 31 December 2019	**42,844**	**5,534**	**48,378**	**7,895**	**25,287**	**33,182**	**81,560**
Accumulated amortisation							
As at 1 January 2018	–	–	–	–	–	–	–
Amortisation	–	–	–	1,316	–	1,316	1,316
As at 31 December 2018 and 1 January 2019	–	–	–	1,316	–	1,316	1,316
Amortisation	–	–	–	1,316	1,036	2,352	2,352
As at 31 December 2019	**–**	**–**	**–**	**2,632**	**1,036**	**3,668**	**3,668**
Net book amount							
As at 31 December 2019	**42,844**	**5,534**	**48,378**	**5,263**	**24,251**	**29,514**	**77,892**
As at 31 December 2018	–	5,534	5,534	6,579	–	6,579	12,113

On 30 April 2019, the Group acquired 60% of the equity interests in the Jiaxing Dashu Group at a total consideration of RMB36,580,000. Total identifiable net assets of the Jiaxing Dashu Group contributed to the Group amounted to RMB29,333,000, including identified customer relationships of RMB12,287,000.

On 31 October 2019, the Group acquired 51% of the equity interests in the Jiangsu Hengyuan Group at a total consideration of approximately RMB34,160,000. Total identifiable net assets of the Jiangsu Hengyuan Group contributed to the Group amounted to RMB20,188,000, including identified customer relationships of RMB13,000,000.

The excess of the consideration paid over the fair value of the identifiable net assets acquired is recorded as goodwill (note 31).

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

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

16. GOODWILL AND INTANGIBLE ASSETS (Continued)

Independent valuations were performed by independent valuers to determine the amount of the mobile application and customer relationships recognised by the Group during the year ended 31 December 2019. Goodwill has been allocated to the cash-generating unit ("CGUs") of property management service segment in the Jiaxing Dashu Group's operations of RMB18,980,000 (2018: Nil) and in the Jiangsu Hengyuan Group's operations of RMB23,864,000 (2018: Nil).

The recoverable amount for the cash generating unit was determined based on value-in-use calculations covering a detailed five-year budget plan followed by an extrapolation of expected cash flows at the growth rates stated below. The growth rates reflect the long-term average growth rates for the product lines of the cash generating unit.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and other intangible assets as at 31 December 2019:

	2019	2018
Growth rate within the five-year period	**5-20%**	7-20%
Pre-tax discount rate	**17-27%**	28%
Terminal growth rate	**3%**	3%

As at 31 December 2019, the recoverable amounts of the property management business operated by the Jiaxing Dashu Group and the Jiangsu Hengyuan Group; and the value-added business operated by Shenzhen Qijia calculated based on value in use ("VIU") exceeded its carrying value. No impairment of goodwill was required.

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

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17. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2019 and 2018 are as follows:

Name of company	Place and date of incorporation/ establishment/ operations	Type of legal entity	Registered/Issued and fully paid capital	Percentage of ownership interests held by the Company 2019	2018	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%**	100%	Investment holding
Indirectly held by the Company						
Profit Victor Investments (Hong Kong) Limited ("益勝投資(香港)有限公司")	Hong Kong, 2 April 2012	Limited liability company	HKD10,000	**100%**	100%	Investment holding
Kaisa Property Group Company Limited* ("佳兆業物業集團有限公司")	The PRC, 21 December 2012	Limited liability company	RMB45,462,000	**100%**	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%**	100%	Property management
Kaisa Commercial Property Management (Shenzhen) Co., Ltd.* ("深圳市佳兆業商業物業管理有限公司")	The PRC, 8 May 2013	Limited liability company	RMB50,000,000	**100%**	100%	Property management
Shenzhen Jiake Intelligent 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%**	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%**	100%	Maintenance and repairing
Kaisa Property Management (Dongguan) Co., Ltd. ("東莞市佳兆業物業管理有限公司")	The PRC, 18 July 2007	Limited liability company	RMB3,000,000	**100%**	100%	Property management
Kaisa Property Management (Chengdu) Co., Ltd.* ("成都市佳兆業物業管理有限公司")	The PRC, 30 January 2008	Limited liability company	RMB30,000,000	**100%**	100%	Property management

17. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment/ operations	Type of legal entity	Registered/Issued and fully paid capital	Percentage of ownership interests held by the Company 2019	2018	Principal activities
Kaisa Property Management (Chongqing) Co., Ltd.* ("重慶市佳兆業物業管理有限公司")	The PRC, 11 July 2013	Limited liability company	RMB3,000,000	**100%**	100%	Property management
Kaisa Property Management (Huizhou) Co., Ltd.* ("惠州市佳兆業物業管理有限公司")	The PRC, 16 July 2013	Limited liability company	RMB500,000	**100%**	100%	Property management
Kaisa Property Management (Liuzhou) Co., Ltd.* ("柳州市佳兆業物業管理有限公司")	The PRC, 27 April 2017	Limited liability company	RMB500,000	**100%**	100%	Property management
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%**	92.26%	Development and sales of computer network
Taiyuan Kaisa Property Management Co., Ltd.* ("太原佳兆業物業管理有限公司")	The PRC, 27 June 2018	Limited liability company	RMB500,000	**51%**	51%	Property management
Ningbo Kaisa Property Management Co., Ltd.* ("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%**	51%	Property management
Jiaxing Dashu Property Management Company Limited * 嘉興大樹物業管理有限公司 (note a)	The PRC, 30 July 1999	Limited liability company	RMB5,000,000	**60%**	N/A	Property management
Jiaxing Rongshu Hotel Management Co., Ltd* 嘉興市融樹酒店管理有限公司 (note a)	The PRC, 11 September 2007	Limited liability company	RMB1,000,000	**60%**	N/A	Property management
Jiangsu Hengyuan Property Management Company Limited * 江蘇恒源物業管理有限公司 (note a)	The PRC, 29 June 2004	Limited liability company	RMB10,000,000	**51%**	N/A	Property management
Yancheng Hengyuan Sanitation Service Company Limited* 鹽城恒源環衛服務有限公司 (note a)	The PRC, 9 March 2017	Limited liability company	RMB1,000,000	**51%**	N/A	Property management

