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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 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Kaisa Group Holdings Ltd. (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for the corresponding year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	4	25,390,022	35,544,684
Cost of sales	5	(21,997,576)	(30,916,419)
Gross profit		3,392,446	4,628,265
Other gains and losses, net	6	(8,881,629)	(7,262,310)
Selling and marketing costs	5	(568,666)	(1,611,875)
Administrative expenses	5	(2,620,064)	(3,588,635)
Net fair value loss of investment properties		(232,508)	(1,822,651)
Net (loss)/gain on disposals of subsidiaries		(68,721)	392,360
Net loss on deemed disposals of subsidiaries		(678,692)	–
Provision for expected credit losses	6	(1,011,958)	(2,875,764)

* *For identification purposes only*

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Operating loss		(10,669,792)	(12,140,610)
Share of results of associates		(619,919)	(115,327)
Share of results of joint ventures		(113,133)	(324,699)
Fair value gain of financial derivatives		–	27,450
Finance income	7	286,165	689,893
Finance costs	7	(1,795,311)	(1,710,160)
Finance costs, net	7	(1,509,146)	(1,020,267)
Loss before income tax		(12,911,990)	(13,573,453)
Income tax (expenses)/credit	8	(99,936)	315,050
Loss for the year		(13,011,926)	(13,258,403)
(Loss)/Profit for the year attributable to:			
Owners of the Company		(13,064,558)	(12,726,728)
Non-controlling interests		52,632	(531,675)
		(13,011,926)	(13,258,403)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)			
– Basic	10	(1.883)	(1.898)
– Diluted	10	(1.883)	(1.898)

	2022	2021
	RMB'000	RMB'000
Loss for the year	(13,011,926)	(13,258,403)
Other comprehensive income/(expenses), including reclassification adjustments		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Share of other comprehensive income/(expenses) of associates	60	(268)
Exchange differences on translation of foreign operations	18,030	(23,562)
Other comprehensive income/(expenses) for the year, including reclassification adjustments	18,090	(23,830)
Total comprehensive expenses for the year	(12,993,836)	(13,282,233)
Total comprehensive (expenses)/income for the year attributable to:		
Owners of the Company	(13,049,239)	(12,758,281)
Non-controlling interests	55,403	(523,952)
	(12,993,836)	(13,282,233)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		4,456,386	5,245,085
Right-of-use assets		574,378	626,471
Investment properties		9,452,400	20,262,500
Land use rights		395,098	672,088
Investments in associates	<i>11(a)</i>	25,155,266	7,088,114
Investments in joint ventures	<i>11(b)</i>	8,166,590	12,997,981
Financial assets at fair value through profit or loss		6,359,654	7,912,876
Goodwill and intangible assets	<i>12</i>	974,984	1,008,724
Debtors, deposits and other receivables	<i>13</i>	26,553	25,000
Long-term bank deposits		–	700,000
Deferred tax assets		1,509,410	1,201,915
Total non-current assets		57,070,719	57,740,754
Current assets			
Properties under development		91,871,852	84,981,277
Completed properties held-for-sale		16,465,066	15,951,492
Inventories		347,600	518,561
Debtors, deposits and other receivables	<i>13</i>	52,575,325	54,606,478
Deposits for land acquisition		226,434	19,391,786
Prepayments for proposed development projects		38,581,706	37,482,981
Prepaid tax		519,266	658,793
Restricted bank balances and cash		3,713,407	11,110,309
Financial assets at fair value through profit or loss		904,837	3,127,408
Short-term bank deposits		–	1,500,000
Cash and bank balances		2,067,642	3,060,184
Total current assets		207,273,135	232,389,269
Current liabilities			
Contract liabilities		36,629,118	44,788,870
Accrued construction costs		12,409,696	18,597,466
Income tax payable		12,569,282	12,819,884
Lease liabilities		127,418	134,041
Borrowings	<i>14</i>	109,892,414	104,743,370
Other payables		30,091,531	19,750,707
Total current liabilities		201,719,459	200,834,338

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net current assets		5,553,676	31,554,931
Total assets less current liabilities		62,624,395	89,295,685
Non-current liabilities			
Lease liabilities		467,704	491,473
Borrowings	<i>14</i>	24,275,535	26,963,124
Other payables		18,548	19,350
Deferred tax liabilities		2,617,644	2,739,722
Total non-current liabilities		27,379,431	30,213,669
Net assets		35,244,964	59,082,016
Equity			
Share capital		613,530	613,530
Share premium		6,376,801	6,376,801
Perpetual capital securities		1,350,054	1,350,054
Reserves		(477,548)	12,690,673
Equity attributable to owners of the Company		7,862,837	21,031,058
Non-controlling interests		27,382,127	38,050,958
Total equity		35,244,964	59,082,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Kaisa Group Holdings Limited (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 (i.e. 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 31 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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 certain assets (including financial assets at fair value through profit or loss (“**FVTPL**”), investment properties), which are carried at fair value.

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

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 3. The consolidated financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss, investment properties which have been measured at fair values.

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

2.2 Going concern basis

For the year ended 31 December 2022, the Group incurred net loss of RMB13,011,926,000. As at 31 December 2022, the Group's net current assets dropped to RMB5,553,676,000. As at 31 December 2022, the Group's current liabilities (including those that had become default or cross-default or contain early demand clauses) were amounted to RMB201,719,459,000.

In addition, as at 31 December 2022, the Group did not repay certain bank and other borrowings of about RMB40,617,042,000 according to their scheduled repayment dates. As a result, as at 31 December 2022, bank and other borrowings with the aggregate principal amount of about RMB57,913,890,000 had become default or cross-default. Subsequent to 31 December 2022, the Group did not repay certain other bank and other borrowings according to the scheduled repayment dates.

These events or conditions indicate that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing and have considered the Group's cash flow projections prepared by management for a period of not less than 12 months from the end of reporting period. The following plans and measures are formulated with the objective to mitigate the liquidity pressure of the Group:

- The Company has appointed Houlihan Lokey (China) Limited as its financial adviser for its offshore debt restructuring. The Group is actively in discussions with the existing lenders on the renewal of the Group's certain borrowings. These discussions have been constructive and focused on possible actions in light of current circumstances but do require time to formulate or implement due to ongoing changes in market conditions. In addition, the Group will continue to seek for new sources of financing or accelerate asset sales address upcoming financial obligations and future operating cash flow requirements whilst engaging in existing lenders;
- The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables. Recent relaxation of policies with regards to pre-sale requirements have been encouraging to increase buyer interests and stimulate demand. The Group will also continue to actively adjust sales and pre-sale activities to better respond to changing markets to achieve the latest budgeted sales and pre-sales volumes and amounts;
- The Group will continue to seek suitable opportunities to dispose of its equity interest in certain project development companies to generate additional cash inflows. The Group's properties are predominantly located in higher tier cities that make it relatively more attractive to potential buyers and retain a higher value in current market conditions;
- The Group has already taken measures to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will continue to actively assess additional measures to further reduce discretionary spending.

