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## **KAISA GROUP HOLDINGS LTD.**

**佳兆業集團控股有限公司\***

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

**(Stock Code: 1638)**

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

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the year increased by 16.1% to approximately RMB55,770.2 million from 2019.
- Gross profit for the year increased by 15.0% to approximately RMB15,907.5 million and gross profit margin remained stable at 28.5% for the year.
- Profit for the year increased by 26.8% amounted to approximately RMB5,278.4 million.
- Profit attributable to owners of the Company increased by 18.6% to approximately RMB5,447.1 million.
- Contracted sales increased by 21.3% to approximately RMB106,896 million.
- Cash and bank deposits increased by 27.4% to approximately RMB47,113.2 million as at 31 December 2020.
- As at 31 December 2020, net gearing ratio<sup>1</sup> decreased to 97.9%, cash to short-term debt ratio<sup>2</sup> increased to 1.56 and liabilities to asset ratio excluding receipts in advance<sup>3</sup> decreased to 70.3%.
- The Board recommended payment of a final dividend of HK12.0 cents per share.

*Notes:*

1. Net gearing ratio is calculated by dividing total borrowings (including short-term and long-term borrowings and perpetual capital securities) minus cash and cash equivalents (including bank deposits, restricted cash and cash and bank balances) by total equity (excluding perpetual capital securities).
2. Cash to short-term debt ratio is calculated by dividing cash and cash equivalents (excluding restricted cash and bank deposits) by short-term borrowings.
3. Liabilities to assets ratio excluding receipts in advance is calculated by subtracting receipts in advance (including contract liabilities) from total liabilities (including perpetual capital securities) and dividing by total assets minus receipts in advance (including contract liabilities).

\* For identification purposes only

The board (the “**Board**”) of directors (the “**Directors**”) of Kaisa Group Holdings Ltd. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020 together with the comparative figures for the corresponding year ended 31 December 2019.

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

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>Revenue</b>	4	<b>55,770,181</b>	48,021,685
Cost of sales	5	<b>(39,862,713)</b>	(34,191,622)
<b>Gross profit</b>		<b>15,907,468</b>	13,830,063
Other gains and losses, net	6	<b>334,729</b>	(1,494,341)
Selling and marketing costs	5	<b>(2,017,284)</b>	(1,996,166)
Administrative expenses	5	<b>(3,730,287)</b>	(3,350,817)
Net fair value gain of investment properties		<b>189,433</b>	178,419
Net gain on disposals of subsidiaries		<b>774,075</b>	245,581
Net gain on deemed disposals of subsidiaries		<b>816,560</b>	2,460,638
<b>Operating profit</b>		<b>12,274,694</b>	9,873,377
Share of results of associates		<b>(44,756)</b>	92,619
Share of results of joint ventures		<b>37,595</b>	(197,697)
Fair value gain/(loss) of financial derivatives		<b>52,838</b>	(82,191)
Finance income	7	<b>466,546</b>	580,269
Finance costs	7	<b>(2,284,561)</b>	(798,774)
<b>Finance (costs), net</b>	7	<b>(1,818,015)</b>	(218,505)
<b>Profit before income tax</b>		<b>10,502,356</b>	9,467,603
Income tax expenses	8	<b>(5,223,975)</b>	(5,303,595)
<b>Profit for the year</b>		<b>5,278,381</b>	4,164,008
<b>Profit/(Loss) for the year attributable to:</b>			
Owners of the Company		<b>5,447,125</b>	4,594,265
Non-controlling interests		<b>(168,744)</b>	(430,257)
		<b>5,278,381</b>	4,164,008
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>			
– Basic	10	<b>0.891</b>	0.756
– Diluted	10	<b>0.888</b>	0.752

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>Profit for the year</b>		<b>5,278,381</b>	4,164,008
<b>Other comprehensive income/(loss), including reclassification adjustments</b>			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Share of other comprehensive income of associates		<b>21,944</b>	–
Exchange differences on translation of foreign operations		<b>19,073</b>	(25,165)
<b>Other comprehensive income/(loss) for the year, including reclassification adjustments</b>		<b>41,017</b>	(25,165)
<b>Total comprehensive income for the year</b>		<b>5,319,398</b>	4,138,843
<b>Total comprehensive income/(loss) for the year attributable to:</b>			
Owners of the Company		<b>5,494,815</b>	4,578,816
Non-controlling interests		<b>(175,417)</b>	(439,973)
		<b>5,319,398</b>	4,138,843

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>5,311,916</b>	4,819,506
Right-of-use assets		<b>536,993</b>	1,358,516
Investment properties		<b>34,524,400</b>	35,309,000
Land use rights		<b>720,913</b>	753,493
Investments in associates	<i>11(a)</i>	<b>13,817,340</b>	11,918,789
Investments in joint ventures	<i>11(b)</i>	<b>18,386,366</b>	14,092,325
Financial assets at fair value through profit or loss		<b>5,369,151</b>	7,807,357
Debtors, deposits and other receivables	<i>13</i>	<b>20,000</b>	553,500
Goodwill and intangible assets	<i>12</i>	<b>1,276,405</b>	1,238,218
Long-term bank deposits		<b>1,200,000</b>	1,600,000
Deferred tax assets		<b>628,380</b>	864,268
		<b>81,791,864</b>	80,314,972
<b>Current assets</b>			
Properties under development		<b>71,367,943</b>	63,674,746
Completed properties held for sale		<b>13,036,568</b>	13,003,874
Inventories		<b>416,781</b>	260,302
Deposits for land acquisition		<b>18,204,746</b>	19,891,354
Prepayments for proposed development projects		<b>25,004,121</b>	23,782,080
Debtors, deposits and other receivables	<i>13</i>	<b>48,468,486</b>	33,461,565
Prepaid taxes		<b>356,481</b>	1,092,397
Restricted cash		<b>6,248,888</b>	6,016,455
Financial assets at fair value through profit or loss		<b>5,338,349</b>	43,034
Short-term bank deposits		<b>3,585,570</b>	2,536,724
Cash and bank balances		<b>36,078,762</b>	26,824,859
		<b>228,106,695</b>	190,587,390
<b>Current liabilities</b>			
Contract liabilities		<b>49,706,027</b>	39,388,659
Accrued construction costs		<b>18,593,833</b>	14,494,060
Income tax payable		<b>12,020,469</b>	10,739,849
Lease liabilities		<b>103,208</b>	159,694
Borrowings	<i>14</i>	<b>23,069,223</b>	31,891,998
Other payables		<b>24,260,845</b>	27,011,322
Derivative financial instruments		<b>27,450</b>	82,807
		<b>127,781,055</b>	123,768,389

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Net current assets</b>		<b>100,325,640</b>	66,819,001
<b>Total assets less current liabilities</b>		<b>182,117,504</b>	147,133,973
<b>Non-current liabilities</b>			
Lease liabilities		453,240	1,226,605
Borrowings	14	98,401,736	85,303,554
Other payables		19,768	10,248
Deferred tax liabilities		4,523,386	4,886,993
		<b>103,398,130</b>	91,427,400
<b>Net assets</b>		<b>78,719,374</b>	55,706,573
<b>EQUITY</b>			
Share capital		538,942	534,844
Share premium		4,948,564	5,546,561
Perpetual capital securities		1,350,054	–
Reserves		25,496,179	19,634,942
<b>Equity attributable to owners of the Company</b>		<b>32,333,739</b>	25,716,347
<b>Non-controlling interests</b>		<b>46,385,635</b>	29,990,226
<b>Total equity</b>		<b>78,719,374</b>	55,706,573

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the “**Company**”) was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands.

The address of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The Company is engaged in investment holding and its subsidiaries (collectively, the “**Group**”) are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation and health care operations in the People’s Republic of China (the “**PRC**”).

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

These consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand (‘000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 25 March 2021.

## 2. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) and disclosure requirement of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including financial assets at fair value through profit or loss (“**FVTPL**”), investment properties and derivative financial instruments), which are carried at fair value.

### 2.1 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 accounting principles generally accepted in Hong Kong.

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

### 3. ADOPTION OF NEW AND AMENDED HKFRSs

#### 3.1 Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

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

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

In addition, on 1 January 2020, the Group has early applied the Amendments to HKFRS 16 "COVID-19-Related Rent Concessions" which will be effective for the Group for financial year beginning on or after 1 June 2020.

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

#### *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.

The application of these amendments has had no significant impact on the Group's consolidated financial statements.

***Amendments to HKFRS 9, HKAS 39 and HKFRS 7 “Interest Rate Benchmark Reform”***

The amendments provide certain temporary reliefs from applying specific hedge accounting requirements in order to deal with the potential effects of uncertainties caused by interbank offered rates (“**IBOR**”) reform (“**Reform**”).

In addition, the amendments require entities to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The application of these amendments has had no impact on the Group’s consolidated financial statements.

***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).

The application of these amendments has had no impact on the Group’s consolidated financial statements.

### 3.2 Issued but not yet effective HKFRSs

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

		<b>Effective for the accounting period beginning on or after</b>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds Before Intended Use	1 January 2022
Amendments to HKFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
HKFRS 17	Insurance Contracts and Related Amendments	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination	Effective for business combination/ common control combination for which the acquisition/ combination date is on or after the beginning of the first annual period beginning on or after 1 January 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. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

#### 4. SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Fair value profit/(loss) of financial derivatives, net fair value (loss)/gain on financial assets at FVTPL, net (loss)/gain on repurchase of senior notes, corporate and other unallocated expenses, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of property development, property investment, property management services, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation operation and regarded these being the reportable segments. During the year ended 31 December 2020, the health care operations has become significant to the Group and presented it as a separate segment.