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

Notes to the Consolidated Financial Statements

17. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

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

	The Jiaxing Dashu Group As at 31 December 2019 RMB'000	The Jiangsu Hengyuan Group As at 31 December 2019 RMB'000
Proportion of ownership interests and voting rights held by the NCI	40.00%	49.00%
Current assets	58,774	20,548
Non-current assets	5,944	6,322
Current liabilities	(38,439)	(14,866)
Non-current liabilities	(77)	–
Net assets	26,202	12,004
Carrying amount of NCI	10,481	5,882
	For the period from 1 May 2019 to 31 December 2019 RMB'000	**For the period from 1 November 2019 to 31 December 2019 RMB'000**
Revenue	94,624	14,300
Total expenses	(89,540)	(12,897)
Profit for the period	5,084	1,403
Other comprehensive income for the period	–	–
Total comprehensive income for the period	5,084	1,403
Profit attributable to NCI	2,034	687
Total comprehensive income attributable to NCI	2,034	687
Net cash flows from operating activities	10,289	1,934
Net cash flows used in investing activities	(259)	(1,343)

There were no subsidiaries with material NCI as at 31 December 2018.

Note:

(a) Companies acquired during the year ended 31 December 2019.

* 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.

18. RIGHT-OF-USE ASSETS

Upon initial application of HKFRS 16, the right-of-use assets represents leases of properties in the PRC. The movements in their net carrying amounts are analysed as follows:

	2019 **RMB'000**
At 1 January 2019	**1,855**
Additions	**6,209**
Depreciation	**(3,822)**
Net book amount as at 31 December 2019	**4,242**

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL include the following:

	2019 **RMB'000**	2018 RMB'000
Unlisted managed fund – designated upon initial recognition (note)	**34,404**	–

The fair value of the Group's investments in unlisted managed fund has been measured as note 4.4.

Note:

The fair value measurement of such investments are classified as level 2 fair value hierarchy which are determined by reference to the net asset value of these investments prescribed by a financial institution.

Fair value losses on financial assets at FVTPL of RMB2,089,000 (2018: Nil) was included in the consolidated statement of profit or loss and other comprehensive income.

The Group did not have significant influence nor participate in the policy-making process and the operating and financial decisions of the unlisted managed fund as at 31 December 2019.

20. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables		
– from third parties	**127,968**	62,039
– from related parties (note 23)	**144,176**	126,802
	272,144	188,841
Less: loss allowance for trade receivables (note 4.1)	**(14,294)**	(7,623)
	257,850	181,218
Other receivables		
Other deposits	**12,178**	4,164
Deposit for acquisition of an investment	**–**	44,000
Prepayments	**6,594**	1,118
Loan to a third party (note c)	**15,193**	–
Payments on behalf of staff	**7,781**	6,280
Payments on behalf of residents under lump-sum basis	**10,236**	5,295
Others	**2,335**	695
Less: loss allowance for other receivables (note 4.1)	**(2,770)**	(2,072)
Total other receivables	**51,547**	59,480
Less: other receivables under non-current portion	**(135)**	(133)
Current portion	**51,412**	59,347

Note:

(a) All of the Group's trade and other receivables are denominated in RMB except for loan to a third party. The directors consider that the fair values of trade and other receivables under current portion are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

(b) Property management services income is received in accordance with the terms of the relevant service agreements and due for payment upon the issuance of demand note. Pre-delivery and consulting services and smart solution services are received in accordance with the terms of the relevant service agreements, and the Group normally allows an average credit period ranged from 15 days to 90 days to its customers.

(c) Loan to a third party is unsecured, interest-bearing at 12% per annum and repayable in June 2020.

20. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of the trade receivables before losses allowances as at 31 December 2019 and 2018 based on the invoice date is as follows:

	2019 **RMB'000**	2018 RMB'000
Within 180 days	**221,160**	167,881
181-365 days	**21,642**	7,456
1-2 years	**17,587**	6,213
2-3 years	**5,146**	2,857
Over 3 years	**6,609**	4,434
	272,144	188,841

The Group applies the simplified approach to provide for ECL of trade receivables prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB14,294,000 (2018: RMB7,623,000) was made against the gross amount of trade receivables and a provision of RMB2,770,000 (2018: RMB2,072,000) was made against the gross amount of other receivables.

21. PAYMENTS ON BEHALF OF RESIDENTS

	2019 **RMB'000**	2018 RMB'000
Payments on behalf of residents	**35,279**	43,354
Less: allowance for impairment of payments on behalf of residents (note 4.1)	**(4,128)**	(2,914)
	31,151	40,440

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 2019 and 2018, the payments on behalf of residents were denominated in RMB.

The Group applies the general approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB4,128,000 (2018: RMB2,914,000) respectively was made against the gross amount of payments on behalf of residents.

22. CONTRACT ASSETS/LIABILITIES

	2019 RMB'000	2018 RMB'000
Contract assets		
Contract assets related to smart solution services	**55,991**	40,576
Contract liabilities		
Contract liabilities related to smart solution services	**(10,984)**	(6,588)
Contract liabilities related to property management services	**(63,020)**	(34,499)
	(74,004)	(41,087)

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:

	2019 RMB'000	2018 RMB'000
Transfers from contract assets recognised at the beginning of the year to receivables	**(20,272)**	(14,751)
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**32,339**	30,981

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

23. AMOUNTS DUE FROM RELATED PARTIES

	2019 RMB'000	2018 RMB'000
Amounts due from fellow subsidiaries		
– Trade nature	**115,354**	118,753
– Non-trade nature	**1,008**	689
	116,362	119,442
Amounts due from joint ventures of fellow subsidiaries		
– Trade nature	**14,640**	7,730
Amount due from related companies		
– Trade nature	**14,182**	319
	145,184	127,491

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.

	2019 RMB'000	2018 RMB'000
Within 180 days	**131,615**	126,802
181-365 days	**9,169**	–
1-2 years	**3,392**	–
	144,176	126,802

The non-trade nature of amounts due from fellow subsidiaries, joint ventures of fellow subsidiaries and related companies are unsecured, interest-free and-repayable on demand as at 31 December 2019 and 2018.