The Directors, taking into account the above plans and measures, are of the opinion that, they are satisfied that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2022 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in Mainland China and the uncertainties to obtain support from the Group's creditors, material uncertainties exist as to whether or not the Group will be able to achieve its plans and measures as described above.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2022.

3. ADOPTION OF NEW AND AMENDED HKFRSs

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

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 2021:

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

Amendments to HKFRS 16	COVID-19-Related Rent Concessions Beyond 30 June 2021
Amendments to HKFRS 3 Amendments to HKAS 16	Reference to the Conceptual Framework Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37 Amendments to HKFRSs	Onerous Contracts – Cost of Fulfilling a Contract Annual Improvements to HKFRSs 2018–2020

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

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior years have been prepared and presented.

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:

		Effective for the accounting period beginning on or after
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Directors anticipate that all of the applicable pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The amended HKFRSs and interpretation are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4. SEGMENT INFORMATION

The chief operating decision-maker (“**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. Net fair value loss on financial assets at fair value through profit or loss (FVTPL), net gain on repurchase of senior notes, corporate and other unallocated expenses, finance income, finance costs and income tax credit/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 health care operations and regarded these being the reportable segments.

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 year ended 31 December 2022 and 2021 consists of the following:

	2022	2021
	RMB'000	RMB'000
Sales of properties	21,277,141	30,565,700
Rental income	467,422	477,254
Property management services	1,614,007	2,136,147
Hotel and catering operations	319,324	343,834
Cinema, department store and cultural centre operations	241,943	205,895
Water-way passenger and cargo transportation	232,265	591,662
Health care operations	485,615	530,661
Other	752,305	693,531
	<u>25,390,022</u>	<u>35,544,684</u>

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2022 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	21,277,141	495,181	1,870,789	340,515	268,940	232,265	485,615	1,008,749	25,979,195
Less: inter-segment revenue	-	(27,759)	(256,782)	(21,191)	(26,997)	-	-	(256,444)	(589,173)
Revenue from external customers	<u>21,277,141</u>	<u>467,422</u>	<u>1,614,007</u>	<u>319,324</u>	<u>241,943</u>	<u>232,265</u>	<u>485,615</u>	<u>752,305</u>	<u>25,390,022</u>
Revenue from contracts with customers									
– recognised at a point in time	21,277,141	-	-	-	-	55,007	485,615	-	21,817,763
– recognised over time	-	-	1,614,007	319,624	241,943	177,258	-	752,305	3,105,137
Revenue from other sources									
– rental income	-	467,422	-	-	-	-	-	-	467,422
	<u>21,277,141</u>	<u>467,422</u>	<u>1,614,007</u>	<u>319,324</u>	<u>241,943</u>	<u>232,265</u>	<u>485,615</u>	<u>752,305</u>	<u>25,390,022</u>
Segment results before the items below:	(880,088)	264,081	120,366	40,379	(100,163)	(746,690)	(230,415)	(7,540,241)	(9,072,771)
Net loss on disposals of subsidiaries	(68,721)	-	-	-	-	-	-	-	(68,721)
Net loss on deemed disposals of subsidiaries	(678,692)	-	-	-	-	-	-	-	(678,692)
Net fair value loss of investment properties	-	(232,508)	-	-	-	-	-	-	(232,508)
Share of results of associates	(588,446)	-	5,818	-	-	-	-	(37,291)	(619,919)
Share of results of joint ventures	(38,410)	-	-	-	-	-	-	(74,723)	(113,133)
Segment results	<u>(2,254,357)</u>	<u>31,573</u>	<u>126,184</u>	<u>40,379</u>	<u>(100,163)</u>	<u>(746,690)</u>	<u>(230,415)</u>	<u>(7,652,255)</u>	<u>(10,785,744)</u>
Net fair value loss on financial assets at FVTPL									(380,834)
Corporate and other unallocated expenses									(236,266)
Finance income									286,165
Finance costs									<u>(1,795,311)</u>
Finance costs, net									<u>(1,509,146)</u>
Loss before income tax									(12,911,990)
Income tax									<u>(99,936)</u>
Loss for the year									<u>(13,011,926)</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	104,741	10,177	26,281	3,811	588	72,753	23,722	48,456	-	290,619
- right-of-use assets	49,900	-	783	-	36	-	6,929	18,936	-	76,584
Amortisation of intangible assets	-	-	5,100	-	-	-	27,637	1,456	-	34,193
Depreciation of land use rights	7,342	-	-	8,920	304	-	936	-	-	17,502
Write-down of completed properties held for sale and properties under development	1,687,805	-	-	-	-	-	-	-	-	1,687,805
Provision of ECL/written off of debtors and other receivables	693,534	1,280	27,401	12,654	8,773	18,064	2,808	451,442	-	1,215,956
	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	1,016,719,551	37,100,830	6,721,907	3,759,684	11,238,689	14,910,661	4,979,334	169,703,560	(1,010,083,529)	255,050,687
Unallocated										9,293,167
Total assets										264,343,854
Segment liabilities	838,095,593	2,229,423	3,398,437	3,272,229	11,685,820	15,174,528	1,014,449	155,908,976	(951,035,439)	79,744,016
Unallocated										149,354,874
Total liabilities										229,098,890
Other information:										
Capital expenditure	90,943	-	2,115	651	-	-	31,586	68,284	-	193,579
Net investments in associates	-	4,900	-	-	-	-	-	-	-	4,900
Net investments in joint ventures	9,000	-	-	-	-	-	-	-	-	9,000