As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market primarily in the PRC, and over 90% of the Group's assets are located in the PRC, no geographical segment information is presented.

Revenue for the years ended 31 December 2020 and 2019 consists of the following:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Sales of properties	<b>51,194,413</b>	43,848,644
Rental income	<b>543,704</b>	455,728
Property management services	<b>1,349,154</b>	912,299
Hotel and catering operations	<b>263,415</b>	276,862
Cinema, department store and cultural centre operations	<b>158,185</b>	664,433
Water-way passenger and cargo transportation	<b>424,371</b>	869,842
Health care operations	<b>490,999</b>	223,532
Others	<b>1,345,940</b>	770,345
	<b><u>55,770,181</u></b>	<u>48,021,685</u>

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2020 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Health care operations RMB'000	Others RMB'000	Total RMB'000
Revenue	51,194,413	561,724	1,837,038	283,334	206,351	427,991	490,999	2,131,553	57,133,403
Less: inter-segment revenue	-	(18,020)	(487,884)	(19,919)	(48,166)	(3,620)	-	(785,613)	(1,363,222)
Revenue from external customers	<u>51,194,413</u>	<u>543,704</u>	<u>1,349,154</u>	<u>263,415</u>	<u>158,185</u>	<u>424,371</u>	<u>490,999</u>	<u>1,345,940</u>	<u>55,770,181</u>
Revenue from contracts with customers									
– recognised at a point in time	48,374,998	-	-	-	-	241,043	490,999	-	49,107,040
– recognised over time	2,819,415	-	1,349,154	263,415	158,185	183,328	-	1,345,940	6,119,437
Revenue from other sources									
– rental income	-	543,704	-	-	-	-	-	-	543,704
	<u>51,194,413</u>	<u>543,704</u>	<u>1,349,154</u>	<u>263,415</u>	<u>158,185</u>	<u>424,371</u>	<u>490,999</u>	<u>1,345,940</u>	<u>55,770,181</u>
Segment results before net gain on disposals of subsidiaries, net gains on deemed disposals of subsidiaries, net fair value gain of investment properties and share of results of associates and joint ventures	11,510,757	211,418	(8,668)	(4,799)	(898,638)	(47,026)	67,651	704,864	11,535,559
Net gain on disposals of subsidiaries	207,911	281,751	-	-	279,016	-	-	5,397	774,075
Net gain on deemed disposals of subsidiaries	573,080	8,936	-	234,544	-	-	-	-	816,560
Net fair value gain of investment properties	-	189,433	-	-	-	-	-	-	189,433
Share of results of associates	63,914	-	26	-	1	-	(40,781)	(67,916)	(44,756)
Share of results of joint ventures (note 11(b))	<u>82,515</u>	<u>(17,473)</u>	<u>(8,662)</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,785)</u>	<u>37,595</u>
Segment results	12,438,177	674,065	(17,304)	228,745	(619,621)	(47,026)	26,870	624,560	13,308,466
Fair value gain of financial derivatives									52,838
Net fair value loss on financial assets at FVTPL (note 6)									(307,182)
Net loss on repurchase of senior notes (note 6)									(5,403)
Corporate and other unallocated expenses									(728,348)
Finance income									466,546
Finance costs									(2,284,561)
Finance costs, net (note 7)									(1,818,015)
Profit before income tax									10,502,356
Income tax expenses (note 8)									(5,223,975)
Profit for the year									<u>5,278,381</u>

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Health care operations RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:										
Depreciation										
– property, plant and equipment (note 5)	66,298	7,248	3,791	24,029	10,239	62,638	8,317	5,809	7,718	196,087
– right-of-use assets (note 5)	61,846	9,610	2,089	8,729	6,060	5,263	1,838	44,425	(7,983)	131,877
Amortisation of intangible assets (notes 5 and 12)	-	-	2,507	-	268,126	-	44,793	3,729	-	319,155
Depreciation of land use rights (note 5)	8,515	-	-	9,891	1,224	-	737	-	-	20,367
Write-down of completed properties held for sale and properties under development (note 6)	2,578,917	-	-	-	-	-	-	-	-	2,578,917
Written off of debtors and other receivables (note 6)	476,510	-	-	-	-	-	-	-	-	476,510
	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Health care operations RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	862,743,144	43,746,564	7,464,778	3,909,126	10,849,454	30,103,753	9,703,569	161,868,564	(832,182,754)	298,206,198
Unallocated										11,692,361
<b>Total assets</b>										<b>309,898,559</b>
Segment liabilities	644,520,805	4,030,193	4,726,775	3,327,312	12,347,955	22,619,296	5,683,350	136,677,415	(755,128,110)	78,804,991
Unallocated										152,374,194
<b>Total liabilities</b>										<b>231,179,185</b>
Other information:										
Capital expenditure	152,917	1,351,599	5,897	335,773	320,667	269,568	193,622	363,717	-	2,993,760
Investments in associates	2,766,105	-	14,700	-	-	-	-	235,406	-	3,016,211
Investments in joint ventures	2,701,333	-	-	-	-	-	-	50,000	-	2,751,333

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2019 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Health care operations RMB'000	Others RMB'000	Total RMB'000
Revenue	43,848,644	639,332	1,356,640	309,451	723,285	897,369	223,532	2,074,894	50,073,147
Less: inter-segment revenue	–	(183,604)	(444,341)	(32,589)	(58,852)	(27,527)	–	(1,304,549)	(2,051,462)
Revenue from external customers	<u>43,848,644</u>	<u>455,728</u>	<u>912,299</u>	<u>276,862</u>	<u>664,433</u>	<u>869,842</u>	<u>223,532</u>	<u>770,345</u>	<u>48,021,685</u>
Revenue from contracts with customers									
– recognised at a point in time	41,836,893	–	–	–	–	563,360	223,532	–	42,623,785
– recognised over time	2,011,751	–	912,299	276,862	664,433	306,482	–	770,345	4,942,172
Revenue from other sources									
– rental income	–	455,728	–	–	–	–	–	–	455,728
	<u>43,848,644</u>	<u>455,728</u>	<u>912,299</u>	<u>276,862</u>	<u>664,433</u>	<u>869,842</u>	<u>223,532</u>	<u>770,345</u>	<u>48,021,685</u>
Segment results before net gain on disposals of subsidiaries, net gain on deemed disposals of subsidiaries, net fair value gain of investment properties and share of results of associates and joint ventures	6,793,745	(94,426)	212,451	(85,339)	(468,853)	193,706	(327,922)	(207,319)	6,016,043
Net gain on disposals of subsidiaries	245,581	–	–	–	–	–	–	–	245,581
Net gain on deemed disposals of subsidiaries	2,460,638	–	–	–	–	–	–	–	2,460,638
Net fair value gain of investment properties	–	178,419	–	–	–	–	–	–	178,419
Share of results of associates	95,002	–	–	–	–	–	16,272	(18,655)	92,619
Share of results of joint ventures (note 11(b))	(180,128)	–	(412)	–	–	–	–	(17,157)	(197,697)
Segment results	9,414,838	83,993	212,039	(85,339)	(468,853)	193,706	(311,650)	(243,131)	8,795,603
Fair value loss of financial derivatives									(82,191)
Net fair value gain on financial assets at FVTPL (note 6)									1,380,931
Net gain on repurchase of senior notes (note 6)									178,438
Corporate and other unallocated expenses									(586,673)
Finance income									580,269
Finance costs									(798,774)
Finance costs, net (note 7)									(218,505)
Profit before income tax									9,467,603
Income tax expenses (note 8)									(5,303,595)
Profit for the year									<u>4,164,008</u>

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Health care operations RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:										
Depreciation										
– property, plant and equipment (note 5)	80,056	4,463	6,582	25,110	7,106	43,055	7,212	15,280	827	189,691
– right-of-use assets (note 5)	52,559	6,043	2,020	7,938	11,859	4,547	–	97,915	–	182,881
Amortisation of intangible assets (note 12)	–	–	819	–	251,021	–	91,050	–	–	342,890
Depreciation of land use rights (note 5)	8,515	–	–	7,898	1,745	–	–	–	–	18,158
Loss on disposal of investment properties (note 6)	–	193,825	–	–	–	–	–	–	–	193,825
Loss on disposal of deposits for land acquisitions (note 6)	40,753	–	–	–	–	–	–	–	–	40,753
Loss on derecognition of interest in an associate (note 6)	252,016	–	–	–	–	–	–	–	–	252,016
Impairment loss on goodwill (notes 6 and 12)	–	–	–	–	–	–	203,931	–	–	203,931
Impairment loss on intangible assets (notes 6 and 12)	–	–	–	–	–	–	473,361	–	–	473,361
Write-down of completed properties held for sale and properties under development (note 6)	367,737	–	–	–	–	–	–	–	–	367,737
Written off of intangible assets (notes 6 and 12)	–	–	–	–	22,230	–	–	–	–	22,230
Written off of debtors and other receivables (note 6)	195,500	–	566	–	–	79,185	–	–	–	275,251
	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Health care operations RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	634,693,133	44,219,135	5,500,989	4,606,920	4,199,238	27,786,843	8,166,274	122,398,248	(590,475,474)	261,095,306
Unallocated										9,807,056
<b>Total assets</b>										<b>270,902,362</b>
Segment liabilities	486,880,843	6,447,349	3,065,795	4,199,199	5,118,559	20,494,836	4,757,522	103,396,726	(531,595,390)	102,765,439
Unallocated										112,430,350
<b>Total liabilities</b>										<b>215,195,789</b>
<b>Other information:</b>										
Capital expenditure*	46,543	1,158,811	8,595	10,517	363,305	124,613	27,724	823,661	–	2,563,769
Investments in associates	2,766,105	–	14,700	–	–	–	–	235,406	–	3,016,211
Investments in joint ventures (note 11(b))	2,701,093	–	–	–	–	–	–	50,000	–	2,751,093

\* Capital expenditure consists of additions of property, plant and equipment, investment properties, intangible assets, land use rights excluding assets from acquisitions of subsidiaries.