As at 31 December 2019 and 2018, amounts due from related parties were denominated in RMB.

24. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

Cash and bank balances are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
Denominated in – RMB	**606,511**	506,084
Denominated in – HKD	**148,944**	202,588
	755,455	708,672
Less: Restricted cash (note)	**(1,510)**	(617)
Cash and cash equivalents	**753,945**	708,055

Note: As at 31 December 2019 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 RMB49,000 (2018: RMB32,000) respectively, maintenance fund held on behalf of the residents amounting to RMB497,000 (2018: RMB585,000) and guarantee deposits for the use of bank service outside mainland China amounting to RMB964,000 (2018: Nil) respectively.

Included in bank and cash balances of the Group is RMB606,511,000 (2018: RMB506,084,000) 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.

25. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables		
– from third parties	**140,712**	86,549
– from related parties (note 26)	**40,850**	28,700
	181,562	115,249
Other payables		
Consideration payables for acquisition of a subsidiary	**27,328**	–
Accrued listing expenses	–	12,414
Accrued staff costs	**93,471**	68,798
Other tax payables	**1,324**	7,083
Deposits received	**54,116**	36,416
Receipt on behalf of residents	**68,032**	62,998
Other payables and accruals	**38,036**	21,108
Total other payables	**282,307**	208,817
Less: non-current portion		
Other payables	**(3,026)**	(3,981)
Consideration payables for acquisition of a subsidiary	**(10,248)**	–
Total other payables under non-current portion	**(13,274)**	(3,981)
Current portion	**269,033**	204,836

Included in trade payables were amounts due to the Group's suppliers. The outstanding balances were trading in nature and credit periods ranging from 30-180 days were granted. Based on the invoice dates, the ageing analysis of the trade payables as at 31 December 2019 and 2018 were as follows:

	2019 RMB'000	2018 RMB'000
Within 90 days	**124,092**	77,185
91-180 days	**22,316**	26,159
181-270 days	**11,015**	7,371
271-365 days	**7,370**	3,493
Over 365 days	**16,769**	1,041
	181,562	115,249

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26. AMOUNTS DUE TO RELATED PARTIES

	2019 **RMB'000**	2018 RMB'000
Amounts due to related parties		
– Trade nature	**40,850**	28,700
– Non trade nature	**1,277**	556
	42,127	29,256

The following is the aging analysis of amounts due to related parties (trade nature) based on invoice date presented at the end of the reporting date:

	2019 **RMB'000**	2018 RMB'000
Within 90 days	**10,867**	8,810
91-180 days	**6,855**	12,859
181-270 days	**4,547**	4,861
271-365 days	**4,926**	2,170
Over 365 days	**13,655**	–
	40,850	28,700

The amounts due to related parties are unsecured, interest-free and repayable on demand.

27. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities (2018: Nil):

	As at 31 December 2019 RMB'000 (Note)
Total minimum lease payments:	
Due within one year	**3,249**
Due in the second to fifth years	**1,408**
	4,657
Future finance charges on leases liabilities	**(415)**
Present value of leases liabilities	**4,242**

	As at 31 December 2019 RMB'000 (Note)
Present value of minimum lease payments:	
Due within one year	**3,004**
Due in the second to fifth years	**1,238**
	4,242
Less:	
Portion due within one year included under current liabilities	**(3,004)**
Portion due after one year included under non-current liabilities	**1,238**

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Details for transitions to HKFRS 16 are set out in note 3.

Details of the lease activities

During the year ended 31 December 2019, the Group entered into 15 new lease agreement for office uses for one to five years. All leases are subjected to monthly fixed rental payment.

The Group considered these lease do no have any extension or termination options.

During the year ended 31 December 2019, the total cash outflows for the leases are RMB47,749,000.

28. DEFERRED TAX ASSETS/LIABILITIES

	2019 RMB'000	2018 RMB'000
Deferred tax assets:		
Balance at beginning of year	**3,153**	2,273
Credited to the consolidated statements of profit or loss and other comprehensive income (note 11)	**1,215**	880
Acquisitions of subsidiaries (note 31)	**930**	–
Balance at end of year	**5,298**	3,153
Deferred tax liabilities:		
Balance at beginning of year	**(21,145)**	(1,974)
Debited to the consolidated statements of profit or loss and other comprehensive income (note 11)	**(3,412)**	(19,171)
Settlement of withholding tax	**19,500**	–
Acquisitions of subsidiaries (note 31)	**(6,321)**	–
Balance at end of year	**(11,378)**	(21,145)

Deferred tax assets and liabilities are attributable to the following:

	2019 RMB'000	2018 RMB'000
Assets		
Provision for loss allowance	**5,298**	3,153
Liabilities		
Fair value changes of intangible asset	**(7,378)**	(1,645)
Withholding tax for undistributed profits	**(4,000)**	(19,500)
Net tax liabilities	**(11,378)**	(21,145)

The EIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by the PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Since the Group controls the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

A lower 5% withholding tax rate can be applied to the immediate holding company of the PRC subsidiaries, which is incorporated in Hong Kong, according to the tax treaty arrangements between the PRC and Hong Kong.

28. DEFERRED TAX ASSETS/LIABILITIES (Continued)

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

The Group has unrecognised tax losses of RMB48,489,000 (2018: 65,774,000) to carry forward against future taxable income. These tax losses will be expired between 2020 to 2024.

29. SHARE CAPITAL

Ordinary shares of HKD0.01 each	No. of shares	RMB'000
Authorised:		
At 1 January 2018	38,000,000	321
Increased on 12 November 2018 (note (b))	462,000,000	4,079
As at 31 December 2019 and 2018	500,000,000	4,400
Issued and fully paid:		
At 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, 1 January and 31 December 2019	**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 HKD 1,041,000 (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.

30. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

(a) Share option scheme granted by the Company

Pursuant to the shareholders' resolution passed on 18 June 2019, a share option scheme was conditionally adopted. Pursuant to the terms of the share option scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options granted and yet to be exercised under the share option scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the share option scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant.