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2021 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	30,565,700	537,415	2,768,872	371,007	243,506	597,442	530,661	1,106,257	36,720,860
Less: inter-segment revenue	-	(60,161)	(632,725)	(27,173)	(37,611)	(5,780)	-	(412,726)	(1,176,176)
Revenue from external customers	<u>30,565,700</u>	<u>477,254</u>	<u>2,136,147</u>	<u>343,834</u>	<u>205,895</u>	<u>591,662</u>	<u>530,661</u>	<u>693,531</u>	<u>35,544,684</u>
Revenue from contracts with customers									
– recognised at a point in time	28,848,324	-	-	-	-	216,374	530,661	-	29,595,359
– recognised over time	1,717,376	-	2,136,147	343,834	205,895	375,288	-	693,531	5,472,071
Revenue from other sources									
– rental income	-	477,254	-	-	-	-	-	-	477,254
	<u>30,565,700</u>	<u>477,254</u>	<u>2,136,147</u>	<u>343,834</u>	<u>205,895</u>	<u>591,662</u>	<u>530,661</u>	<u>693,531</u>	<u>35,544,684</u>
Segment results before the items below:	(9,306,390)	305,407	(66,334)	(8,368)	(397,266)	172,232	(42,922)	1,192,887	(8,150,754)
Net gain/(loss) on disposals of subsidiaries	396,243	-	-	-	-	-	110,574	(114,457)	392,360
Net fair value loss of investment properties	-	(1,822,651)	-	-	-	-	-	-	(1,822,651)
Share of results of associates	2,865	-	1,537	-	(1)	(26,947)	1,234	(94,015)	(115,327)
Share of results of joint ventures	(372,449)	-	-	-	-	-	-	47,750	(324,699)
Segment results	(9,279,731)	(1,517,244)	(64,797)	(8,368)	(397,267)	145,285	68,886	1,032,165	(10,021,071)
Fair value gain of financial derivatives									27,450
Net fair value loss on financial assets at FVTPL									(2,046,289)
Net gain on repurchase of senior notes									2,198
Corporate and other unallocated expenses									(515,474)
Finance income									689,893
Finance costs									(1,710,160)
Finance costs, net									(1,020,267)
Loss before income tax									(13,573,453)
Income tax									315,050
Loss for the year									<u>(13,258,403)</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	Total RMB'000
Other information									
Depreciation									
- property, plant and equipment	113,294	19,697	3,197	5,269	3,961	88,152	19,363	46,063	298,996
- right-of-use assets	41,360	805	6,630	1,434	373	604	15,664	30,158	97,028
Amortisation of intangible assets	-	-	39,912	-	184,718	-	27,541	4,099	256,270
Depreciation of land use rights	7,837	-	-	10,412	631	-	996	-	19,876
Impairment loss on goodwill and intangible assets	-	-	-	-	404,191	-	-	-	404,191
Write-down of completed properties held for sale and properties under development	6,281,357	-	-	-	-	-	-	-	6,281,357
Provision of ECL/written off of debtors and other receivables	1,859,946	1,402	54,949	1,355	11,311	5,005	743	597,310	2,532,021

	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	1,029,023,481	26,422,120	6,703,937	3,855,148	11,560,340	36,553,510	6,280,712	164,352,948	(1,007,523,165)	277,229,031
Unallocated										12,900,992
Total assets										290,130,023
Segment liabilities	846,722,022	4,093,868	3,613,795	3,383,717	13,710,021	19,698,759	2,240,175	139,335,537	(949,015,988)	83,781,906
Unallocated										147,266,101
Total liabilities										231,048,007
Other information:										
Capital expenditure	547,943	3,577	22,401	4,969	160,996	48,583	70,129	429,477	-	1,288,075
Net investments in associates	45,113	-	-	-	-	-	-	385,324	-	430,437
Net investments in joint ventures	166,916	-	-	-	-	-	-	-	-	166,916

For the years ended 31 December 2022 and 31 December 2021, 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.

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, bank balances and cash. They exclude financial assets at FVTPL, deferred tax assets and prepaid taxes.

As at 31 December 2022, segment assets of property development segment, property management, health care operations and others segment included the investments in associates accounted for using the equity method totalling approximately RMB22,863,856,000, RMB26,982,000, Nil and RMB2,264,428,000 (2021: RMB5,245,875,000, RMB13,060,000, RMB11,283,000 and RMB1,817,896,000) respectively. In addition, the segment assets of property development segment and other segment included the investments in joint ventures accounted for using the equity method totalling RMB6,618,253,000 and RMB1,548,337,000 (2021: RMB11,449,275,000 and RMB1,548,706,000) respectively.

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.

5. EXPENSES BY NATURE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditor's remunerations		
– Audit services	6,000	6,500
– Non-audit services	2,000	–
Predecessor auditor's remunerations		
– Audit services	–	4,980
– Non-audit services	–	5,000
Advertising and other promotional costs	252,794	414,813
Agency fee	119,887	620,329
Depreciation of land use rights	17,502	19,876
Amortisation of intangible assets	34,193	256,270
Cost of properties sold	19,457,901	26,584,407
Depreciation		
– property, plant and equipment	290,619	298,996
– right-of-use assets	76,584	97,028
Direct operating expenses arising from		
– investment properties	247,154	252,382
– property management services	1,305,380	1,897,634
– hotel and catering operations	215,870	243,423
– cinema, department store, and cultural centre operations	261,594	127,174
– water-way passenger and cargo transportation	179,782	483,292
– health care operations	200,287	235,825
Donations	2,053	46,900
Legal and professional fees	252,941	490,593
Minimum lease payments under operating leases	10,856	36,246
Other taxes	46,847	183,741
Staff costs – including directors' emoluments	1,626,421	2,412,499

6. OTHER GAINS AND LOSSES – NET AND PROVISION FOR EXPECTED CREDIT LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other gains and (losses) mainly included in the following items:		
Dividend income received from		
– listed financial assets at FVTPL	–	22,974
– unlisted financial assets at FVTPL	16,062	18,425
Forfeited customer deposits	1,955	3,943
Government subsidy income (<i>note</i>)	157,954	165,628
Gain on disposals of property, plant and equipment	29,721	25,742
Net exchange (loss)/gain	(6,809,102)	1,617,758
Net fair value loss on financial assets at FVTPL	(380,834)	(2,046,289)
Loss on disposal of financial assets at FVTPL	(9,682)	(37,937)
Impairment loss on goodwill and intangible assets	–	(404,191)
Impairment loss on properties, plant and equipment	(22,670)	–
Impairment loss on right-of-use assets	(7,897)	–
Write-down of properties under development	(1,687,805)	(6,259,505)
Write-down of completed properties held for sale	–	(21,852)
Net gain on repurchase of senior notes	–	2,198
	<hr/>	<hr/>
(Provision)/Reversal for ECL allowance/write-off include:		
– relating to financial assets and contract assets	(1,215,956)	(2,532,021)
– relating to financial guarantees	203,998	(343,743)
	<hr/>	<hr/>
	(1,011,958)	(2,875,764)
	<hr/>	<hr/>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Finance income		
Interest income on bank deposits	286,165	683,968
Interest income from loans to third parties	–	5,925
	<u>286,165</u>	<u>689,893</u>
Finance costs		
Interest expense		
– Bank borrowings	2,193,325	2,615,007
– Senior Notes	7,100,445	7,465,054
– Convertible Bonds	–	47,781
– Other borrowings	2,649,105	1,746,347
– Lease liabilities	4,179	18,767
	<u>11,947,054</u>	<u>11,892,956</u>
Total interest expense	11,947,054	11,892,956
Less: interest capitalised	<u>(10,151,743)</u>	<u>(10,182,796)</u>
	<u>1,795,311</u>	<u>1,710,160</u>
Finance costs – net	<u>(1,509,146)</u>	<u>(1,020,267)</u>