For the years ended 31 December 2020 and 31 December 2019, none of the Group's customer accounted for more than 10% of the Group's total revenue.

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the profit or loss.

As at 31 December 2020, segment assets of property development segment, property management segment, cinema, department store and cultural centre operations, health care operations and others segment included the investments in associates accounted for using the equity method totalling approximately RMB8,226,990,000, RMB14,726,000, RMB1,000, RMB2,159,492,000 and RMB3,416,131,000 (2019: RMB5,763,080,000, nil, nil, RMB2,200,273,000 and RMB3,955,436,000) respectively. In addition, the segment assets of property development segment, property investment segment, property management segment and other segment included the investments in joint ventures accounted for using the equity method totalling RMB18,159,688,000, RMB102,805,000, RMB32,027,000 and RMB91,846,000 (2019: RMB14,030,585,000, nil, RMB2,108,000 and RMB59,632,000 respectively).

Segment assets consist primarily of property, plant and equipment, right-of-use assets, investment properties, investments in joint ventures, investments in associates, goodwill and intangible assets, land use rights, properties under development, completed properties held for sale, inventories, debtors, deposits and other receivables, deposits for land acquisition, prepayments for proposed development projects, restricted cash, short-term bank deposits, long-term bank deposits, and cash and bank balances. They exclude financial assets at FVTPL, deferred tax assets and prepaid taxes.

Segment liabilities consist primarily of contract liabilities, accrued construction costs, operating borrowings and other payables. They exclude lease liabilities, deferred tax liabilities, income tax payable, corporate borrowings and derivative financial instruments.

## 5. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Auditor's remunerations		
– Audit services	8,000	7,000
– Non-audit services	3,200	2,800
Advertising and other promotional costs	773,812	655,115
Agency fee	763,228	644,043
Amortisation of land use rights	20,367	18,158
Amortisation of intangible assets ( <i>note 12</i> )	319,155	342,890
Bank charges	107,843	16,092
Cost of properties sold	35,874,625	31,096,871
Depreciation		
– property, plant and equipment	196,087	189,691
– right-of-use assets	131,877	182,881
Direct operating expenses arising from		
– investment properties	217,334	97,561
– property management services	1,207,427	577,056
– hotel and catering operations	101,817	107,518
– cinema, department store, and cultural centre operations	948,705	564,918
– water-way passenger and cargo transportation	413,091	635,350
Donations	248,112	188,044
Entertainment	141,551	99,717
Legal and professional fees	605,926	565,220
Office expenses	245,654	191,717
Minimum lease payments under operating leases ( <i>note</i> )	23,097	11,378
Others	434,386	943,913
Other taxes	473,108	465,997
Staff costs – including directors' emoluments	2,316,105	1,888,554
Travelling	35,777	46,121
	<u>45,610,284</u>	<u>39,538,605</u>

*Note:* According to HKFRS 16 Leases, payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss for the years ended 31 December 2020 and 2019. Short-term leases are leases with a lease term of less than 12 months.

## 6. OTHER GAINS AND (LOSSES) – NET

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Compensation paid	(145,033)	–
Dividend income received from		
– listed financial assets at FVTPL	300	72
– unlisted financial assets at FVTPL	16,297	30,894
Forfeited customer deposits	4,887	9,295
Government subsidy income ( <i>note</i> )	153,740	83,217
Net loss on disposals of investment properties	–	(193,825)
Loss on disposals of property, plant and equipment	(6,768)	(17,987)
Loss on disposal of deposits for land acquisition	–	(40,753)
Net fair value (loss)/gain on financial assets at FVTPL	(307,182)	1,380,931
Net exchange gain/(loss)	4,670,815	(816,497)
Loss on derecognition of interest in an associate	–	(252,016)
Impairment loss on intangible assets ( <i>note 12</i> )	–	(473,361)
Impairment loss on goodwill ( <i>note 12</i> )	–	(203,931)
Net (loss)/gain on repurchase of senior notes	(5,403)	178,438
Provision for expected credit losses	(876,453)	(478,070)
Remeasurement losses resulting from associates and joint ventures	(192,272)	–
Write-down of completed properties held for sale and properties under development	(2,578,917)	(367,737)
Written off of intangible assets ( <i>note 12</i> )	–	(22,230)
Written off of debtors and other receivables	(476,510)	(275,251)
Others	77,228	(35,530)
	<u>334,729</u>	<u>(1,494,341)</u>

### *Note:*

The amount represents the subsidies received from local government bureaux in the PRC as an incentive for development in specific regions. There was no unfulfilled conditions and other contingencies attached to the receipt of the subsidies.

7. FINANCE COSTS – NET

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Finance income</b>		
Interest income on bank deposits	377,139	377,317
Interest income from associates	1,848	3,337
Interest income from loans to third parties	87,559	199,615
	<u>466,546</u>	<u>580,269</u>
<b>Finance costs</b>		
Interest expense		
– Bank borrowings	3,063,597	3,928,097
– Senior Notes	6,966,334	5,062,042
– Convertible Bonds	91,476	93,632
– Other borrowings	1,362,675	1,721,120
– Lease liabilities	41,533	71,678
	<u>11,525,615</u>	<u>10,876,569</u>
Total interest expense	11,525,615	10,876,569
Less: interest capitalised	(9,241,054)	(10,077,795)
	<u>2,284,561</u>	<u>798,774</u>
<b>Finance costs – net</b>	<u>(1,818,015)</u>	<u>(218,505)</u>

## 8. INCOME TAX EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax		
– PRC enterprise income tax	3,018,379	2,466,161
– PRC land appreciation tax	2,222,657	2,559,899
Deferred income tax	(17,061)	277,535
	<u>5,223,975</u>	<u>5,303,595</u>

### 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 in the British Virgin Islands (“BVI”) were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

### Hong Kong profits tax

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

### PRC withholding income tax

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

### PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2019: 25%).

### PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

## 9. DIVIDEND

### (a) Dividends attributable to the year

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
2020 interim dividends declared of HK3.0 cents (2019: HK3.0 cents) per share	<u>167,498</u>	<u>165,961</u>
Proposed 2020 final dividend of HK12.0 cents (2019: HK10.0 cents) per share	<u>619,382</u>	<u>545,262</u>

An interim dividend of HK3.0 cents (equivalent to approximately RMB2.65 cents) (2019: HK3.0 cents (equivalent to approximately RMB2.53 cents)) per share during the year ended 31 December 2020 was approved at the extraordinary general meeting. The aggregate amount of interim dividend declared from share premium of the Company amounted to HK\$183,989,000 (equivalent to approximately RMB167,498,000) (2019: HK\$182,495,000 (equivalent to approximately RMB165,961,000)).

The Board recommended the payment of a 2020 final dividend of HK12.0 cents (equivalent to approximately RMB10.0 cents) per share, totalling HK\$735,957,000 (equivalent to approximately RMB619,382,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

### (b) Dividends attributable to the previous financial year, approved and paid during the year

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend in respect of the previous financial year, of HK10.0 cents (2019: HK9.0 cents) per share	<u>552,089</u>	<u>478,683</u>

A final dividend in respect of the year ended 31 December 2019 of HK10.0 cents (equivalent to approximately RMB8.96 cents) per share was approved at the annual general meeting on 15 June 2020 (2019: a final dividend in respect of the year ended 31 December 2018 of HK9.0 cents (equivalent to approximately RMB7.89 cents) per share). The aggregate amount of final dividend declared from share premium of the Company amounted to approximately HK\$608,687,000 (equivalent to approximately RMB552,089,000) (2019: HK\$546,317,000 (equivalent to approximately RMB478,683,000)).

## 10. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to owners of the Company (RMB'000)	5,447,125	4,594,265
Weighted average number of ordinary shares in issue	6,112,724,197	6,079,445,127
Basic earnings per share (RMB)	<u>0.891</u>	<u>0.756</u>

The calculation of basic earnings per share is based on the Group's profits attributable to owners of the Company of RMB5,447,125,000 (2019: RMB4,594,265,000) and the weighted average number of 6,112,724,197 (2019: 6,079,445,127) ordinary shares, after adjusting for the issue of shares upon exercise of share options during the year ended 31 December 2020.

### (b) Diluted

	2020	2019
Profit attributable to owners of the Company (RMB'000)	<u>5,447,125</u>	<u>4,594,265</u>
Weighted average number of ordinary shares in issue during the year	6,112,724,197	6,079,445,127
Effect of issue of shares under: – adjustment for share option scheme	<u>21,930,665</u>	<u>29,625,471</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>6,134,654,862</u>	<u>6,109,070,598</u>
Diluted earnings per share (RMB)	<u>0.888</u>	<u>0.752</u>

Diluted earnings per share for the year ended 31 December 2020 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion of all dilutive potential ordinary shares (share options).

