# Xinyuan Property Management Service (Cayman) Ltd.
# 鑫苑物業服務集團有限公司

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

**(Stock Code: 1895)**

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

### FINANCIAL HIGHLIGHTS

1. Total revenue for the year ended 31 December 2020 increased by approximately 22.4% to approximately RMB653.7 million from approximately RMB534.0 million for the year ended 31 December 2019.

2. Gross profit for the year ended 31 December 2020 increased by approximately 27.7% to approximately RMB257.7 million from approximately RMB201.8 million for the year ended 31 December 2019. Gross profit margin for the year ended 31 December 2020 was approximately 39.4% as compared to approximately 37.8% for the year ended 31 December 2019, representing a year-on-year growth of 1.6 percentage points.

3. Profit attributable to owners of the Company for the year ended 31 December 2020 increased by 61.4% to approximately RMB131.2 million from approximately RMB81.3 million for the year ended 31 December 2019.

4. The Group's contracted GFA under property management services as at 31 December 2020 was approximately 53.0 million sq.m., representing an increase of approximately 43.2% over approximately 37.0 million sq.m. as at 31 December 2019.

5. The Board recommends payment of a final dividend of HK10.2 cents per ordinary share in respect of the year ended 31 December 2020.

## RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xinyuan Property Management Service (Cayman) Ltd. (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020, together with the comparative figures for the previous year as follows:

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

*Year ended 31 December 2020*

| | *Notes* | **2020** *RMB'000* | 2019 *RMB'000* |
|---|---|---|---|
| REVENUE | 4 | **653,702** | 533,954 |
| Cost of sales | | **(396,030)** | (332,165) |
| Gross profit | | **257,672** | 201,789 |
| Other income and gains | 5 | **11,990** | 5,907 |
| Administrative expenses | | **(56,593)** | (68,640) |
| Impairment losses on financial and contract assets | | **(7,532)** | (3,373) |
| Finance costs | | **(123)** | – |
| Other expenses | | **(8,196)** | (1,105) |
| Impairment of investment in a joint venture | | **(2,949)** | (2,995) |
| Share of loss of: | | | |
| A joint venture | | **(1,922)** | (4,350) |
| Associates | | **(28)** | – |
| PROFIT BEFORE TAX | 6 | **192,319** | 127,233 |
| Income tax expense | 7 | **(60,464)** | (45,308) |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | **131,855** | 81,925 |
| Attributable to: | | | |
| Owners of the parent | | **131,152** | 81,319 |
| Non-controlling interests | | **703** | 606 |
| | | **131,855** | 81,925 |
| | | ***RMB cents*** | *RMB cents* |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 9 | | |
| Basic | | **26.34** | 21.76 |
| Diluted | | **25.08** | 20.33 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*31 December 2020*

| | Notes | **2020** *RMB'000* | 2019 *RMB'000* |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **8,888** | 4,505 |
| Goodwill | | **3,090** | – |
| Right-of-use assets | | **3,189** | – |
| Other intangible assets | | **982** | 906 |
| Investment in a joint venture | | **5,737** | 10,608 |
| Investment in associates | | **1,357** | – |
| Prepayments | | **89,073** | 89,073 |
| Deferred tax assets | | **3,918** | 1,700 |
| Total non-current assets | | **116,234** | 106,792 |
| CURRENT ASSETS | | | |
| Trade and bills receivables | 10 | **238,829** | 182,008 |
| Contract assets | 11 | **23,681** | – |
| Prepayments and other receivables | | **22,823** | 8,974 |
| Cash and cash equivalents | | **849,140** | 606,552 |
| Total current assets | | **1,134,473** | 797,534 |
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | **44,035** | 37,067 |
| Other payables and accruals | | **337,682** | 262,477 |
| Lease liabilities | | **1,364** | – |
| Tax payable | | **59,482** | 38,497 |
| Total current liabilities | | **442,563** | 338,041 |
| NET CURRENT ASSETS | | **691,910** | 459,493 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **808,144** | 566,285 |

| | Note | **2020** | 2019 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | **2,136** | – |
| Deferred tax liabilities | | **8,121** | 3,198 |
| Total non-current liabilities | | **10,257** | 3,198 |
| Net assets | | **797,887** | 563,087 |
| EQUITY | | | |
| Share capital | 13 | **5** | 4 |
| Reserves | | **796,028** | 561,932 |
| | | **796,033** | 561,936 |
| Non-controlling interests | | **1,854** | 1,151 |
| Total equity | | **797,887** | 563,087 |

# NOTES TO THE FINANCIAL STATEMENT

*31 December 2020*

## 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated on 13 December 2018 in the Cayman Islands. The registered office of the Company is located at the offices of Maples Corporate Services Limited, Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the following principal activities:

- Property management services
- Value-added services
- Pre-delivery and consulting services

The ultimate holding company of the Company is Xinyuan Real Estate Co., Ltd. ("**Ultimate Holding Company**"), a company established in the Cayman Islands and its shares are listed on the New York Stock Exchange.