8. INCOME TAX EXPENSES/(CREDIT)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax		
– PRC enterprise income tax	404,468	803,545
– PRC land appreciation tax	125,041	1,206,077
Deferred income tax	(429,573)	(2,324,672)
	<u>99,936</u>	<u>(315,050)</u>

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss before income tax	(12,911,990)	(13,573,453)
Share of results of associates and joint ventures, net	733,052	440,026
	<u>(12,178,938)</u>	<u>(13,133,427)</u>
Calculated at PRC enterprise income tax rate of 25% (2021: 25%)	(3,044,735)	(3,283,356)
Effect of different income tax rates of subsidiaries	384,390	471,602
Income not subject to tax	(71,741)	(179,917)
Expenses not deductible for tax purposes	106,260	82,328
Effect of tax losses/deductible temporary difference not recognised	2,600,721	1,388,216
	<u>(25,105)</u>	<u>(1,521,127)</u>
PRC land appreciation tax	125,041	1,206,077
	<u>99,936</u>	<u>(315,050)</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 2022 and 2021 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% (2021: 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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend to ordinary shareholders of the Company in respect of the previous financial year, of Nil (2021: HK12.0 cents) per share	<u>–</u>	<u>700,509</u>

The Company has resolved not to declare a final dividend for the years ended 31 December 2022 and 2021.

A final dividend in respect of the year ended 31 December 2020 of HK12.0 cents (equivalent to approximately RMB10.00 cents) per share was approved at the annual general meeting on 15 June 2021. The aggregate amount of final dividend declared from share premium of the Company amounted to approximately HK841,856,000 (equivalent to approximately RMB700,509,000).

10. LOSS PER SHARE

(a) Basic

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

	2022	2021
Loss attributable to owners of the Company (<i>RMB'000</i>)	(13,064,558)	(12,726,728)
Distribution on perpetual capital securities (<i>RMB'000</i>)	(148,289)	(141,212)
	(13,212,847)	(12,867,940)
Weighted average number of ordinary shares in issue	7,015,468,487	6,780,371,974
Basic loss per share (<i>RMB</i>)	(1.883)	(1.898)

The calculation of basic loss per share is based on the Group's loss attributable to owners of the Company of RMB13,212,847,000 (2021: loss of RMB12,867,940,000) and the weighted average number of 7,015,468,487 (2021: 6,780,371,974) ordinary shares.

(b) Diluted

	2022	2021
Loss attributable to owners of the Company (<i>RMB'000</i>)	(13,212,847)	(12,867,940)
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	7,015,468,487	6,780,371,974
Diluted loss per share (<i>RMB</i>)	(1.883)	(1.898)

Diluted loss per share for the year ended 31 December 2022 and 2021 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 computation of diluted loss per share for the years ended 31 December 2022 and 2021 did not assume the exercise of outstanding share options of the Company since their assumed conversion would result in a decrease in loss per share.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a) Investment in associates

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of investments in associates, less accumulated impairment		
– Listed	1,100,551	1,100,551
– Unlisted	24,935,039	6,248,030
Share of post-acquisition loss and other comprehensive loss, net of dividend received	<u>(880,324)</u>	<u>(260,467)</u>
	<u>25,155,266</u>	<u>7,088,114</u>
Fair value of listed investments	<u>459,768</u>	<u>658,550</u>

b) Investment in joint ventures

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	12,997,981	18,386,366
Additions	–	81,586
Deemed disposal	(4,612,826)	–
Transfer to subsidiaries	(114,432)	(3,754,208)
Return of investment in a joint venture	–	(1,476,394)
Capital injection to joint venture	9,000	85,330
Share of results of joint ventures	<u>(113,133)</u>	<u>(324,699)</u>
At 31 December	<u>8,166,590</u>	<u>12,997,981</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	Other RMB'000	Total RMB'000
Cost								
At 1 January 2021	873,458	1,125,257	320,359	125,789	13,858	497,400	7,895	2,964,016
Additions	-	154,017	2,247	-	-	-	-	156,264
Acquisitions of subsidiaries	216,335	-	4,643	18,000	-	-	-	238,978
Disposal of subsidiaries	(2,462)	-	-	-	-	-	-	(2,462)
At 31 December 2021 and 1 January 2022	1,087,331	1,279,274	327,249	143,789	13,858	497,400	7,895	3,356,796
Additions	-	-	-	-	-	-	453	453
At 31 December 2021	1,087,331	1,279,274	327,249	143,789	13,858	497,400	8,348	3,357,249
Accumulated amortisation								
At 1 January 2021	203,931	808,416	84,817	76,236	11,823	497,400	4,988	1,687,611
Amortisation	-	184,718	46,259	20,351	2,035	-	2,907	256,270
Impairment	118,051	286,140	-	-	-	-	-	404,191
At 31 December 2021 and 1 January 2022	321,982	1,279,274	131,076	96,587	13,858	497,400	7,895	2,348,072
Amortisation	-	-	23,871	10,322	-	-	-	34,193
At 31 December 2022	321,982	1,279,274	154,947	106,909	13,858	497,400	7,895	2,382,265
Net carrying amounts								
At 31 December 2022	765,349	-	172,302	36,880	-	-	453	974,984
At 31 December 2021	765,349	-	196,173	47,202	-	-	-	1,008,724

13. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

Trade debtors mainly arise from sales of properties, provision of property management services, provision of construction and design services and provision of financial services. Trade debtors are settled in accordance with the terms stipulated respectively in the property sale and purchase agreements or service agreements. The ageing analysis of trade debtors based on contractual terms as at the respective reporting dates is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 90 days	1,115,564	1,458,322
Over 90 days and within 180 days	368,899	263,364
Over 180 days and within 270 days	118,131	264,476
Over 270 days and within 365 days	100,572	82,728
Over 365 days	358,276	279,908
	<u>2,061,442</u>	<u>2,348,798</u>
Less: Provision for ECL allowances	(126,118)	(121,446)
Trade debtor – net of ECL	<u>1,935,324</u>	<u>2,227,352</u>