The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options. The potential shares arising from the conversion of the Company's convertible bonds would increase the earnings per share attributable to owners of the Company and is not taken into account as they had an anti-dilutive effects.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### (a) Investments in associates

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of investments in associates, less accumulated impairment		
– Listed	4,204,258	4,204,258
– Unlisted	9,770,984	7,594,921
Share of post-acquisition (loss)/profit and other comprehensive (loss)/profit, net of dividend received	<u>(157,902)</u>	<u>119,610</u>
	<u>13,817,340</u>	<u>11,918,789</u>
Fair value of listed investments	<u>4,490,625</u>	<u>2,732,836</u>

### (b) Investments in joint ventures

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	14,092,325	8,677,152
Additions	1,842,674	12,720
Transfer from subsidiaries	1,662,907	3,224,328
Transfer to subsidiaries	(157,692)	–
Capital injection to joint ventures	908,557	2,375,822
Share of results of joint ventures	<u>37,595</u>	<u>(197,697)</u>
At 31 December	<u>18,386,366</u>	<u>14,092,325</u>

## 12. GOODWILL AND INTANGIBLE ASSETS

	Goodwill RMB'000	Contracts with sports players RMB'000	Trademarks and patent RMB'000	Customer relationship RMB'000	Technology RMB'000	Distribution network RMB'000	Others RMB'000	Total RMB'000
<b>Cost</b>								
At 1 January 2019	332,379	529,339	23,609	59,700	8,440	497,400	7,895	1,458,762
Acquisition of subsidiaries	516,701	-	288,032	51,399	-	-	-	856,132
Additions	-	319,210	-	-	-	-	-	319,210
Written off	-	(27,430)	-	-	-	-	-	(27,430)
At 31 December 2019 and 1 January 2020	<b>849,080</b>	<b>821,119</b>	<b>311,641</b>	<b>111,099</b>	<b>8,440</b>	<b>497,400</b>	<b>7,895</b>	<b>2,606,674</b>
Additions	-	304,138	8,718	-	1,186	-	-	314,042
Acquisitions of subsidiaries	<b>24,378</b>	-	-	<b>14,690</b>	<b>4,232</b>	-	-	<b>43,300</b>
At 31 December 2020	<b>873,458</b>	<b>1,125,257</b>	<b>320,359</b>	<b>125,789</b>	<b>13,858</b>	<b>497,400</b>	<b>7,895</b>	<b>2,964,016</b>
<b>Accumulated amortisation</b>								
At 1 January 2019	-	294,469	2,126	8,408	2,344	44,811	1,316	353,474
Amortisation – expensed in administrative expenses (note 5)	-	251,021	31,781	12,114	2,344	44,811	819	342,890
Impairment charged for the year (note 6)	203,931	-	19,348	42,483	3,752	407,778	-	677,292
Written off	-	(5,200)	-	-	-	-	-	(5,200)
At 31 December 2019 and 1 January 2020	<b>203,931</b>	<b>540,290</b>	<b>53,255</b>	<b>63,005</b>	<b>8,440</b>	<b>497,400</b>	<b>2,135</b>	<b>1,368,456</b>
Amortisation – expensed in administrative expenses (note 5)	-	<b>268,126</b>	<b>31,562</b>	<b>13,231</b>	<b>3,383</b>	-	<b>2,853</b>	<b>319,155</b>
At 31 December 2020	<b>203,931</b>	<b>808,416</b>	<b>84,817</b>	<b>76,236</b>	<b>11,823</b>	<b>497,400</b>	<b>4,988</b>	<b>1,687,611</b>
<b>Net carrying amounts</b>								
At 31 December 2020	<b>669,527</b>	<b>316,841</b>	<b>235,542</b>	<b>49,553</b>	<b>2,035</b>	-	<b>2,907</b>	<b>1,276,405</b>
At 31 December 2019	645,149	280,829	258,386	48,094	-	-	5,760	1,238,218

### 13. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

Trade debtors mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade debtors based on contractual terms as at the respective reporting dates is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	1,411,610	894,543
Over 90 days and within 180 days	208,915	37,554
Over 181 days and within 270 days	186,823	270,500
Over 271 days and within 365 days	55,025	22,999
Over 365 days	315,438	119,926
	<hr/>	<hr/>
	2,177,811	1,345,522
Less: allowance for impairment	(58,000)	(72,472)
	<hr/>	<hr/>
	<b>2,119,811</b>	<b>1,273,050</b>

### 14. BORROWINGS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Borrowings included in current liabilities:		
Senior Notes	9,673,242	3,663,743
Convertible Bonds	663,398	–
Bank borrowings – secured	2,549,900	19,263,692
Bank borrowings – unsecured	3,687,274	1,167,308
Other borrowings – secured	1,934,150	6,492,249
Other borrowings – unsecured	4,452,478	1,191,225
Loan from a related company	108,781	108,781
Loans from associates	–	5,000
	<hr/>	<hr/>
	23,069,223	31,891,998
Borrowings included in non-current liabilities:		
Senior Notes	58,650,794	52,755,120
Convertible Bonds	–	699,900
Bank borrowings – secured	18,433,007	17,243,728
Bank borrowings – unsecured	6,901,865	2,343,930
Other borrowings – secured	8,314,733	9,692,786
Other borrowings – unsecured	6,101,337	2,568,090
	<hr/>	<hr/>
	98,401,736	85,303,554
	<hr/>	<hr/>
Total borrowings	<b>121,470,959</b>	<b>117,195,552</b>

## 15. COMMITMENTS

### (a) Commitments for property development expenditure, acquisitions of property, plant and equipment, acquisitions of subsidiaries, an associate and a joint venture

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contracted but not provided for		
– Acquisitions/construction of property, plant and equipment	–	69,257
– Acquisitions of land use rights and property development activities	<b>28,777,924</b>	34,429,933
– Acquisitions of subsidiaries	<b>107,706</b>	4,399,598
– Acquisition of an associate and a joint venture	<b>360,000</b>	560,000
	<b>29,245,630</b>	<b>39,458,788</b>

### (b) Lease commitments

At the reporting date, the lease commitments for short-term leases and low – value assets leases are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Not later than one year	<b>969</b>	6,441
Later than one year and not later than five years	<b>4</b>	–
	<b>973</b>	<b>6,441</b>

### (c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	<b>173,929</b>	211,320
After 1 year but within 2 years	<b>143,228</b>	182,619
After 2 years but within 3 years	<b>97,883</b>	135,328
After 3 years but within 4 years	<b>92,852</b>	93,231
After 4 years but within 5 years	<b>98,715</b>	69,385
After 5 years	<b>160,850</b>	182,316
	<b>767,457</b>	<b>874,199</b>

## 16. EVENTS AFTER REPORTING PERIOD

- (i) On 20 January 2021, the Company issued senior notes with a principal amount of US\$300,000,000 (approximately RMB1,957,470,000) due 2023. The senior notes are interest-bearing at 10.875% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 July 2023.
- (ii) On 28 January 2021, the Company issued senior notes with a principal amount of US\$200,000,000 (approximately RMB1,304,980,000) due 2025. The senior notes are interest-bearing at 9.95% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 July 2025.

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of Kaisa Group Holdings Ltd. (“**Kaisa**” or the “**Company**”, together with its subsidiaries, the “**Group**”), I hereby present to you the annual results of the Group for the year ended 31 December 2020 (the “**Year**”) together with the comparative figures for the previous year.

## RESULTS AND DIVIDEND

During the Year, the Group's revenue and gross profit increased by approximately 16.1% and 15.0% to approximately RMB55,770.2 million and RMB15,907.5 million respectively, as compared to 2019. Profit for the year attributable to owners of the Company and basic earnings per share increased by approximately 18.6% and 17.9% to RMB5,447.1 million and RMB89.1 cents respectively, as compared to 2019.

The Board recommended payment of a final dividend of HK12.0 cents per share for the year ended 31 December 2020 (2019: HK10.0 cents per share). Such dividend is to be approved by the shareholders at the forthcoming extraordinary general meeting.

## BUSINESS REVIEW

### Property Market and Policies

In 2020, hit by the unanticipated COVID-19 shocks, the global economic and social development was under unprecedented pressure. Lockdowns in various countries once caused wide economic shutdown, disruption in industry and supply chains, and recession in the international trade and investment. The global economy has experienced the most severe recession since the Great Depression of the 1930s. Under the uncertainties brought by the pandemic, the Chinese government promulgated a series of targeted measures to be implemented progressively in phases to facilitate resumption of operation, production of businesses and the markets. China is the first country to realise the normalisation of pandemic prevention and control and has minimised the impacts on the economy and society, enabling it to become the only country to maintain a positive growth among the world's major economies in 2020 with an annual GDP exceeding RMB100 trillion for the first time, representing a year-on-year increase of 2.3%.

For the property market, policies saw relaxation first and tightened afterwards. In the first half of the Year, with the introduction of measures from both supply and demand sides, the Central Government and local governments rolled out supporting measures such as release of liquidity, instalment payment of land transfer fees, extension of completion date, increasing efforts in talent introduction and grant of housing purchase subsidies to mitigate liquidity pressure of real estate enterprises and push up market confidence. In the second half of the Year, such relaxed policies have been gradually tightened, as evidenced by control measures being implemented in different cities and gradually stricter regulations on real estate finance by the Central Government by establishing a long-term effective mechanism for regulating real estate finance at both the bank and individual ends to prevent financial risks. During the

Year, the Central Government continued to steadfastly uphold the principles of “housing is not for speculation and formulating city-specific policies” while precisely taking control measures to realise its long-term goal of stabilising land and housing prices and expectation.

According to the National Bureau of Statistics, in 2020, the saleable area of commodity housing reached 1,760.86 million sq.m., representing a year-on-year increase of 2.6%, while the sales amount reached RMB17,361.3 billion, representing a year-on-year increase of 8.7%.