The exercise price of the option under the share option scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

Details of the movement of the share options under share option scheme are as follows:

	Weighted average exercise price in HKD per share	Number
At 1 January	–	–
Granted during the year	15.7	11,450,000
As at 31 December 2019	**15.7**	**11,450,000**

On 19 July 2019, the Company offered to grant to the directors of the Company and certain employees of the Group (the "July 2019 Grant") of 2,750,000 and 8,700,000 share options respectively, of HKD0.1 each in the capital of the Company.

30. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme granted by the Company (Continued)

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

	July 2019 Grant
Fair value under binomial model	HKD84,805,000
Closing share price at grant date	HKD15.70
Exercise price	HKD15.70
Annual risk free interest rate	1.87%
Expected volatility	50.86%
Expected option life	10 years
Expected dividend yield	1.15%

Expected volatility was determined by using the historical volatility of the Company's share price from the listing date to the grant date. The risk free interest rate is equal to HKD swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Expected dividend yield are based on historical data.

In total, RMB14,650,000 of employee compensation expense has been recognised in profit or loss for the year ended 31 December 2019 (2018: Nil) and the corresponding amount of which has been credited to "share option reserve". No liabilities were recognised for the share-based payment transactions.

As at 31 December 2019, none of the outstanding options granted under the share option scheme were exercisable (2018: Nil).

Note:

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

Exercise period	Exercise price per share HKD	Number of share options outstanding as at 31 December 2019
19/7/2020-18/7/2029	15.70	2,290,000
19/7/2021-18/7/2029	15.70	2,290,000
19/7/2022-18/7/2029	15.70	2,290,000
19/7/2023-18/7/2029	15.70	4,580,000
		11,450,000

Notes to the Consolidated Financial Statements

30. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Share option scheme granted by the ultimate holding company

The share option schemes of its ultimate holding company, Kaisa Holdings was adopted pursuant to its resolution passed on 22 November 2009 and expired on 21 November 2019. Pursuant to the terms of the share option scheme, the board of directors of Kaisa Holdings may, at its discretion, grant options to any eligible person (including directors, employees, officers of any member of 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:

	2019		2018	
	Weighted average exercise price in HKD per share	**Number**	Weighted average exercise price in HKD per share	Number
At beginning and the end of year	**2.847**	**6,160,000**	2.847	6,160,000

30. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Share Option Scheme granted by the ultimate holding company (Continued)

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Note:

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

Exercise period	Exercise price per share HKD	Number of share options 2019	2018
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

As at 31 December 2019, 3,760,000 of the outstanding options granted under the share option scheme were exercisable (2018: 2,960,000).

The Group recognised a share option expense of RMB1,352,000 (2018: RMB2,224,000) during the year ended 31 December 2019.

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31. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of the Jiaxing Dashu Group

On 30 April 2019, the Group acquired 60% equity interest in the Jiaxing Dashu Group at total consideration of RMB36,580,000. The Jiaxing Dashu Group is principally engaged in the business of property management including residential communities, offices and commercial buildings, government facilities and other non-residential projects. Goodwill of RMB18,980,000 arose from expected future development of the Jiaxing Dashu Group's business and improvement on market coverage.

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

	2019 RMB'000
Debtors, deposits and other receivables	**36,158**
Property, plant and equipment	**5,334**
Deferred tax assets	**681**
Intangible assets	**12,287**
Cash and bank balances	**16,896**
Trade and other payables	**(30,110)**
Deferred tax liabilities	**(3,071)**
Contract liabilities	**(7,873)**
Income tax payables	**(969)**
Total identifiable net assets at fair value	**29,333**
Less: non-controlling interests	**(11,733)**
Identifiable net assets acquired	**17,600**
Goodwill	**18,980**
Total purchase consideration	**36,580**
Purchase consideration settled in cash	**36,580**
Cash and bank balances in subsidiaries acquired	**(16,896)**
Cash outflow on acquisition of a subsidiary	**19,684**

(i) The Jiaxing Dashu Group contributed revenues of RMB94,624,000 and net profit of RMB5,084,000 to the Group for the period from 1 May 2019 to 31 December 2019. If the acquisition had occurred on 1 January 2019, the Group's consolidated revenue and consolidated profit for the period would have been increased by RMB37,530,000 and decreased by RMB1,567,000 respectively.

(ii) Intangible assets of customer relationship of RMB12,287,000 in relation to the acquisition of the Jiaxing Dashu Group has been recognised by the Group.

31. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisition of the Jiangsu Hengyuan Group

On 31 October 2019, the Group acquired 51% equity interest in the Jiangsu Hengyuan Group at total consideration of approximately RMB34,160,000. The Jiangsu Hengyuan Group is principally engaged in the business of property management including residential communities, office and commercial buildings, government facilities and other non-residential projects. Goodwill of RMB23,864,000 arose from expected future development of the Jiangsu Hengyuan Group's business and improvement on market coverage.

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

	2019 RMB'000
Debtors, deposits and other receivables	20,765
Property, plant and equipment	4,991
Deferred tax assets	249
Intangible assets	13,000
Cash and bank balances	2,346
Trade and other payables	(15,879)
Deferred tax liabilities	(3,250)
Contract liabilities	(1,936)
Income tax payables	(98)
Total identifiable net assets at fair value	20,188
Less: non-controlling interests	(9,892)
Identifiable net assets acquired	10,296
Goodwill	23,864
Total purchase consideration	34,160
Consideration transferred	34,160
Consideration payable	(27,328)
Purchase consideration settled in cash (note)	6,832
Cash and bank balances in subsidiaries acquired	(2,346)
Cash outflow on acquisition of a subsidiary	4,486

(i) The Jiangsu Hengyuan Group contributed revenues of RMB14,300,000 and net profit of RMB1,403,000 to the Group for the period from 1 November 2019 to 31 December 2019. If the acquisition had occurred on 1 January 2019, the Group's consolidated revenue and consolidated profit for the period would have been increased by RMB65,200,000 and decreased by RMB1,812,000 respectively.

(ii) Intangible assets of customer relationship of RMB13,000,000 in relation to the acquisition of the Jiangsu Hengyuan Group has been recognised by the Group.