14. BORROWINGS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Borrowings included in current liabilities:		
Senior notes	81,642,282	74,883,812
Bank borrowings – secured	4,305,664	11,601,144
Bank borrowings – unsecured	3,127,155	2,049,691
Other borrowings – secured	6,564,133	5,525,299
Other borrowings – unsecured	14,144,399	10,574,643
Loan from a related company	108,781	108,781
	<u>109,892,414</u>	<u>104,743,370</u>
Borrowings included in non-current liabilities:		
Bank borrowings – secured	9,340,897	10,971,142
Bank borrowings – unsecured	3,789,520	3,011,970
Other borrowings – secured	10,795,118	4,605,058
Other borrowings – unsecured	350,000	8,374,954
	<u>24,275,535</u>	<u>26,963,124</u>
Total borrowings	<u>134,167,949</u>	<u>131,706,494</u>

15. COMMITMENTS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contracted but not provided for		
– Acquisitions of land use rights and property development activities	15,476,892	24,181,744
– Acquisitions of subsidiaries	13,000,000	13,000,000
	<u>28,476,892</u>	<u>37,181,744</u>

(b) Lease commitments

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Not later than one year	365	572
Later than one year and not later than five years	–	–
	<u>365</u>	<u>572</u>

(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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	191,992	180,484
After 1 year but within 2 years	162,359	153,084
After 2 years but within 3 years	136,148	116,544
After 3 years but within 4 years	114,643	115,035
After 4 years but within 5 years	76,433	65,389
After 5 years	193,946	181,798
	<u>875,521</u>	<u>812,334</u>

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 2022 (the “**Year**”) together with the comparative figures for the previous year.

RESULTS AND DIVIDEND

During the Year, the Group’s revenue and gross profit decreased by approximately 28.6% and 26.7% to approximately RMB25,390.0 million and RMB3,392.4 million respectively, as compared to 2021. Loss attributable to owners of the Company was approximately RMB13,064.6 million and basic loss per share was RMB1.883 (2021: loss of approximately RMB12,726.7 million and basic loss per share of RMB1.898). Core net loss attributable to owners of the Company (excluding net fair value change on financial assets at fair value through profit or loss, net exchange gains/losses, net fair value change on investment properties, and net of respective deferred tax) decreased by 48.6% to approximately RMB5,762.4 million in 2022 from approximately RMB11,217.2 million in 2021.

The Board did not recommend payment of a final dividend for the year ended 31 December 2022 (2021: nil).

BUSINESS REVIEW

Property Market and Policies

In 2022, the internal and external environment became more complicated and severe due to escalating conflict between Russia and Ukraine, consecutive interest rate rises by the United States and greater challenges faced by the global economy. Many key cities in China have been severely impacted by the epidemic, coupled with the regulatory measures on the real estate industry and platform economy, the domestic economy was facing the pressure from demand contraction, supply shock and weakening expectations. In the third quarter, with the support of a package of economic stabilizing policies and subsequent measures, the economic market recovered to stability, achieving an annual GDP growth of 3.0%.

On the premise of the principle of “housing is not for speculation”, the Central Government remained its primary goals of securing housing delivery, protecting people’s livelihood and ensuring stability, and continued implementing “city-specific policies” to maintain stability of the real estate market. As the real estate policy has become more relaxed, local policies have extensively rolled out after a tentative loosening. Two required reserve ratio cuts, three interest rate cuts, together with the phased relaxation of the lower limit of mortgage interest rates can still hardly stimulate leveraged house purchase. In November, the “Three Arrows” policy on financing was introduced, indicating a fundamental change in the attitude of the regulators towards the financing of real estate companies, which gradually shifted to secure operations of market entities. However, this policy has only benefited a few high-quality private companies, and the fundamentals of financing difficulties for most real estate companies have not been improved.

In 2022, both investment in real estate development and sales of commodity housing fell sharply and the market remained a wait-and-see attitude. The number of real estate companies caught in a liquidity crisis continued to increase. In face of severe challenges, real estate companies have stepped up their efforts to boost sales and accelerate project sales and cash return. At the same time, they have optimized organizational structure, reduced costs and increased efficiency to cope with the situation.

Contracted Sales

In 2022, the Group together with its joint ventures and associates recorded contracted sales of approximately RMB18,749 million.

By conducting in-depth sorting of the concerns of customers, the Group performed scientific and systematic optimization of existing products, which allowed for better demand matching for target customer groups and the materialization of the standardization of Kaisa's products, and further clarified and disseminated the core values of Kaisa's products. At the same time, the Group comprehensively streamlined the on-site sales reception and service process in phases to form eight major modules, optimized the purchase process and clarified the granularity, thereby forming a reception white paper guiding the customer service contact points to improve customers' on-site purchase experience and efficiency of information acquisition. The Group continued the analysis and recorded the satisfaction level of residents on the delivered projects, summarized a red and black list of customer feedbacks and refined the granularity of customer research to help effectively improve the satisfaction level of subsequent developing projects.

During the Year, Kaisa consolidated its responsibilities, overcame difficulties, and resolutely implemented the work of "securing livelihood, ensuring delivery, and guaranteeing quality". Its customer service teams and marketing department adopted strict standards on design and construction quality from the perspective of customers. In order to strictly control the delivery quality, at least three rounds of simulated inspection and acceptance will be carried out within six months prior to the delivery. It also provided one-stop occupancy services, accompanied by professional home inspectors one-on-one, for property owners at the delivery site. Throughout the year, the Group delivered a total of 29 projects in 35 batches covering more than 20,000 units in various cities including Shenzhen, Guangzhou, Shanghai, Hangzhou, Nanjing, Huizhou, Wuhan, Changsha and Luoyang and other cities, to materialize its commitment to property owners on better living.

Kaisa has always adhered to the objective of providing high-quality living. It conducted constant self-evolution and innovation through product research and development and made unremitting efforts to improve the living environment and build a happy life for residents. During the Year, six projects of the Group, including Dongdaihe Qiyuetai, Zhongshan Yuebanshan, Huizhou City Plaza, and Luoyang Center Gongyuanyin etc., have won the CREDAWARD for the first time in the design fields of architecture, interior and landscape, and were highly praised by the industry. Four projects, including Taizhou Mansion No. 1 and Huizhou City Plaza etc., have obtained the national certification of two-star green building, fulfilling corporate social responsibility. Hangzhou Aurora and Dongguan Le Grand Bleu etc. have been enthusiastically sought after by the market despite the industry downturn, demonstrating its product influence.

Land Bank

The Group's long-standing development strategy is to deepen the layout of first-tier and key second-tier cities. As at 31 December 2022, the Group together with its joint ventures and associates had a total of 222 real estate projects in 53 cities nationwide. The Group together with its joint ventures and associates had a total land bank of approximately 27.53 million sq. m., of which approximately 16.19 million sq.m. or 59% of the above-mentioned land bank of the Group together with its joint ventures of associates are located in the Greater Bay Area. Among cities in the Greater Bay Area, Shenzhen and Guangzhou are the Group's core markets that have been intensely developed over the years, accounting for 38% of its land bank in the Greater Bay Area.