### **Contracted Sales**

In 2020, the Group’s attributable contracted sales exceeded RMB100,000 million for the first time and reached a record high of RMB106,896 million, representing a year-on-year increase of 21.3%. According to the “2020 Top 200 Chinese Property Developers” published by CRIC, the Group ranked 24th in terms of attributable contracted sales value, up by 3 places as compared to 2019. Benefiting from the Central Government’s policies and the blooming growth in the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”), the Greater Bay Area market contributed 58% to the Group’s sales. In particular, projects in Shenzhen, Guangzhou, Huizhou and Dongguan recorded strong sales. Rooted in Shenzhen for years, the Group was awarded as “Top 40 Honored Enterprises of the 40th Anniversary of Shenzhen Special Economic Zone” by Securities Times for its efforts in serving the city’s development.

Social distancing caused by the pandemic has encouraged the development of digital marketing. During the Year, the Group launched a series of online marketing activities, including entering into strategic cooperation with TMALL Haofang to launch “Kaisa X TMALL Haofang – Kaisa Official Flagship Store” and launching Taobao live streaming and proprietary sales platforms via Wechat application, and Tik Tok Blue V official account “Kaisa-your new house (佳兆業置業佳)” and so on. All of these online channels not only overcame the limitations on time and space, but also facilitated sales and de-stocking and gained the first-mover advantage.

Kaisa is committed to providing high-quality products and services for first home buyers and upgraders with rigid demands. During the Year, more than 20 projects of the Company were granted more than 30 international and domestic awards in terms of design, provincial and municipal quality and safety. By virtue of its good reputation and brand bargaining power, projects including Shenzhen Kaisa Sky-high Summit, Guangzhou Kaisa Yuejiang Mansion, Huizhou Kaisa Shiguangdao, Shanghai Kaisa City Plaza and Nanjing Kaisa Eminent Residence received overwhelming responses after launching.

### **Land Bank**

The Group continued to deepen its penetration in the first-tier and major second-tier cities and acquired a total of 47 parcels of land nationwide, with approximately 5.65 million sq.m. of attributable gross floor area (“**GFA**”), for an aggregate attributable consideration of approximately 47,114 million. In terms of attributable consideration, newly acquired lands in first-tier cities accounted for 49%; in terms of attributable GFA, newly acquired lands in the Greater Bay Area accounted for 63%.

As of 31 December 2020, the Group had 217 real estate projects in 51 cities nationwide. The Group's land bank totaled approximately 28.8 million sq.m., of which approximately 15.9 million sq.m. are in the Greater Bay Area, accounting for 55% of the Group's overall land bank. The Group's land bank in Shenzhen and Guangzhou, which are the core markets that the Group has intensively developed over the years, accounted for 36% of its land bank in the Greater Bay Area.

It is worth noting that Kaisa is developing 4 residential projects in Hong Kong Island, Kowloon and the New Territories of Hong Kong during the Year. This has further consolidated the Group's strategic layout in the Greater Bay Area.

## **Urban Renewal**

As an enterprise focusing on the urban renewal market in Shenzhen, Kaisa has been penetrating in the urban renewal market in the Greater Bay Area for many years and has become a leading enterprise in the industry by virtue of its good reputation and extensive experience. During the Year, the Group successfully converted 9 urban renewal projects in Hong Kong, Shenzhen, Guangzhou and Huizhou with GFA and saleable resource of approximately 1.8 million sq.m. and RMB64,000 million, which over-fulfilled its annual goal of conversion. In terms of attributable consideration of newly acquired land in 2020, land supply from urban renewal accounted for approximately 29% of the Group's total land supply and has become an important channel for the replenishment of the Group's landbank at low cost.

During the Year, various favourable policies for urban renewal development were launched in cities in the Greater Bay Area. Pursuant to the Regulations of Shenzhen Special Economic Zone on Urban Renewal (《深圳經濟特區城市更新條例》) approved by the Standing Committee of Shenzhen People's Congress on 30 December 2020, for urban renewal projects in Shenzhen, if 95% relocation consent is collected, the remaining households may be subject to mediation and expropriation lawfully. This has sped up the conversion progress and efficiency of urban renewal projects and provided clear guideline in solving the difficulties of demolition. In addition, Guangzhou government has also promulgated a set of documents regarding urban renewal such as the "Opinions on Deepening Urban Renewal and Promoting High Quality Development" (《關於深化城市更新推進高質量發展的實施意見》) and rolled out a new round of measures. Dongguan and Zhongshan governments also issued a series of documents to facilitate the development of urban renewal. These policies are of significant importance for the conversion of the Group's renewal projects in the Greater Bay Area.

As of 31 December 2020, Kaisa still has more than 200 urban renewal projects which are yet to be converted into land bank of the Group. These projects are substantially located in the cities of the Greater Bay Area such as Shenzhen, Guangzhou, Dongguan and Zhongshan. In addition, the Group's urban renewal team is actively identifying opportunities for urban renewal in cities with high investment value out of the Greater Bay Area.

## Capital and Financing

In 2020, the overall financing environment in China was initially relaxed but eventually tightened. In the first half of the Year, as impacted by the COVID-19 pandemic, the Central Government adopted a range of monetary policy instruments to maintain liquidity at a reasonably sufficient level. As the pandemic gradually came under control in China and property sales recovered, during the second half of the Year, the Chinese government continued to strengthen regulations on real estate financing by imposing measures not only on the demand side to limit the increase of debt of real estate enterprises, but also on the supply side by introducing a centralised management system for real estate loan, for the purpose of encouraging real estate enterprises to deleverage and improve the quality of operation while promoting a long-term stable development of the industry.

Under such circumstances, the Group's main focus for the Year was to reduce financing costs, expand financing channels, extend debt maturity and mitigate short-term repayment risks. Regarding domestic financing, in addition to maintaining a good cooperative relationship with traditional financing channels, Kaisa also successfully issued asset-backed securities (ABS) and asset-backed notes (ABN) with an aggregate amount of RMB2.6 billion. At the same time, the Group also obtained a quota for issuing RMB3 billion worth of corporate bond to finance long-term rental apartment development, which further expanded its domestic financing channels.

Regarding offshore financing, the Group successfully issued a tranche of US\$150 million senior notes with a bond yield of 5.5% during the Year, marking a record low yield for the Company in recent years. Meanwhile, leveraging the four high-quality real estate projects in Hong Kong, the Company has built closer cooperation relationships with major commercial banks. During the Year, financing costs of new offshore borrowings decreased by more than 200 basis points as compared to the same period last year. In order to relieve the Company's short-term repayment pressure, the Group issued two tranches of senior notes due 2025 in early 2020 to extend the overall debt maturity. At the same time, the Company also repaid a total of US\$950 million worth of senior notes throughout the Year via cash tender offer and secondary market repurchase, demonstrating its commitment in active liability management.

During the Year, Kaisa launched a sustainable finance framework, which is the first among domestic real estate companies, and obtained the "Second Party Opinion on Sustainable Finance Framework". The two sustainable senior notes of the Company were even awarded the "Best Sustainability Bond 2020" by The Asset, a well-known international asset management and investment magazine.

In terms of ratings, both the Group and Kaisa (Shenzhen) were granted issuer ratings of "AA+" respectively by CCXI, United Credit Ratings and Dagong Global Credit domestically. International rating agencies such as Moody's Investor Services, Standard and Poor's Rating Services and Fitch Ratings reaffirmed the Company's issuer credit rating of "B1", "B" and "B" with a "Stable" outlook respectively.

As of 31 December 2020, the Group's cash and bank deposits (including bank deposits, cash and bank balances and restricted cash) amounted to RMB47.1 billion. The Group's liabilities to assets ratio excluding receipts in advance (including contract liabilities) was down to 70.3%; net gearing ratio dropped significantly to 97.9%; and cash to short-term debt ratio (excluding restricted cash) was up to 1.56 times, reflecting the Group's solid liquidity position.

With the Group's sound and stable financial strategy, strong profitability and outstanding solvency, the Group was awarded the "2020 Benchmark Enterprise in terms of Financial Stability" (2020年度財務穩健標杆企業) by China Business Journal (中國經營報) and "2020 Paragon Real Estate Companies of Financial and Risk Management" (2020房地產企業財務風控榜樣) by Hexun Network (和訊網).

### **Capital Market's Recognition**

Kaisa received high recognition for its performance in the capital market during the Year. Subsequent to the inclusion in Hang Seng Composite Index, Hang Seng Composite LargeCap & MidCap Index, and Hang Seng Stock Connect Greater Bay Area Index, the Company was included as a constituent of Hang Seng Large-Mid Cap Value Tilt Index and Hang Seng Large-Mid Cap (Investable) Index in May and October 2020, respectively, which helps Kaisa become the investment target of more index funds. The Company's share performance outperformed by far Hang Seng Index and Hang Seng Properties Sub-index during the Year.

As regarding the environmental, social and corporate governance ("ESG"), MSCI, a renowned global index compiler, upgraded the Group's ESG rating from "B" to "BB". Sustainalytics, an ESG rating and research company, also granted the Group a "low risk" score of 18.7, which is the best score in the real estate industry. Due to the outstanding ESG performance, the Group garnered the Titanium Award at the "ESG Corporate Awards" by The Asset magazine, and the Leading Social Initiative Award by Bloomberg Businessweek/Chinese edition.

Thanks to the trust and support of investors, the Group was awarded the "Best IR of Hong Kong-listed Company" by New Fortune (《新財富》), "Honored Companies" in 2020 All-Asia Executive Team, "Best Investor Relations" and "Best Use of Debt" in "Global Fixed Income Investor Relations" in the real estate and construction sector by Institutional Investor, a leading international publisher focused primarily on international finance, as well as "Best Investor Relations Team" by The Asset.