(iii) The consideration for the acquisition of approximately RMB34,160,000 is subjected to downward adjustment of certain performance targets of the Jiangsu Hengyuan Group. With reference to the Company's announcement on 31 October 2019 and supplemental announcement on 14 November 2019, the Group may, at its discretion, terminate the agreement or re-negotiate for a lower consideration with the vendors. However, the directors of the Company consider that the probability of not meeting these performance target is low. The fair value of contingent consideration receivable is considered as minimal.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2019** **RMB'000**	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary		**246,749**	246,749
Financial assets at fair value through profit or loss		**34,404**	–
		281,153	246,749
Current assets			
Other receivables		**14,433**	44,000
Dividend receivables		**120,000**	101,658
Amounts due from subsidiaries		**86,201**	49,893
Cash and cash equivalents		**106,460**	202,555
		327,094	398,106
Current liabilities			
Other payables		**6,129**	10,685
Dividend payable		**–**	128,000
		6,129	138,685
Net current assets		**320,965**	259,421
Total assets less current liabilities		**602,118**	506,170
Net assets		**602,118**	506,170
EQUITY			
Share capital	29	**1,232**	1,232
Reserves (note)		**600,886**	504,938
Total equity		**602,118**	506,170

Approved and authorised for issue by the Board of Directors on 26 March 2020.

Liao Chuanqiang *Director*	**Guo Li** *Director*

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of the Company's share capital and reserves are as follows:

	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Total RMB'000
As 1 January 2018	–*	–*	–	303,950	303,950
Profit and total comprehensive income for the year	–	–	–	57,245	57,245
Issue of new shares (note 29)	9	5,609	–	–	5,618
Capitalisation issue of shares (note 29)	915	(915)	–	–	–
Issue of new shares pursuant to the initial public offering (note 29)	308	288,597	–	–	288,905
Expense incurred in connection with issue of shares	–	(21,548)	–	–	(21,548)
Dividend declared	–	–	–	(128,000)	(128,000)
As at 31 December 2018 and 1 January 2019	**1,232**	**271,743**	**–**	**233,195**	**506,170**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**103,466**	**103,466**
Recognition of equity-settled share-based payment transactions (note 30)	**–**	**–**	**14,650**	**–**	**14,650**
Dividend declared	**–**	**–**	**–**	**(22,168)**	**(22,168)**
Balance as at 31 December 2019	**1,232**	**271,743**	**14,650**	**314,493**	**602,118**

* Amount less than RMB1,000.

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33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

	Lease liabilities RMB'000	Amounts due to related parties RMB'000	Other borrowings RMB'000
At 1 January 2018	–	190,826	325,000
Changes from financing cash flows:			
Proceeds from other borrowings	–	–	71,667
Repayment of other borrowings	–	–	(316,667)
Decrease in amounts due to related parties		(190,826)	
Total changes from financing cash flows	–	–	80,000
Repayment made by a fellow subsidiary on behalf of the Group (note a)	–	–	(80,000)
At 31 December 2018 and 1 January 2019	–	–	–
Impact on initial application of HKFRS16 (note 3)	1,855	–	–
At 1 January 2019, adjusted changes from financial cash flows:			
Interest paid	**(141)**	–	–
Repayment of lease liabilities	**(3,822)**	–	–
Increase in amounts due to related parties	–	–	–
Total changes from financial cash flow	**(2,108)**	–	–
Other changes:			
Increase in lease liabilities (note b)	**6,209**	–	–
Finance expenses (note 10)	**141**	–	–
At 31 December 2019	**4,242**	–	–

Note:

Material non-cash transactions

(a) During the year ended 31 December 2018, other borrowings of RMB80,000,000 was settled through amounts due from related parties.

(b) During the year ended 31 December 2019, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to RMB6,209,000 was recognised at the lease commencement date.

34. LEASE COMMITMENTS

The Group as lessee

At the reporting date, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	2019 RMB'000	2018 RMB'000
Buildings:		
Within one year	**2,595**	6,074
In the second to fifth years	–	1,607
	2,595	7,681

As at 31 December 2019, the Group leased properties under operating leases, which are qualified to be accounted for under short term lease exemption under HKFRS 16. The lease run for an initial period of one year, 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.

As at 31 December 2018, the Group leased a number of offices under operating leases. The leases 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 as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

The Group as lessor

As at 31 December 2019 and 2018, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of buildings as follows:

	2019 RMB'000	2018 RMB'000
Buildings:		
Within one year	**779**	308
In the second to fifth years	**51**	396
	830	704

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
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
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.*深圳市阪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

Notes to the Consolidated Financial Statements

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
Shanghai Yuwan Zhaoye Real Estate Development Company Limited* 上海裕灣兆業房地產開發有限公司
Hengyang Hengji Housing Co., Ltd* 衡陽恒基置業有限公司
Suzhou Tongjie Real Estate Development Company Limited* 蘇州市同佳房地產開發有限公司
Chengdu Jiaruihua Real Estate Development Company Limited* 成都佳瑞華房地產開發有限公司
Chongqing Xinshitong Real Estate Development Company Limited* 重慶市新事通房地產開發有限公司
Zhaoxing Mingyue Housing Co., Ltd* 紹興明悦置業有限公司
Ruizhong Jiayue Real Estate Development Company Limited* 綏中佳悦房地產開發有限公司
Xiaogan Jieyue Electronics Co., Ltd* 孝感佳悦電子科技有限公司
Kaisa Chuangxiangxu (Chengdu) Technology Co., Ltd* 佳兆業創享域科技(成都)有限公司
Qingdao Jiake Real Estate Development Company Limited* 青島佳科房地產開發有限公司
Chengdu Shengshi Huangchou Housing Co., Ltd* 成都盛世凰巢置業有限公司
Dalian Shizhan Real Estate Development Company Limited* 大連世展房地產開發有限公司
Kaisa Chuangxiangjia (Guangzhou) Technology Co., Ltd* 佳兆業創享家科技(廣州)有限公司
Chongqing Xinzhaoxin Development Co., Ltd* 重慶新兆鑫實業有限公司
Shenzhen Longfei Textile Industries Co., Ltd* 深圳市龍飛紡織工業有限責任公司
Lejie Electronics (Shenzhen) Co., Ltd* 樂捷電子產品(深圳)有限公司
Shenzhen Kaisa Sanshun Development Co., Ltd* 深圳市佳兆業三順實業發展有限公司
Huaraocheng (Luoyang) Development Co., Ltd* 華耀城(洛陽)實業有限公司
Hainan Hongan Development Co., Ltd* 海南弘安實業有限公司
Shenzhen Jingjie City Renewal Co., Ltd* 深圳市景佳城市更新有限公司
Shenzhen Dashengtong Housing Co., Ltd* 深圳市達盛通置業有限公司
Kaisa Chuangxiang Space (Shenzhen) Technology Co., Ltd* 佳兆業創享空間科技(深圳)有限公司
Shenzhen Sanlian Kendu Medicine Co., Ltd* 深圳三聯肯渡製藥股份有限公司
Kaisa Chuangxiangxu (Shenzhen) Technology Co., Ltd* 佳兆業創享域科技(深圳)有限責任公司
Shenzhen Haorun Real Estate Co., Ltd* 深圳市昊潤房地產有限公司