Urban Renewal

In 2022, in the report of the 20th National Congress of the Communist Party of China, it is proposed to "implement urban renewal plans, strengthen urban infrastructure construction, and create livable, resilient, and smart cities." The government work report for 2023 of the two sessions outlined the "implementation of urban renewal actions". Urban renewal has become the consensus of future urban development in China and is an inevitable process of urbanization. High-quality development is our primary task in building a modern country, while urban renewal is one of the important means to promote high-quality urban development.

Focusing on the Greater Bay Area, the trend of "one city one policy" in urban renewal was even more obvious. Shenzhen issued the 14th five-year renewal and development plan, which specified the keynote for renewal and development in the next five years. The scale of land reconditioning has gradually surpassed that of urban renewal. Meanwhile, it vigorously supported the physical industrial space and launched the "Industry Going Upstairs" policy by providing 100 million square meters of factory buildings in five years, which will help to speed up the revitalization of the Company's industrial transformation projects. The approval for urban renewal projects was restarted in Guangzhou and 3 urban village renewal projects were approved in Huangpu District in one go, which was among the first batch of three projects that have been officially approved since the city's urban renewal project verification started in October 2021. Furthermore, the government-led "land preparation" model was piloted in 11 key renewal projects to further strengthen the government's coordination and administration of the primary land market. Dongguan vigorously promoted the Head Goose Plan (頭雁計劃), where projects in Daluocha, Daojiao Town and Dakan, Huangjiang Town were firstly approved to complete the public tendering of the sole redevelopment entity. It is also planned to adjust the early-stage service provider system in which the government takes lead to speed up the progress of the project in the early stage.

In terms of industry trend, government's lead and support are the main pillars of the industry. On the one hand, under the leadership of the government, central enterprises and state-owned enterprises have increasingly become the major players in the urban renewal market. The efforts of the government were very large in 2022 and the performance of state-owned and central enterprises in urban renewal was particularly outstanding. In addition to venturing into the urban renewal fund on a large scale, they also took over the equity of a number of

renewal projects and are further expanding new areas such as micro-renewal, renovation of old communities and inventory renovation projects. Expanding cooperation with state-owned enterprises will become an important path for the Company's urban renewal investment and transformation. On the other hand, government supporting industrial development will become the dominant direction of renewal. The "Industry Going Upstairs" initiated by Shenzhen has sounded the trumpet of supporting the real economy and providing lower-cost industrial space, which will pave the way for others to follow on a nation-wide basis.

As at 31 December 2022, the Group together with its joint ventures and associates had over a hundred urban renewal projects in the Greater Bay Area which were yet to be converted into land bank of the Group, covering a site area of over 50 million sq.m.. The Group plans to replenish the land bank for urban renewal as high-quality sources of products through high-efficient and stable conversion every year to promote high-quality development.

Financing

Throughout 2022, the policy loosened steadily, and the financing environment saw a gradual improvement. In the first three quarters, focus have been put on "guaranteed delivery", supporting the reasonable financing needs of real estate companies, increasing support for high-quality projects, and preventing and eliminating risks faced by real estate companies. In the fourth quarter, the policy shifted to targeted support for "protecting enterprises". With the introduction of a series of favorable policies such as "16 Financial Measures" and "Three Arrows", the coverage of financial policies has increased. Though the window period for financing of high-quality real estate companies has come, the fundamentals of financing difficulties faced by small and medium enterprises and distressed enterprises have not been improved. Whether the financing situation of most private housing enterprises can be significantly improved in the future depends on the continuous implementation of policies and the effect of positive transmission.

Against such backdrop, the Group spent all its efforts on overcoming difficulties, managing debts and actively negotiating extension of financing and interest rate cuts. During the Year, relying on the abundant land bank and core advantages in the field of urban renewal in the Greater Bay Area, the Group successfully introduced central enterprises and AMCs such as CITIC, China Merchants Shekou, and China Great Wall AM, and explored a number of practical and effective relief ways to revitalize assets. The operating fundamentals continued to return to a positive track, and the overall work on risk resolution achieved phased results. At present, the Group is still actively promoting the extension of financing, coordinating the new launch of AMC, and the revitalization of stock assets.

In terms of offshore debt management, since 2022, the Group has been cooperating with its advisers to balance the interests of all stakeholders. We have also engaged in constructive dialogue with creditors to expedite the formulation of a potential restructuring and ease the liquidity issue. The Group will remain its communication with creditors and publish its update on the restructuring progress in due course.

PROSPECTS

Looking ahead, under the combination effect of a series of factors including global trade frictions, geo-political conflicts and high inflation in developed countries, the global economy is still under great pressure. In the context of domestic optimization and adjustment of epidemic prevention policies, 2023 will be a year of turning point when China's social life and economy return to normal. With rather low inflation pressure, loosened monetary policies, and effective implementation of various measures to stabilize growth in China in future, the national economic growth will see gradual recovery.

Since the marginal loosening of real estate regulatory policies at the end of 2021, various major cities in China have loosened their measures on purchase restrictions and sales restrictions, while the Central Bank has lowered the mortgage interest rate. As more and more targeted policies on revitalizing the real estate market are being rolled out, the stability of and the confidence over the real estate market will be further boosted. The real estate industry is expected to bottom out and rebound soon.

The Central Economic Working Conference made it clear that in 2023, “stable growth” and “economic development” should be given top priority. We believe that the real estate market in China shall remain as a large profit-making market with tens of trillions of revenues in the future. Meanwhile, the structural change in the industry will also give rise to new development opportunities. We will take active initiative to mitigate operating risks and get back on the right track of healthy development while giving full play to our competitive advantages in urban renewal, so as to seize market opportunities and achieve high quality and sustainable development.

ACKNOWLEDGEMENT

The Board will continue to mitigate negative impacts and implement measures to manage any risks regarding the Group's operations and reputation, and enhance the Group's core advantages to achieve sustainable development.

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. We will overcome the difficulties together hand in hand to maximize the value and returns to our shareholders and investors.

KWOK Ying Shing

Chairman

Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

During the year ended 31 December 2022, the Group recorded revenue of approximately RMB25,390.0 million, representing a decrease of 28.6% as compared with 2021. Loss attributable to owners of the Company amounted to approximately RMB13,064.6 million for the year ended 31 December 2022 as compared to loss attributable to owners of the Company amounted to approximately RMB12,726.7 million for the year ended 31 December 2021. Core net loss attributable to owners of the Company (excluding net fair value change on financial assets at fair value through profit or loss, net exchange gains/losses, net fair value change on investment properties, and net of respective deferred tax) decreased by 48.6% to approximately RMB5,762.4 million in 2022 from approximately RMB11,217.2 million in 2021. Basic loss per share amounted to RMB1.883 (2021: RMB1.898).