On 11 October 2019, 125,000,000 ordinary shares of HK$0.00001 each of the Company were issued at a price of HK$2.08 for a net proceed of RMB197,228,000 (the "**Global Offering**"). On the same date, the Company's ordinary shares were listed on the Stock Exchange.

## 2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations issued and approved by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IFRS 3 | *Definition of a Business* |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | *Interest Rate Benchmark Reform* |
| Amendments to IFRS 16 | *Covid-19 Related Rent Concessions* |
| Amendments to IAS 1 and IAS 8 | *Definition of Material* |

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

## 3. OPERATING SEGMENT INFORMATION

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

During the year, the Group is principally engaged in the provision of property management services, value-added services and pre-delivery and consulting services to customers in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the chief operating decision maker of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue was derived in the PRC during the year.

As at 31 December 2020, a hundred percent of the non-current assets were located in the PRC.

## 4. REVENUE

Revenue mainly comprises proceeds from property management services, value-added services and pre-delivery and consulting services to customers. An analysis of the Group's revenue by category for the years ended 31 December 2020 and 2019 was as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers** | | |
| Property management services | **379,860** | 314,185 |
| Value-added services | **131,990** | 129,042 |
| Pre-delivery and consulting services | **141,852** | 90,727 |
| | **653,702** | 533,954 |

For the years ended 31 December 2020 and 2019, revenue from entities controlled by the Ultimate Holding Company accounted for 23% and 20% of the Group's revenue, respectively. Other than the entities controlled by the Ultimate Holding Company, the Group had a large number of customers and none of whom contributed 10% or more to the Group's revenue for the then periods.

### (1) Assets recognised from incremental costs to obtain a contract

For the years ended 31 December 2020 and 2019, there were no significant incremental costs to obtain a contract.

### (2) Contract liabilities

The following table shows the revenue recognised in the current year relating to carried-forward contract liabilities:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | **90,960** | 72,123 |

**(3) Performance obligations**

Revenue were mainly recognised over the period that services were rendered to customers.

For property management services and pre-delivery and consulting services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts. The majority of the property management service contracts do not have a fixed term. The terms of the contracts for pre-delivery and consulting services are generally set to expire when the counterparties notify the Group that the services are no longer required. For value-added services, they are rendered in a short period of time and there is no unsatisfied performance obligation at the end of the year.

## 5. OTHER INCOME AND GAINS

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Other income and gains | | |
| Interest income | **5,214** | 4,700 |
| Government grants | **5,086** | – |
| Others | **1,690** | 1,207 |
| | **11,990** | 5,907 |

## 6. PROFIT BEFORE TAX

The Group's profit before income tax is arrived at after charging:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of services provided | **396,030** | 332,165 |
| Employee benefit expenses (excluding directors' and chief executive's remuneration | | |
| Wages and salaries | **97,466** | 86,439 |
| Equity-settled share-based payment expense | **6,966** | 6,764 |
| Pension scheme contributions | **892** | 8,048 |
| | **105,324** | 101,251 |
| Impairment of financial and contract assets: | | |
| Impairment of trade receivables | **6,569** | 4,013 |
| Impairment of contract assets | **708** | – |
| Impairment of financial assets included in prepayments, other receivables and other assets | **255** | (640) |
| | **7,532** | 3,373 |
| Impairment of investment in a joint venture | **2,949** | 2,995 |
| Depreciation of property, plant and equipment | **1,576** | 1,174 |
| Auditor's remuneration *(note (a))* | **2,600** | 4,720 |
| Depreciation of right-of-use assets | **1,476** | – |
| Lease payments not included in the measurement of lease liabilities | **252** | 257 |
| Amortisation of intangible assets | **117** | 146 |
| Listing expenses attributed to the listing of existing shares, excluding audit fees | **–** | 19,598 |
| Foreign exchange differences, net *(note (b))* | **7,890** | 848 |

Cost of sales dealt with in the consolidated financial statements represented cost of services provided by the Group.