### **Prospects**

Looking ahead, with the rollout of the COVID-19 vaccine, it is expected that the COVID-19 pandemic will gradually come under control. However, the degree of recovery and rebound in growth of the global economy still hinge on the integrated effects of a series of factors including the development trend of the COVID-19 pandemic, the adjustment of global value chain, the foreign economic policy of the U.S. government, the intensity and effect of different countries' fiscal and monetary policies as well as the stability of the global financial market. The global economy is expected to undergo a weak recovery, casting numerous uncertainties over China's economic development.

Nevertheless, the overall upward trend of the domestic economy will not alter. 2021 is the first year of China's "14th Five-Year Plan" and also the 100th anniversary of the Communist Party of China. China will embark on a new journey of fully building a modern socialist country. According to "The CPC Central Committee's Proposals for Formulating the 14th Five-Year Plan for the National Economic and Social Development and the Long-Range Objectives Through the Year 2035" (《中共中央關於制定國民經濟和社會發展第十四個五年規劃和二〇三五年遠景目標的建議》), the Central Government reiterated the positioning

of “houses are for living in, not for speculation” and encouraged the promotion of both home rental and purchase and adoption of city-specific policies, with a view to facilitating stable and healthy development of the real estate market. Meanwhile, in order to prevent excessive financialisation of the real estate market and take preventive measures to resolve systemic financial risks, the Central Government will continue to foster the establishment of a long-term effective management mechanism for real estate finance and reinforce supervision on real estate finance.

Facing the new landscape of future real estate development, Kaisa will implement a prudent land acquisition strategy on the investment side and develop projects through cooperation, to realise complementary strengths, reduce investment risks, lower land expenditures, and ensure sufficient cash flow. At the same time, the Group will accelerate the conversion of urban renewal projects to develop high-quality projects with high profitability by the Company. On the sales side, the Group will continue to accelerate collection of sales proceeds and boost sales through online and offline collaborative sales activities. On the operation side, through continuous improvements in product research and development capacity and cost control ability, the Company will accelerate project construction, display, delivery and provision of services, which in turn will enhance product price premium and increase profits. On the financing side, the Company will strive to actively expand financing channels, improve maturity profile and reduce financing costs.

As urbanisation continues to benefit China’s real estate industry and with the ongoing advantages provided by the Central Government’s favourable policies regarding the Greater Bay Area and the pilot demonstration area of Shenzhen, Kaisa will ride the tide of time to keep on actively exploring investment opportunities brought by the development of large and medium-sized city clusters in China, grasp the potential of regional economic and industrial development and population policy, and achieve balance between the development of scale and profit enhancement in order to steadily forge ahead.

### **Acknowledgement**

The steady development of the Group depended on the enormous support from the community, as well as the dedication and contribution of our staff members. On behalf of the Board, I would like to take this opportunity to extend my wholehearted gratitude to all shareholders, investors, business partners and customers of the Company for their trust and support. Kaisa Group will closely monitor the latest development of the health crisis. We will also continue to work hard to fulfil or even exceed our goals so as to maximise the value and returns to our shareholders and investors.

**KWOK Ying Shing**  
*Chairman*

Hong Kong, 25 March 2021

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERALL PERFORMANCE

During the year ended 31 December 2020, the Group recorded revenue of approximately RMB55,770.2 million, representing an increase of 16.1% as compared with 2019. Profit attributable to owners of the Company amounted to approximately RMB5,447.1 million, representing a year-on-year increase of 18.6%. Basic earnings per share amounted to RMB89.1 cents (2019: basic earnings per share amounted to RMB75.6 cents).

The Board recommended the payment of a final dividend of HK12.0 cents per share for the year ended 31 December 2020 (2019: HK10.0 cents per share). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting.

### Contracted sales in 2020

In 2020, the Group's contracted sales amounted to approximately RMB106,896 million, representing an increase of 21.3% from 2019. Aggregated GFA sold for the year was approximately 6,164,589 sq.m., representing an increase of 32.8% from 2019. The table below shows the Group's contracted sales by region in 2020:

<b>Region</b>	<b>Contracted sales area (sq.m.)</b>	<b>Contracted sales amount (RMB in millions)</b>
Guangdong-Hong Kong-Macao Greater Bay Area	2,912,864	62,579
Yangtze River Delta	821,307	18,504
Central China Region	423,807	4,624
Western China Region	778,497	10,008
Pan-Bohai Bay Rim	1,228,114	11,181
<b>Total</b>	<b>6,164,589</b>	<b>106,896</b>

### Property development

#### *Projects completed in 2020*

The Group adopts a strict and prudent practice in project development and adjusts its pace of business expansion as and when appropriate. During the Year, the GFA of newly completed projects of the Group amounted to approximately 2.74 million sq.m..

### Projects under development

As at 31 December 2020, the Group had 105 projects under development with an aggregate of GFA of approximately 16.44 million sq.m..

## **Property management**

The Group generated revenue from providing property management services. During the year ended 31 December 2020, the Group managed a total GFA of approximately 57.5 million sq.m.. The Group's property management is striving to deliver excellent and professional services to its customers and enhance brand and corporate image. As of 31 December 2020, the Group's property services penetrated into 51 cities nationwide, covering residential, commercial, office, tourism and large-scale stadiums.

## **Investment properties**

The Group adopts a diversified business strategy, characterised by its increase in property investment. The portfolio of investment properties will generate steady and reliable income and enlarge the overall income base of the Group. The Group develops commercial properties such as office buildings, retail stores and car parks for leasing purpose. In managing its investment property portfolio, the Group takes into account long-term growth potential, the overall market conditions, and its cash flows and financial condition. As at 31 December 2020, the Group held 19 investment property projects, with an aggregate GFA of 1.33 million sq.m., including completed investment properties of GFA of 0.54 million sq.m. for leasing purpose.

## **Land bank**

The Group remained cautious in replenishing its land bank nationwide by making reference to the development of the Company, availability of land supply and its existing land bank. By ways such as joint development, acquisition, bidding, auction and listing as well as urban renewal, the Group seeks project resources in China's regions where economy prospers. The Group has 217 real estate projects in 51 cities nationwide.

In 2020, the Group acquired a total of 47 parcels of land or related interests. The aggregate attributable consideration for land acquisition amounted to approximately RMB47,114 million. The total attributable GFA per maximum allowed plot ratio attributable to the Group was approximately 5.65 million sq.m..

As at 31 December 2020, the Group had a total land bank of approximately 28.75 million sq.m., and approximately 55% of land bank was located in the Greater Bay Area, which is sufficient for the Group's development needs for the next five years.

The table below sets forth detailed information of these land acquisitions:

Time of Acquisition	Location	Attributable Interest	Site Area (sq.m.)	Attributable Building Area (sq.m.)	Attributable Consideration (RMB in millions)	Land use
January 2020	Hangzhou, Zhejiang	51%	49,166	55,164	457.6	Residential
February 2020	Changsha, Hunan	49%	126,529	228,252	774.9	Residential and Commercial
March 2020	Dongguan, Guangdong	34%	69,524	70,914	837.4	Residential
March 2020	Dongguan, Guangdong	24%	33,763	26,465	169.4	Residential and Commercial
March 2020	Zhongshan, Guangdong	100%	33,000	83,000	727.1	Residential
March 2020	Chengdu, Sichuan	100%	45,635	91,200	889.9	Residential and Commercial
May 2020	Foshan, Guangdong	51%	62,406	90,990	1,027.7	Commercial
May 2020	Changsha, Hunan	65%	34,300	57,879	319.1	Commercial
May 2020	Guangzhou, Guangdong	49%	113,401	166,700	1,432.3	Residential
May 2020	Dongguan, Guangdong	49%	22,451	33,002	374.9	Residential
June 2020	Huizhou, Guangdong	55%	110,871	189,035	1,080.8	Residential and Commercial
June 2020	Dongguan, Guangdong	51%	27,600	42,177	359.9	Residential
June 2020	Jieyang, Guangdong	60%	159,004	277,036	296.4	Residential and Commercial
June 2020	Chongqing	100%	116,773	175,160	1,325.0	Residential
June 2020	Dongguan, Guangdong	51%	60,512	77,153	1,335.1	Residential
June 2020	Guangzhou, Guangdong	80%	102,392	262,123	2,114.4	Residential and Commercial
June 2020	Shenzhen, Guangdong	51%	5,427	17,054	217.2	Industrial
June 2020	Shenzhen, Guangdong	26%	7,241	13,780	635.6	Commercial
June 2020	Guangzhou, Guangdong	80%	243,200	314,960	1,840.0	Residential and Commercial
July 2020	Beijing	60%	20,039	24,046	756.0	Residential
July 2020	Qingdao, Shandong	51%	61,492	56,449	451.0	Residential
July 2020	Nanjing, Jiangsu	49%	40,522	43,700	1,205.4	Residential
July 2020	Shanghai	47%	27,819	28,765	767.6	Residential
July 2020	Luoyang, Henan	32%	95,613	76,491	365.8	Residential
July 2020	Luoyang, Henan	49%	238,037	427,911	1,634.3	Residential and Commercial
July 2020	Dongguan, Guangdong	49%	41,837	56,393	558.4	Residential and Commercial
July 2020	Hangzhou, Zhejiang	52%	36,748	45,861	1,480.6	Residential
August 2020	Huizhou, Guangdong	50%	72,710	109,065	244.8	Residential and Commercial
August 2020	Guiyang, Guizhou	91%	182,977	499,526	609.9	Residential and Commercial
August 2020	Kunming, Yunnan	49%	33,728	35,981	168.5	Residential
August 2020	Wuhan, Hubei	34%	45,753	57,357	584.0	Residential
September 2020	Jieyang, Guangdong	100%	147,300	314,007	523.7	Residential and Commercial
September 2020	Shenzhen, Guangdong	100%	68,800	214,700	2,980.1	Residential
September 2020	Huizhou, Guangdong	60%	207,700	365,040	1,368.9	Residential and Commercial
October 2020	Hefei, Anhui	100%	37,485	73,204	1,145.5	Residential
November 2020	Huizhou, Guangdong	55%	165,997	292,047	2,274.0	Residential and Commercial
November 2020	Shenzhen, Guangdong	13%	37,254	21,889	364.0	Residential
November 2020	Ningbo, Zhejiang	51%	26,647	33,826	732.8	Residential
November 2020	Wuxi, Jiangsu	49%	48,697	38,178	244.9	Residential