The Board does not recommended the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

Contracted sales in 2022

In 2022, the Group together with its joint ventures and associates recorded contracted sales of approximately RMB18,749 million, representing a decrease of 79.7% from 2021. Aggregated GFA sold for the year was approximately 1,122,423 sq.m., representing a decrease of 80.2% from 2021. The table below shows the Group's contracted sales by region in 2022:

Region	Contracted sales area (sq.m.)	Contracted sales amount (RMB in millions)
Guangdong-Hong Kong-Macao Greater Bay Area	620,916	11,907
Yangtze River Delta	211,807	4,667
Central China Region	123,446	1,223
Western China Region	104,952	439
Pan-Bohai Bay Rim	61,302	513
Total	1,122,423	18,749

Property development

Projects completed in 2022

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 together with its joint ventures and associates amounted to approximately 3.02 million sq.m..

Projects under development

As at 31 December 2022, the Group together with its joint ventures and associates had 92 projects under development with an aggregate of GFA of approximately 12.98 million sq.m..

Property management

The Group generated revenue from providing property management services. During the year ended 31 December 2022, the Group managed a total GFA of approximately 94.5 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 2022, the Group's property services penetrated into 65 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 2022, the Group held 9 investment property projects, with an aggregate GFA of 0.43 million sq.m..

Land bank

The Group remained cautious in replenishing its land bank nationwide by making reference to the development of the Group, 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.

As at 31 December 2022, the Group together with its joint ventures and associates had a total land bank of approximately 27.53 million sq.m., and approximately 59% of land bank was located in the Greater Bay Area, which is sufficient for the Group's development needs for the next five years.

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 decreased by 28.6% to approximately RMB25,390.0 million in 2022 from approximately RMB35,544.7 million in 2021. 83.8% of the Group's revenue was generated from the sales of properties (2021: 86.0%) and 16.2% from other segments (2021: 14.0%).

Sales of properties

Revenue from sales of properties decreased by approximately RMB9,288.6 million, or 30.4%, to approximately RMB21,277.1 million in 2022 from approximately RMB30,565.7 million in 2021. The decrease was primarily attributable to a decrease in the total delivered GFA from approximately 2.1 million sq.m. in 2021 to approximately 1.4 million sq.m. in 2022.

Rental income

Rental income decreased by approximately RMB9.8 million, or 2.1%, to approximately RMB467.4 million in 2022 from approximately RMB477.3 million in 2021.

Property management

Revenue from property management services decreased by approximately RMB522.1 million, or 24.4%, to approximately RMB1,614.0 million in 2022 from approximately RMB2,136.1 million in 2021. The decrease was primarily due to the impact of national macro policies, market conditions in the real estate industry and COVID-19 pandemic during the year, the demand for services by property developers decreased.

Hotel and catering operations

Revenue from hotel and catering operations of the Group decreased by approximately RMB24.5 million, or 7.1% to approximately RMB319.3 million in 2022 from approximately RMB343.8 million in 2021.

Cinema, department store and cultural centre operations

Revenue from cinema, department store and cultural centre operations increased by approximately RMB36.0 million, or 17.5%, to approximately RMB241.9 million in 2022 from approximately RMB205.9 million in 2021. The increase was primarily due to the stabilization of the epidemic and commencement of operation of new stadiums.

Water-way passenger and cargo transportation

Revenue from water-way passenger and cargo transportation decreased by approximately RMB359.4 million, or 60.7%, to approximately RMB232.3 million in 2022 from approximately RMB591.7 million in 2021. The decrease was primarily due to the disposal of water-way passenger and cargo transportation operation during the year.

Health care operations

Revenue from health care operations decreased by approximately RMB45.0 million, or 8.5%, to approximately RMB485.6 million in 2022 from approximately RMB530.7 million in 2021.

Gross profit

As a result of the foregoing, the Group's gross profit decreased by approximately RMB1,235.8 million, or 26.7%, to approximately RMB3,392.4 million in 2022 from approximately RMB4,628.3 million in 2021. The Group's gross profit margin increased from 13.0% for the year ended 31 December 2021 to 13.4% for the year ended 31 December 2022.

Other gains and losses – net

The Group had net other losses of approximately RMB8,881.6 million in 2022, as compared to net other losses of approximately RMB7,262.3 million in 2021. The Group's net other gains and losses in 2022 mainly comprised provision for expected credit loss allowance/written off of approximately RMB1,012.0 million, write-down of properties under development of approximately RMB1,687.8 million and net exchange loss of approximately RMB6,809.1 million. The Group's net other losses in 2021 mainly comprised write-down of completed properties held for sale and properties under development of approximately RMB6,281.4 million, provision for expected credit loss allowance/written off of approximately RMB2,875.8 million, net fair value loss on financial assets at fair value through profit or loss of approximately RMB2,046.3 million, and offset by net exchange gain of approximately RMB1,617.8 million.

Selling and marketing costs

The Group's selling and marketing costs decreased by approximately RMB1,043.2 million, or 64.7%, to approximately RMB568.7 million in 2022 from approximately RMB1,611.9 million in 2021. The decrease in selling and marketing costs was in line with the decrease in the Group's contracted sales for the year.

Administrative expenses

The Group's administrative expenses decreased by approximately RMB968.6 million, or 27.0%, to approximately RMB2,620.1 million in 2022 from approximately RMB3,588.6 million in 2021. The decrease was mainly due to decrease in staff costs.

Net fair value loss of investment properties

The Group recorded net fair value loss on investment properties of approximately RMB232.5 million for the year ended 31 December 2022, as compared to net fair value loss on investment properties of approximately RMB1,822.7 million in 2021.

Net loss/gain on disposals of subsidiaries

The Group had recorded net loss on disposals of subsidiaries of approximately RMB68.7 million in 2022, as compared to net gain on disposals of subsidiaries of approximately RMB392.4 million in 2021.

Finance costs – net

The Group's net finance costs increased by approximately RMB488.9 million or 47.9% to approximately RMB1,509.1 million in 2022 from RMB1,020.3 million in 2021. The increase was mainly due to lower amount of finance income received as compared to last year.

Income tax expenses/credit

The Group recorded an income tax expenses of approximately RMB99.9 million for the year ended 31 December 2022 as compared to an income tax credit of approximately RMB315.1 million for the year ended 31 December 2021.

Loss for the year and total comprehensive expense for the year

As a result of the foregoing, the Group's loss and total comprehensive expense for the year amounted to approximately RMB13,011.9 million and approximately RMB12,993.8 million, respectively (2021: loss for the year and total comprehensive expense for the year amounted to approximately RMB13,258.4 million and RMB13,282.2 million, respectively).