35. RELATED PARTY TRANSACTIONS (Continued)

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

Fellow subsidiaries of the Group (Continued)

Suzhou Jiayuan Huafu Real Estate Development Company Limited* 蘇州市佳源華府房地產開發有限公司
Zhuhai Haohui Commercial Services Co., Ltd* 珠海浩輝商務服務有限公司
Hunan Yongxu Housing Co., Ltd* 湖南永域置業有限公司
Guangzhou Kaisa City Renewal Group Co., Ltd* 廣州佳兆業城市更新集團有限公司
Guangzhou Kaisa Weizhi Real Estate Co., Ltd* 廣州市佳兆業偉至房地產有限責任公司
Guangzhou Zhaohui Real Estate Development Company Limited* 廣州市兆輝房地產開發有限公司
Xinhai Tea Co., Ltd* 興海茶業有限責任公司
Kaisa Investment (Guangzhou) Co., Ltd* 佳兆業投資發展(廣州)有限公司
Foshan Kaisa Housing Development Co., Ltd* 佛山佳兆業置業發展有限公司
Kaisa Chuangxiangxu (Huizhou) Technology Co., Ltd* 佳兆業創享域科技(惠州)有限責任公司
Hangzhou Jiayu Housing Co., Ltd* 杭州佳裕置業有限公司
Kaisa Cultural Sports (Shenzhen) Co., Ltd* 佳兆業文化體育(深圳)有限公司
Kaisa Cultural Club Management Co., Ltd* 佳兆業文化場館管理(深圳)有限公司
Kaisa Culttual Development (Foshan) Co., Ltd* 佳兆業文體產業(佛山)有限公司
Kaisa Property (Hangzhou) Co., Ltd* 佳兆業房地產(杭州)有限公司
Chongzuo Kaisa Sports Development Co., Ltd* 崇左市佳兆業體育文化發展有限公司
Zhongshan Fuze Real Estate Development Company Limited* 中山富澤房地產開發有限公司
Zhongshan Fugang Real Estate Development Company Limited* 中山富港房地產開發有限公司
Zhongshan Runbang Real Estate Development Company Limited* 中山市潤邦房地產開發有限公司
Zhongshan Jiaxu Real Estate Development Company Limited* 中山佳旭房地產開發有限公司
Yunan Kaisa Real Estate Development Company Limited* 雲南佳兆業房地產開發有限公司
Bazhou Yujingxuan Real Estate Development Company Limited* 霸州市裕景軒房地產開發有限公司
Nanjing Kaisa Jiayu Real Estate Development Company Limited* 南京佳兆業佳籞房地產開發有限公司
Nanjing Jiaqi Real Estate Development Company Limited* 南京佳期房地產開發有限公司
Lingbo Kangzheng Housing Co., Ltd* 寧波康正置業有限公司
Shenzhen Camilla Foods Co., Ltd* 深圳嘉美軒食品有限公司
Shanghai Kaisa Housing Development Co., Ltd* 上海佳兆業置業發展有限公司
Shanghai Chuangzhen Technology Co., Ltd* 上海創震科技有限責任公司
Chengdu Huaguan Keheng Technology Co., Ltd* 成都華冠可恒科技有限公司
Chengdu Jinhei Shengrong Real Estate Development Company Limited* 成都錦熙晟榮房地產開發有限公司
Zhangjiagong Kaisa Shangpin Real Estate Development Company Limited* 張家港市佳兆業上品房地產開發有限公司
Wuhan Kaisa Culture and Sports Co. Ltd* 武漢佳兆業文化體育有限公司
Pinggu Nuoxin Housing (Dalian) Co., Ltd* 平谷諾信置業(大連)有限公司
Warehouse One Materials (Shenzhen) Co., Ltd* 一號倉材料(深圳)有限公司
Shenlian Industry Development (Shenzhen) Co., Ltd* 深聯實業(深圳)有限公司
Shenzhen Kaisa Tea Co., Ltd* 深圳佳兆業茶業有限公司
Mega Health Trade (Shenzhen) Co., Ltd* 美加健康貿易(深圳)有限公司
Kaisa Nuoying Education (Shenzhen) Co., Ltd* 佳兆業諾英教育(深圳)有限公司
Guangzhou Kaisa Supermarket Co., Ltd* 廣州市佳兆業超級市場有限公司
Kaisa Travel Development Co., Ltd* 佳兆業旅遊發展(惠州)有限公司
Huizhou Jiashang Investment Co., Ltd* 惠州市佳尚投資有限公司

35. RELATED PARTY TRANSACTIONS (Continued)

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

Fellow subsidiaries of the Group (Continued)