*Note (a):* 2019 auditor's remuneration included a portion of audit fee for the listing of existing shares of the Company of RMB2,400,000 which was charged to the 2019 income statement.

*Note (b):* Foreign exchange difference was included in "other expenses".

## 7. INCOME TAX

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current income tax | **57,423** | 42,479 |
| Deferred income tax | **3,041** | 2,829 |
| Total tax charge for the year | **60,464** | 45,308 |

**(a) Cayman Islands income tax**

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

**(b) British Virgin Islands ("BVI") income tax**

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

**(c) Hong Kong profits tax**

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax during the year.

**(d) PRC Corporate Income Tax**

Under the relevant PRC income tax law, the PRC entities of the Group are subject to corporate income tax at a rate of 25% during the year on their respective taxable income.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the companies comprising the Group are domiciled to the tax expense at the effective tax rate is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before tax | **192,319** | 127,233 |
| Tax at the statutory tax rates of the respective jurisdictions | **48,080** | 34,643 |
| Tax effect of tax rate difference | **5,339** | – |
| Loss attributable to: | | |
| A joint venture | **480** | 1,088 |
| Associates | **7** | – |
| Withholding income tax | **4,812** | 2,866 |
| Expenses not deductible for tax | **1,746** | 6,711 |
| Tax charge at the Group's effective tax rate | **60,464** | 45,308 |

## 8. DIVIDENDS

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 2020 proposed final – HK10.2 cents (2019: HK5.2 cents) per ordinary share* | **48,085** | 23,806 |

* Based on exchange rate at dividend approval date.

A final dividend in respect of the year ended 31 December 2019 of HK5.2 cents per ordinary share, amounting to HK$26,000,000 (RMB23,806,000) was approved at the annual general meeting of the Company held on 29 May 2020. No interim dividend has been declared in respect of the six months ended 30 June 2020.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted for the dividends in respect of unvested shares under restricted share award scheme, and the weighted average number of ordinary shares of 486,173,000 (2019: 365,582,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been vested under a restricted share award scheme on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

| | **2020** | 2019 |
|---|---|---|
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation *(RMB'000)*: | **131,152** | 81,319 |
| Adjustment of the proposed dividends for unvested shares under restricted share award scheme *(RMB'000)*: | **(3,081)** | (1,785) |
| Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation *(RMB'000)*: | **128,071** | 79,534 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(thousands)* | **486,173**** | 365,582* |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Restricted share award scheme *(thousands)* | **36,750** | 34,418 |
| Weighted average number of ordinary shares for diluted earnings per share *(thousands)* | **522,923** | 400,000 |
| Basic earnings per share *(RMB cents)* | **26.34** | 21.76 |
| Diluted earnings per share *(RMB cents)* | **25.08** | 20.33 |

*Notes:*

* Weighed average of 486,173,000 ordinary shares represented the 500,000,000 ordinary shares in issue for the twelve months ended 31 December 2020, excluded the 36,750,000 unvested restricted share and the weighted average of 500,000 ordinary shares repurchased by the Company on 26 May 2020, and included the weighted average of 50,000,000 issued by the Company on 15 July 2020.

** Weighted average of 365,582,000 ordinary shares for the year ended 31 December 2019 includes the weighted average of 125,000,000 ordinary shares issued immediately upon the completion of Global Offering, in addition to the 337,500,000 ordinary shares in issue (excluding the unvested restricted shares) in August 2019.

## 10. TRADE AND BILLS RECEIVABLES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **248,340** | 187,765 |
| Less: allowance for impairment of trade receivables | **(13,671)** | (5,757) |
| | **234,669** | 182,008 |
| Bills receivable | **4,160** | – |
| | **238,829** | 182,008 |

Trade receivables mainly arise from property management services, value-added services and pre-delivery and consulting services.

Property management services, value-added services and pre-delivery and consulting services are rendered in accordance with the terms of the relevant agreements, which are due for payment upon the issuance of demand note.