Time of Acquisition	Location	Attributable Interest	Site Area (sq.m.)	Attributable Building Area (sq.m.)	Attributable Consideration (RMB in millions)	Land use
November 2020	Guangzhou, Guangdong	60%	30,623	60,634	1,211.0	Residential
November 2020	Shenzhen, Guangdong	100%	82,000	286,000	3,517.8	Residential
November 2020	Xiaogan, Hubei	50%	141,448	75,675	196.3	Residential
December 2020	Jiangnan, Guangdong	49%	45,937	56,273	388.1	Residential
Onshore Sub-total			<u>3,360,358</u>	<u>5,565,063</u>	<u>39,986</u>	
January 2020	Tuen Mun, Hong Kong	100%	13,538	54,152	3,185.0	Residential
May 2020	Sai Wan, Hong Kong	100%	365	3,258	500.5	Residential
October 2020	Cheung Sha Wan, Hong Kong	75%	381	2,475	239.4	Residential
November 2020	Kai Tak, Hong Kong	50%	9,708	26,697	3,203.2	Residential
Offshore Sub-total			<u>23,992</u>	<u>86,582</u>	<u>7,128</u>	
<b>Total</b>			<u>3,384,350</u>	<u>5,651,645</u>	<u>47,114</u>	

## FINANCIAL REVIEW

### Revenue

The Group's revenue was primarily derived from business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, (v) cinema, department store and cultural centre operations, (vi) water-way passenger and cargo transportation, (vii) health care operations and (viii) others. Revenue increased by 16.1% to approximately RMB55,770.2 million in 2020 from approximately RMB48,021.7 million in 2019. 91.8% of the Group's revenue was generated from the sales of properties (2019: 91.3%) and 8.2% from other segments (2019: 8.7%).

### Sales of properties

Revenue from sales of properties increased by approximately RMB7,345.8 million, or 16.7%, to approximately RMB51,194.4 million in 2020 from approximately RMB43,848.6 million in 2019. The increase was primarily attributable to an increase in the total delivered GFA from approximately 2.5 million sq.m. in 2019 to approximately 3.2 million sq.m. in 2020.

## **Rental income**

Rental income increased by approximately RMB88.0 million, or 19.3%, to approximately RMB543.7 million in 2020 from approximately RMB455.7 million in 2019. The increase was primarily due to commencement of rental at certain properties during the year.

## **Property management**

Revenue from property management services increased by approximately RMB436.9 million, or 47.9%, to approximately RMB1,349.2 million in 2020 from approximately RMB912.3 million in 2019. This increase was primarily attributable to the increased GFA under property management.

## **Hotel and catering operations**

Revenue from hotel and catering operations of the Group decreased by approximately RMB13.5 million, or 4.9% to approximately RMB263.4 million in 2020 from approximately RMB276.9 million in 2019. Due to the outbreak of COVID-19 pandemic, the performance of the hotel and catering operations have been negatively affected in the first quarter. Since the second quarter, with significant relief measures and effective controls of the domestic pandemic, the hotel industry have recovered gradually.

## **Cinema, department store and cultural centre operations**

Revenue from cinema, department store and cultural centre operations decreased by approximately RMB506.2 million, or 76.2%, to approximately RMB158.2 million in 2020 from approximately RMB664.4 million in 2019. The decrease was primarily due to the closure of cinema and culture centre in early 2020 as result of the outbreak of the COVID-19 epidemic.

## **Water-way passenger and cargo transportation**

Revenue from water-way passenger and cargo transportation decreased by approximately RMB445.5 million, or 51.2%, to approximately RMB424.4 million in 2020 from approximately RMB869.8 million in 2019. The decrease was primarily due to the passenger volume decreased significantly as result of the outbreak of the COVID-19 epidemic.

## **Health care operations**

Revenue from health care operations increased by approximately RMB267.5 million, or 119.7%, to approximately RMB491.0 million in 2020 from approximately RMB223.5 million in 2019. The increase was primarily due to acquisition of a pharmaceutical company in 2019.

## **Gross profit**

As a result of the foregoing, the Group's gross profit increased by approximately RMB2,077.4 million, or 15.0%, to approximately RMB15,907.5 million in 2020 from approximately RMB13,830.1 million in 2019. The Group's gross profit margin remained stable at 28.5%.

### **Other gains and losses – net**

The Group had net other gain of approximately RMB334.7 million in 2020, as compared to net other losses of approximately RMB1,494.3 million in 2019. The Group's net other gains and losses in 2020 mainly comprised provision for expected credit loss of approximately RMB876.5 million, write-down of completed properties held for sale and properties under development of approximately RMB2,578.9 million, written off of debtors and other receivables of approximately RMB476.5 million and net fair value loss on financial assets at fair value through profit or loss of approximately RMB307.2 million and offset by net exchange gain of approximately RMB4,670.8 million. The Group's net other gains and losses in 2019 mainly comprised provision for expected credit loss of approximately RMB478.1 million, loss on disposal of investment properties of approximately RMB193.8 million, impairment loss on intangible assets of approximately RMB473.4 million and write-down of completed properties held for sale and properties under development of approximately RMB367.7 million, written off of debtors and other receivables of approximately RMB275.3 million, loss on derecognition of interest in an associate of approximately RMB252.0 million, net exchange loss of approximately RMB816.5 million and offset by net fair value gain on financial assets at fair value through profit or loss of approximately RMB1,380.9 million, and government subsidy income of approximately RMB83.2 million, and net gain on repurchase of senior notes of approximately RMB178.4 million.

### **Selling and marketing costs**

The Group's selling and marketing costs increased by approximately RMB21.1 million, or 1.1%, to approximately RMB2,017.3 million in 2020 from approximately RMB1,996.2 million in 2019.

### **Administrative expenses**

The Group's administrative expenses increased by approximately RMB379.5 million, or 11.3%, to approximately RMB3,730.3 million in 2020 from approximately RMB3,350.8 million in 2019. The increase was mainly due to increase in staff costs, legal and professional fees and donations.

### **Net fair value gain of investment properties**

The net fair value gain of the Group's investment properties increased by approximately RMB11.0 million, or 6.2%, to approximately RMB189.4 million in 2020 from approximately RMB178.4 million in 2019.

### **Net gain on disposals of subsidiaries**

The Group had recorded net gain on disposals of subsidiaries of approximately RMB774.1 million in 2020 and approximately RMB245.6 million in 2019.

### **Net gain on deemed disposals of subsidiaries**

The Group had recorded net gain on deemed disposals of subsidiaries of approximately RMB816.6 million in 2020 and approximately RMB2,460.6 million in 2019.

## **Fair value gain/(loss) of financial derivatives**

The Group recorded a gain arising from the changes in fair value of financial derivatives of approximately RMB52.8 million in 2020 whereas the Group recorded a loss of RMB82.2 million in 2019. The fair value gain of financial derivatives in 2020 was primarily attributable to the decrease in fair value of financial derivatives component of convertible bonds issued in 2019 as result of the decrease in share price of the Company.

## **Finance costs – net**

The Group's net finance costs increased by approximately RMB1,599.5 million or 732.0% to approximately RMB1,818.0 million in 2020 from RMB218.5 million in 2019. The increase was mainly due to increase in total interest expense as result of higher average balance of borrowings in 2020 and relatively lower amount of finance costs were capitalised as compared to last year.

## **Income tax expenses**

The Group's income tax expenses decreased by approximately RMB79.6 million, or approximately 1.5%, to approximately RMB5,224.0 million in 2020 from approximately RMB5,303.6 million in 2019.

## **Profit for the year and total comprehensive income for the year**

As a result of the foregoing, the Group's profit for the year and total comprehensive income for the year amounted to approximately RMB5,278.4 million and approximately RMB5,319.4 million, respectively (2019: profit for the year and total comprehensive income for the year amounted to approximately RMB4,164.0 million and RMB4,138.8 million, respectively).

## **Liquidity, financial and capital resources**

### *Cash position*

As at 31 December 2020, the carrying amount of the Group's cash and bank deposits was approximately RMB47,113.2 million (31 December 2019: approximately RMB36,978.0 million), representing an increase of 27.4% as compared to that as at 31 December 2019. Certain property development companies of the Group placed a certain amount of pre-sales proceeds to designated bank accounts as collateral for the construction loans. Such collateral will be released after completion of the pre-sales properties or the issuance of the title of the properties, whichever is the earlier. Additionally, as at 31 December 2020, certain of the Group's cash was deposited in certain banks as collateral for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above collateral amounted to approximately RMB6,248.9 million as at 31 December 2020 (31 December 2019: approximately RMB6,016.5 million).

### *Senior notes*

During the year ended 31 December 2020, the Group issued US\$500 million 10.5% senior notes due 2025 and US\$300 million 9.95% senior notes due 2025 in January 2020; US\$400 million 6.75% senior notes due 2021 in February 2020; US\$300 million 7.875% senior notes due 2021 in June 2020, US\$400 million 9.75% senior notes due 2023 in July 2020, US\$300 million 11.25% senior notes due 2025 in July 2020, US\$400 million 11.25% additional senior notes due 2025 in September 2020, US\$200 million senior perpetual securities in November 2020, US\$200 million 11.95% additional senior notes due November 2023 in November 2020, US\$250 million 6.5% senior notes due 2021 in December 2020 and US\$150 million 6.5% additional senior notes due 2021 in December 2020.