Liquidity, financial and capital resources

Cash position

As at 31 December 2022, the carrying amount of the Group's cash and bank deposits was approximately RMB5,781.0 million (31 December 2021: approximately RMB16,370.5 million), representing a decrease of 64.7% as compared to that as at 31 December 2021. 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 2022, 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 RMB3,713.4 million as at 31 December 2022 (31 December 2021: approximately RMB11,110.3 million).

Borrowings and charges on the Group's assets

As at 31 December 2022, the Group had aggregate borrowings of approximately RMB134,167.9 million (31 December 2021: approximately RMB131,706.5 million), of which approximately RMB109,892.4 million (2021: approximately RMB104,743.4 million) will be repayable within 1 year (including those that had become default or cross-default or contain early demand clauses), approximately RMB9,957.6 million (31 December 2021: approximately RMB12,944.1 million) will be repayable between 1 and 2 years, approximately RMB3,451.0 million will be repayable between 2 and 5 years, approximately RMB10,866.9 million (31 December 2021: approximately RMB4,034.2 million) will be repayable over 5 years.

As at 31 December 2022, 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

As at 31 December 2022, 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 48.6% (31 December 2021: 39.8%). The Group's net current assets decreased by 82.4% from approximately RMB31,554.9 million as at 31 December 2021 to approximately RMB5,553.7 million as at 31 December 2022, the quick ratio (cash and short-term bank deposits of approximately RMB5,781.0 million (31 December 2021: approximately RMB15,670.5 million) divided by short-term borrowings of approximately RMB109,892.4 million (31 December 2021: approximately RMB104,743.4 million)) decreased to 0.05 times as at 31 December 2022 from 0.15 times as at 31 December 2021, the current ratio decreased to 1.0 times as at 31 December 2022 as compared to 1.2 times as at 31 December 2021.

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 2022, the Group's borrowings (including short-term and long-term borrowings and perpetual capital securities) was approximately RMB135,518.0 million (31 December 2021: approximately RMB133,056.5 million), and cash and cash equivalents (including restricted cash, short-term bank deposits and long-term bank deposits) was approximately RMB5,781.0 million (31 December 2021: approximately RMB16,370.5 million). The total equity (excluding perpetual capital securities) was approximately RMB33,894.9 million (31 December 2021: approximately RMB57,732.0 million), so the net gearing ratio was 382.8%, which is 180.7 percentage points higher than the 202.1% as of 31 December 2021.

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 2022, the Group's cash and bank balances (excluding restricted cash and short-term bank deposits) were approximately RMB2,067.6 million (31 December 2021: approximately RMB3,060.2 million), short-term borrowings were approximately RMB109,892.4 million (31 December 2021: approximately RMB104,743.4 million). Therefore, the cash to short-term debt ratio was 0.02 (31 December 2021: 0.03).

The liabilities to assets ratio after excluding contract liabilities is calculated by subtracting contract liabilities from total liabilities (including perpetual capital securities) and dividing by total assets minus contract liabilities. As of 31 December 2022, the Group's contract liabilities was approximately RMB36,629.1 million (31 December 2021: approximately RMB44,788.9 million), total liabilities (including perpetual capital securities) was approximately RMB230,448.9 million (31 December 2021: approximately RMB232,398.1 million), and total assets was approximately RMB264,343.9 million (31 December 2021: approximately RMB290,130.0 million); total liabilities (including perpetual capital securities) and total assets after excluding contract liabilities was approximately RMB193,819.8 million (31 December 2021: approximately RMB187,609.2 million) and approximately RMB227,714.7 million (31 December 2021: approximately RMB245,341.2 million), respectively. Therefore, the liabilities to asset ratio after excluding contract liabilities was 85.1%, as compared with 76.5% of 31 December 2021, representing an increase by 8.6 percentage points.

Cost of borrowings

During the year ended 31 December 2022, the Group's total interest expense was approximately RMB11,947.1 million, representing an increase of approximately RMB54.1 million or 0.5% as compared to the corresponding period in 2021.

Foreign currency risks

The Group's property development projects are substantially 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 2022, the Group had borrowings in US dollar and HK dollar with an aggregate carrying amount of approximately RMB83,592.3 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 2022, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB30,592.6 million (31 December 2021: approximately RMB30,859.2 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.

As of 31 December 2022, the financial guarantees given by the Group relating to the liabilities of the Group's joint ventures and associates mainly engaging in property development was approximately RMB23,787.5 million (31 December 2021: approximately RMB11,549 million) and the provision as at 31 December 2022 amounted to approximately RMB254.2 million (31 December 2021: approximately RMB458.2 million). The proceeds of the financings were mainly applied towards property development projects of the joint ventures and associates of the Group.

Employees and remuneration policy

As at 31 December 2022, the Group had approximately 15,881 employees (31 December 2021: approximately 18,650 employees). The related employees' costs (including the directors' remuneration) for the year ended 31 December 2022 amounted to approximately RMB1,626.4 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 annual 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 2022, 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:

Code provision B2.2 provides that every director should be subject to retirement by rotation at least once every three years. As no general meeting was held during the six months ended 30 June 2022, Ms. Chen Shaohuan has not retired by rotation for more than three years. Ms. Chen Shaohuan will retire at the upcoming annual general meeting.

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. The Audit Committee has reviewed the annual results for the year ended 31 December 2022.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report from the external auditor of the Company:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2.2 to the consolidated financial statements that the Group incurred a loss attributable to owners of the Company of approximately RMB13,064.6 million for the year ended 31 December 2022 and as of that date, the Group had net current assets of approximately RMB5,553.7 million, and the Group’s current portion of interest-bearing bank and other borrowings amounted to approximately RMB109,892.4 million, while its current portion of unrestricted cash bank balances and cash equivalents amounted to approximately RMB2,067.6 million. Further, as at 31 December 2022, the Group had not repaid certain borrowings in aggregate principal amount according to their scheduled repayment dates as described in note 31 to the consolidated financial statements. These conditions along with the current situation as set forth in note 2.2, which indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 2022.

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

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 2022 have been agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Elite Partners CPA 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 Elite Partners CPA Limited on the preliminary announcement.

FINAL DIVIDEND

The Directors does not recommended the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

PUBLICATION OF THE 2022 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's Annual Report for the year ended 31 December 2022 will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.kaisagroup.com in due course.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 27 June 2023 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.

CLOSURE OF REGISTER OF MEMBERS

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, 27 June 2023, the register of members of the Company will be closed from Wednesday, 21 June 2023 to Tuesday, 27 June 2023, 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 Tuesday, 20 June 2023.

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

Hong Kong, 31 March 2023

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.