Huizhou Zhichunli Housing Co., Ltd* 惠州知春裡置業有限公司
Zhongshan Jiabang Real Estate Development Company Limited* 中山市佳邦房地產開發有限公司
Zhongshan Zhaoyuan Real Estate Development Company Limited* 中山市兆元房地產開發有限公司
Zhongshan Zhaojing Real Estate Development Company Limited* 中山市兆景房地產開發有限公司
Shenzhen Kaisa Xinsiu City Renewal Co., Ltd* 深圳市佳兆業新秀城市更新有限公司
Shenzhen Qiyou Kaisa Development Co., Ltd* 深圳市祺佑佳兆業實業發展有限公司
Shenzhen Jiayou Fangchun Development Co., Ltd* 深圳市嘉佑芳春實業發展有限公司
Shenzhen Jiayou Jinfeng Development Co., Ltd* 深圳市嘉佑金楓實業發展有限公司
Shenzhen Xin'an Kaisa Real Estate Development Company Limited* 深圳市新安佳兆業房地產開發有限公司
Shenzhen Guangming Kiasa Housing Development Co., Ltd* 深圳市光明佳兆業置業發展有限公司
Shenzhen Gongming Kaisa Housing Development Co., Ltd* 深圳市公明佳兆業置業發展有限公司
Kaisa Culture Group (Shenzhen) Co., Ltd* 佳兆業文體集團（深圳）有限公司
Kaisa A.I. Technology (Shenzhen) Co., Ltd* 佳兆業人工智慧創新科技（深圳）有限公司
Shenzhen Wanyuntong Real Estate Development Company Limited* 深圳市萬運通房地產開發有限公司
Chongqing Kunzhourun Housing Development Co., Ltd* 重慶琨洲潤置業發展有限公司
Guangzhou Jingsheng Real Estate Development Company Limited* 廣州市景晟房地產開發有限公司
Dongguan Zhaodeling Real Estate Development Company Limited* 東莞市兆德嶺房地產開發有限公司
Shenzhen Baoan Kaisa Housing Development Co., Ltd* 深圳市寶安佳兆業置業發展有限公司
Kaisa Properties (Wuhan) Co., Ltd* 佳兆業地產（武漢）有限公司
Shenzhen Kaisa Supermarket Co., Ltd* 深圳市佳兆業超級市場有限公司
Foshan Nanhai Yujia Real Estate Development Company Limited* 佛山市南海區宇佳房地產開發有限公司
Shenzhen Xingyue Property Management Co., Ltd* 深圳市星越物業管理有限責任公司
Guangzhou Rongxin Real Estate Development Company Limited* 廣州市融信房地產開發有限公司
Heyuan Litong Investment Enquiry Service Co., Ltd* 河源市理通投資諮詢有限公司
Anshn Kaisa Studio Co. Ltd* 鞍山佳兆業影城有限公司
Hainan Kaisa Holdings Co., Ltd* 海南佳兆業實業集團有限公司
Qingyuan Delun Housing Co., Ltd* 清遠德倫置業有限公司
Shijiazhuang Guizeye Real Estate Development Company Limited* 石家莊桂澤業房地產開發有限公司
Shenzhen Zhansheng Investment Co., Ltd* 深圳市展昇投資有限公司
Shenzhen Chunyu Information Technology Co., Ltd* 深圳市春榆信息諮詢有限公司
Beijing Haili Insurance Agents Co., Ltd* 北京海力保險經紀有限公司
Huidong Zhaochang Development Co., Ltd* 惠東縣兆昌實業發展有限公司
Guangzhou Kaisa Professional Management Co., Ltd* 廣州市佳兆業專業市場管理有限公司
Guangzhou Huidefeng Professional Management Co., Ltd* 廣州市匯德豐專業市場管理有限公司
Shenzhen Kaisa Chengzhong Jiahua Development Co., Ltd* 深圳市佳兆業城中佳畫發展有限公司
Chuangxiangjie Commercial Services (Shenzhen) Co., Ltd* 創享界商務服務（深圳）有限公司
Kaisa Technology (Xiaogan) Co., Ltd* 佳兆業科技產業（孝感）有限公司
Guangzhou Mosi Development Co., Ltd* 廣州摩思文化發展有限公司
Lehua Culture and Sports Development Co., Ltd* 樂火文化體育發展有限公司
Huizhou Kaisa Wanrui Real Estate Co., Ltd* 惠州市佳兆業萬瑞置業有限公司
Kaisa Cultural Media Co., Ltd* 佳兆業文化傳媒有限公司
Kaisa Financial Group Company Limited 佳兆業金融集團有限公司

35. RELATED PARTY TRANSACTIONS (Continued)

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

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
Shenzhen Shenxin Wealth Management Co., Ltd* 深圳深信財富管理有限公司
Shenzhen Shenxin Capital Management Co., Ltd* 深圳市深信資本管理有限公司
Foshan Xunde Lishangcheng Real Estate Co., Ltd* 佛山市順德區理想城地產有限公司

Joint ventures of fellow subsidiaries

Huizhou Kaileju Company Limited* 惠州市愷樂居置業有限公司
Shenzhen Jiade Travelling Company Limited* 深圳市佳德美奐旅遊開發有限公司
Hunan Xiangyong Real Estate Development Company Limited* 湖南湘永房地產開發有限公司
Xinxiang Kaisa Real Estate Development Company Limited* 新鄉市佳兆業房地產開發有限公司
Guangzhou Nantian Commerce Square Development Co., Ltd* 廣州南天商業大廣場建設發展有限公司
Shenzhen Mingyang Kaisa Development Co., Ltd* 深圳市銘揚佳兆業實業發展有限公司
Shenzhen Baoan Kaisa Real Estate Development Company Limited* 深圳市寶安佳兆業房地產開發有限公司
Guangzhou Xiaoping Real Estate Development Company Limited* 廣州市小坪房地產開發有限公司
Jinzhaojie Housing (Wuhan) Co., Ltd* 金兆佳置業(武漢)有限公司
Chuangjieyu Technology Co., Ltd* 創佳寓科技(深圳)有限公司
Chongqing Rengyou Housing Co., Ltd* 重慶市仁有置業有限公司
Shenzhen Jiaxian Property Development Co., Ltd* 深圳市佳賢置業發展有限公司

* 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

	2019 RMB'000	2018 RMB'000
Salaries and other short-term employee benefits	**6,842**	5,694
Retirement scheme contributions	**577**	550
Equity-settled share-based payment expenses	**6,106**	2,224
	13,525	8,468

35. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with related parties

	Notes	2019 RMB'000	2018 RMB'000
Provision of property management services			
Fellow subsidiaries of the Group	(i), (iii)	**54,553**	69,199
Joint venture of a fellow subsidiary	(i), (iii)	**2,492**	–
Associate of the ultimate holding company	(i), (iii)	**466**	–
Provision of pre-delivery and consulting services			
Fellow subsidiaries of the Group	(i), (iii)	**359,130**	324,058
Associate of the ultimate holding company	(i), (iii)	**23,198**	438
Joint venture of a fellow subsidiary	(i), (iii)	**28,077**	9,063
Provision of community value-added and smart solution services			
Fellow subsidiaries of the Group	(i), (iii), (v)	**75,584**	46,487
Associate of the ultimate holding company	(i), (iii)	**3,683**	48
Joint venture of a fellow subsidiary	(i), (iii)	**2,833**	1,822
Interest income			
Fellow subsidiaries of the Group	(ii), (iv)	**–**	12,723
Lease expenses			
Fellow subsidiaries of the Group	(i), (iii)	**41,907**	43,478
Associate of the ultimate holding company	(i), (iii)	**437**	–
Staff welfare expenses			
Fellow subsidiaries of the Group	(iv)	**1,127**	1,813

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% 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 RMB83,000 (2018: RMB432,000) which are exempted from disclosure, 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 non-executive director's approval (where applicable) requirements under Chapter 14A of the Listing Rules.

(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 disclosure, reporting, annual review, announcement and/or independent non-executive director's approval requirements under Chapter 14A of the Listing Rules as they are conducted on normal commercial terms or better and not secured by the assets of the Group under Rules 14A.90.

(v) On 6 March 2020, Shenzhen Chunyu Information Technology Co., Ltd* (深圳市春榆信息諮詢有限公司) ("Shenzhen Chunyu"), a wholly owned subsidiary of Kaisa Holdings, entered into a capital injection agreement with Shenzhen Qijia in relation to the capital injection of RMB8,327,000 to Shenzhen Qijia by Shenzhen Chunyu (the "Capital Injection"). Following the completion of the Capital Injection, Shenzhen Qijia will cease to be a subsidiary of the Company and its transactions will no longer be consolidated into the consolidated financial statements of the Group. For the 31 December 2019, the related party transactions related to the provision of community value-added services amounted to RMB18,381,000 and such services does not constitute as continuing connected transactions as defined in Chapter 14A of the Listing Rules after the Capital Injection.

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

36. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

During the year ended 31 December 2019, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to RMB6,209,000 was recognised at the lease commencement date.

37. EVENT AFTER THE REPORTING DATE

i) On 6 March 2020, Shenzhen Chunyu, a wholly owned subsidiary of Kaisa Holdings, entered into a capital injection agreement with Shenzhen Qijia in relation to the Capital Injection of RMB8,327,000 to Shenzhen Qijia by Shenzhen Chunyu. Following the completion of the Capital Injection, the equity interest in Shenzhen Qijia held by the Group will decrease from approximately 92.26% to approximately 45.20%. Shenzhen Qijia will cease to be a subsidiary of the Company and its results will no longer be consolidated into the consolidated financial statements of the Group. The Capital Injection constitutes a deemed disposal for the Company under Rule 14.29 of the Listing Rules.

ii) Following the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc. In light of the negative impact brought upon by the COVID-19 outbreak in short term, it may lead to increase of costs incurred by additional hygiene and epidemic prevention requirements when rendering property management services, as well as decrease of revenue from value-added services and smart solution services due to various level of restrictions and controls over property development activities and community activities. The Group is not yet able to quantify the aforesaid influence due to the COVID-19 outbreak. However, the Group will pay close attention to the development of the COVID-19 outbreak and its impact and will continue to perform relevant assessments and take proactive measures as appropriate.

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

38. COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform to current year's presentation.

Five-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	**2019** **RMB'000**
Revenue	478,028	539,107	669,159	895,768	**1,261,909**
Direct operating expenses	(312,795)	(377,080)	(464,873)	(618,730)	**(883,498)**
Gross profit	165,233	162,027	204,286	277,038	**378,411**
Other (losses) and gains, net	233	(4,208)	1,253	(7,880)	**(4,241)**
Selling and marketing expenses	(793)	(2,379)	(4,763)	(5,160)	**(9,172)**
Administrative expenses	(75,636)	(69,781)	(102,309)	(152,188)	**(155,850)**
Operating profit	89,037	85,659	98,467	111,810	**209,148**
Impairment loss on investment in an associate	(5,102)	(2,141)	(597)	–	**–**
Share of results of an associate	(2,759)	(2,157)	(1,949)	–	**–**
Fair value loss on financial assets at fair value through profit or loss	–	–	–	–	**(2,089)**
Finance income/(expenses), net	–	–	196	(1,175)	**3,235**
Profit before income tax	81,176	81,361	96,117	110,635	**210,294**
Income tax expenses	(23,456)	(23,247)	(24,676)	(57,125)	**(43,225)**
Profit and total comprehensive income for the year	57,720	58,114	71,441	53,510	**167,069**
Profit and total comprehensive income attributable to:					
Owners of the Company	57,720	58,114	71,441	54,056	**163,898**
Non-controlling interests	–	–	–	(546)	**3,171**
	57,720	58,114	71,441	53,510	**167,069**
Earnings per share attributable to owners of the Company (expressed in RMB per share)					
Basic and diluted			0.69	0.50	**1.17**

Five-Year Financial Summary

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Assets					
Non-current assets	15,896	11,099	23,522	23,319	**140,717**
Current assets	524,844	1,179,476	1,168,052	1,030,942	**1,152,867**
Total assets	540,740	1,190,575	1,191,574	1,054,261	**1,293,584**
Equity and Liabilities					
Total equity	174,635	232,820	305,461	506,170	**688,848**
Non-current liabilities	3,178	329,438	7,912	25,126	**25,890**
Current liabilities	362,927	628,317	878,201	522,965	**578,846**
Total Liabilities	366,105	957,755	886,113	548,091	**604,736**
Total equity and liabilities	540,740	1,190,575	1,191,574	1,054,261	**1,293,584**

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