During the year ended 31 December 2020, the Group made on-market repurchase of 7.25% senior notes due 2020 with a principal amount of US\$27 million, 6.75% senior notes due 2021 with a principal amount of US\$24 million and 11.75% senior notes due 2021 with a principal amount of US\$21 million. During the year ended 31 December 2020, the Group made tender offer to repurchase 6.75% senior notes due 2021 with a principal amount of US\$201.7 million and 11.75% senior notes due 2021 with a principal amount of US\$163.2 million. The repurchased notes were cancelled accordingly.

On 30 June 2020, the Group redeemed the outstanding 7.25% senior notes due 2020 of US\$513.0 million.

### *Convertible bonds*

As at 31 December 2020, the Group had convertible bonds in an aggregate principal amount of US\$100 million (equivalent to approximately HK\$783 million) (the “**Convertible Bonds**”). The Convertible Bonds may be converted into conversion shares pursuant to the terms and conditions of the Convertible Bonds. Based on the adjusted conversion price of HK\$4.63 per share and assuming full conversion of the Convertible Bonds at the initial conversion price, the Convertible Bonds will be convertible into 169,114,470 new shares.

### *Borrowings and charges on the Group’s assets*

As at 31 December 2020, the Group had aggregate borrowings of approximately RMB121,471.0 million, of which approximately RMB23,069.2 million will be repayable within 1 year, approximately RMB39,364.0 million will be repayable between 1 and 2 years, approximately RMB54,622.3 million will be repayable between 2 and 5 years, approximately RMB4,415.5 million will be repayable over 5 years.

As at 31 December 2020, the senior notes were secured by the share pledge of the Company’s subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group’s domestic bank loans carried a floating interest rate linking up with the base lending rate of the People’s Bank of China. The Group’s interest rate risk is mainly from the floating interest rate of domestic bank loans.

### *Key financial ratios and “Three Red Lines”*

As at 31 December 2020, the Group had a leverage ratio (i.e. its net debts (total borrowings net of cash and bank balances, long-term and short-term bank deposits, and restricted cash) over total assets) of 24.0% (31 December 2019: 29.6%). The Group’s net current assets increased by 50.1% from approximately RMB66,819.0 million as at 31 December 2019 to approximately RMB100,325.6 million as at 31 December 2020, the quick ratio (cash and short-term bank deposits of RMB45,913.2 million divided by short-term borrowings of RMB23,069.2 million) increased to 2.0 times as at 31 December 2020 from 1.1 times as at 31 December 2019, the current ratio increased to 1.8 times as at 31 December 2020 as compared to 1.5 times as at 31 December 2019.

The net gearing ratio is calculated by dividing total borrowings (including short-term and long-term borrowings and perpetual capital securities) minus cash and cash equivalents (including restricted cash, short-term bank deposits and long-term bank deposits) by the total equity (excluding perpetual capital securities). As of 31 December 2020, the Group’s borrowings (including short-term and long-term borrowings and perpetual capital securities) was RMB122,821.0 million, and cash and cash equivalents (including restricted cash, short-term bank deposits and long-term bank deposits) was RMB47,113 million. The total equity (excluding perpetual capital securities) was RMB77,369.3 million, so the net gearing ratio was 97.9%, which is 46.1 percentage points lower than the 144.0% as of 31 December 2019.

The cash to short-term debt ratio is cash and bank balances (excluding restricted cash and short-term bank deposits) divided by short-term borrowings. As at 31 December 2020, the Group’s cash and bank balances (excluding restricted cash and short-term bank deposits) was RMB36,078.8 million, short-term borrowings were RMB23,069.2 million. Therefore, the cash to short-term debt ratio was 1.56.

The liabilities to assets ratio after excluding receipts in advance is calculated by subtracting receipts in advance (including contract liabilities) from total liabilities (including perpetual capital securities) and dividing by total assets minus receipts in advance (including contract liabilities). As of 31 December 2020, the Group’s receipts in advance (including contract liabilities) was RMB49,706.0 million, total liabilities (including perpetual capital securities) was RMB232,529.2 million, and total assets was RMB309,898.6 million; total liabilities (including perpetual capital securities) and total assets after excluding receipts in advance was RMB182,823.2 million and RMB260,192.5 million, respectively. Therefore, the liabilities to asset ratio after excluding receipts in advance was 70.3%, as compared with 75.9% of 31 December 2019, representing a decrease by 5.6 percentage points.

### *Cost of borrowings*

During the year ended 31 December 2020, the Group’s total interest expense was approximately RMB11,525.6 million, representing an increase of approximately RMB649.0 million or 6.0% as compared to the corresponding period in 2019. The increase was primarily attributable to higher average balance of borrowings in 2020.

### *Foreign currency risks*

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies which operate in Hong Kong have recognised assets and liabilities in currencies other than RMB. As at 31 December 2020, the Group had borrowings in US dollar and HK dollar with an aggregate carrying amount of approximately RMB73,185.5 million, which are subject to foreign currency exposure.

The Group does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### *Financial guarantees*

As at 31 December 2020, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB27,272.6 million (31 December 2019: approximately RMB32,816.5 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, the Group would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but the Group would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

### **Employees and remuneration policy**

As at 31 December 2020, the Group had approximately 17,100 employees (31 December 2019: approximately 15,300 employees). The related employees' costs (including the directors' remuneration) for the year ended 31 December 2020 amounted to approximately RMB2,316.1 million. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills. Further, the Company adopted the share option scheme on 14 June 2019. Further information of share option scheme has been set out in the section head "The New Share Option Scheme" of the report.

## **CORPORATE GOVERNANCE**

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. The Board is of the view that, for the year ended 31 December 2020, the Company complied with the code provisions on the Corporate Governance Code set out 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 following deviation:

Due to other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan, was unable to attend the annual general meeting of the Company held on 14 June 2020.

Due to other important engagements, the non-executive Director of the Company, Ms. CHEN Shaohuan, and the independent non-executive Director of the Company, Mr. LIU Xuesheng, were unable to attend the extraordinary general meeting of the Company held on 20 November 2020.

## **AUDIT COMMITTEE**

The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the Audit Committee are non-executive Director and independent non-executive Directors of the Company, namely Ms. CHEN Shaohuan, Mr. RAO Yong and Mr. ZHANG Yizhao. Mr. RAO Yong is the Chairman of the Audit Committee.

## **COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company adopted the Model Code as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2020.

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

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

### **Senior notes**

During the year ended 31 December 2020, the Group issued US\$500 million 10.5% senior notes due 2025 and US\$300 million 9.95% senior notes due 2025 in January 2020; US\$400 million 6.75% senior notes due 2021 in February 2020; US\$300 million 7.875% senior notes due 2021 in June 2020, US\$400 million 9.75% senior notes due 2023 in July 2020, US\$300 million 11.25% senior notes due 2025 in July 2020, US\$400 million 11.25% additional senior notes due 2025 in September 2020, US\$200 million senior perpetual securities in November 2020, US\$200 million 11.95% additional senior notes due November 2023 in November 2020, US\$250 million 6.5% senior notes due 2021 in December 2020 and US\$150 million 6.5% additional senior notes due 2021 in December 2020.

During the year ended 31 December 2020, the Group made on-market repurchase of 7.25% senior notes due 2020 with a principal amount of US\$27 million, 6.75% senior notes due 2021 with a principal amount of US\$24 million and 11.75% senior notes due 2021 with a principal amount of US\$21 million. During the year ended 31 December 2020, the Group made tender offer to repurchase 6.75% senior notes due 2021 with a principal amount of US\$201.7 million and 11.75% senior notes due 2021 with a principal amount of US\$163.2 million. The repurchased notes were cancelled accordingly.

On 30 June 2020, the Group redeemed the outstanding 7.25% senior notes due 2020 of US\$513.0 million.

All the notes issued above are listed and traded on the Singapore Stock Exchange.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

### **SCOPE OF WORK OF THE AUDITORS**

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

### **DIVIDEND**

The Directors recommended the declaration of a final dividend at the rate of HK12.0 cents per share, to all persons registered as holders of shares of the Company on Tuesday, 29 June 2021, subject to the approval of the shareholders of the Company at the forthcoming AGM of the Company. The final dividend will be paid on or about 6 August 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

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

- (a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Tuesday, 15 June 2021, the register of members of the Company will be closed on Thursday, 10 June 2021 to Tuesday, 15 June 2021, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 9 June 2021.
- (b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Thursday, 24 June 2021 to Tuesday, 29 June 2021, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 23 June 2020.

## **ANNUAL GENERAL MEETING**

The AGM will be held on Tuesday, 15 June 2021 and a notice convening the AGM will be published and dispatched in the manner as required by the Listing Rules on the Stock Exchange in due course.

## **PUBLICATION OF THE 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The Company's Annual Report for the year ended 31 December 2020 will be published on the websites of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company at [www.kaisagroup.com](http://www.kaisagroup.com) in due course.

By Order of the Board  
**KAISA GROUP HOLDINGS LTD.**  
**Kwok Ying Shing**  
*Chairman and Executive Director*

Hong Kong, 25 March 2021

*As at the date of this announcement, the executive Directors are Mr. Kwok Ying Shing, Mr. Sun Yuenan, Mr. Mai Fan, Mr. Li Haiming and Mr. Kwok Hiu Kwan; the non-executive Director is Ms. Chen Shaohuan; and the independent non-executive directors are Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Liu Xuesheng.*