An ageing analysis of the trade receivables as at the end of the year, based on the invoice date and net of impairment, is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **181,018** | 145,724 |
| 1 to 2 years | **33,150** | 19,550 |
| 2 to 3 years | **16,175** | 10,606 |
| 3 to 4 years | **2,921** | 3,421 |
| 4 to 5 years | **946** | 1,367 |
| Over 5 years | **459** | 1,340 |
| Total | **234,669** | 182,008 |

The movements in provision for impairment of trade receivables are as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At the beginning of year | **5,757** | 3,618 |
| Charge for the year | **6,569** | 4,013 |
| Acquisition of a subsidiary | **1,345** | – |
| Write-off for the year | **–** | (1,874) |
| At the end of the year | **13,671** | 5,757 |

As at 31 December 2020 and 2019, the trade receivables were denominated in RMB, and the fair values of trade receivables approximated to their carrying amounts.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days from billing date for customer with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

The expected credit loss is determined based on a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to debtors and economic environment. As at 31 December 2020 and 2019, the loss allowance provision for the remaining balances was determined as follows:

| | **Third parties** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Less than 1 year** | **1 to 2 years** | **2 to 3 years** | **3 to 4 years** | **4 to 5 years** | **Over 5 years** | **Related parties** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 December 2020** | | | | | | | | |
| Expected credit loss rate | 3.7% | 9.4% | 17.1% | 50.0% | 80.0% | 100.0% | – | |
| Gross carrying amount | 57,891 | 29,839 | 10,446 | 4,643 | 1,974 | 3,037 | 140,510 | 248,340 |
| Expected credit losses | 2,142 | 2,805 | 1,786 | 2,322 | 1,579 | 3,037 | – | 13,671 |
| **At 31 December 2019** | | | | | | | | |
| Expected credit loss rate | 3.1% | 7.3% | 12.4% | 22.1% | 29.1% | 61.2% | – | |
| Gross carrying amount | 43,456 | 14,362 | 6,039 | 2,991 | 1,928 | 2,273 | 116,716 | 187,765 |
| Expected credit losses | 1,347 | 1,048 | 749 | 661 | 561 | 1,391 | – | 5,757 |

## 11. CONTRACT ASSETS

| | 2020 | 2019 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Property improvement services | **24,389** | – |
| Less: allowance for impairment of contract assets | **(708)** | – |
| | **23,681** | – |

Contract assets are initially recognised for revenue earned from the provision of property improvement services. Upon settlement with customers, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

| | 2020 | 2019 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 1 year | **23,681** | – |
| Total | **23,681** | – |

## 12. TRADE PAYABLES

| | 2020 | 2019 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables | | |
| – Related parties | **985** | 685 |
| – Third parties | **43,050** | 36,382 |
| | **44,035** | 37,067 |

As at 31 December 2020 and 2019, the carrying amounts of trade payables approximated their fair values.

The trade payables are unsecured, non-interest-bearing and are normally settled on 90-day terms.

The ageing analysis of trade payables based on the invoice date was as follows:

| | 2020 | 2019 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 1 year | **42,571** | 32,689 |
| 1 to 2 years | **971** | 3,821 |
| 2 to 3 years | **40** | 26 |
| Over 3 years | **453** | 531 |
| | **44,035** | 37,067 |

## 13. SHARE CAPITAL

The Company was incorporated in December 2018 and its share capital is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| Authorised: | | |
| 38,000,000,000 shares of a par value of HK$0.00001 each | **380** | 380 |

A summary of movements in the Company's share capital is as follows:

| | **Number of shares in issue** | **Fully paid share capital** |
|---|---|---|
| | | *RMB'000* |
| At 13 December 2018 (date of incorporation) | **–** | – |
| Issue of new shares upon incorporation | **1** | –* |
| At 31 December 2018 and 1 January 2019 | **1** | –* |
| Allotment of nil-paid shares to Xinyuan Science's then shareholders pursuant to the Reorganisation | **318,749** | – |
| Issue of shares under a restricted share award scheme | **56,250** | –* |
| Subdivision of shares* | **374,625,000** | – |
| Fully paid up all the nil-paid shares issued pursuant to the capitalisation of shareholders' loans | **–** | 3 |
| Shares issued pursuant to the Global Offering | **125,000,000** | 1 |
| At 31 December 2019 and 1 January 2020 | **500,000,000** | 4 |
| Repurchase and cancellation of shares *(Note (a))* | **(500,000)** | –* |
| Placing of new shares under general mandate *(Note (b))* | **50,000,000** | 1 |
| At 31 December 2020 | **549,500,000** | 5 |

*Notes:*

(a) The Company repurchased 500,000 ordinary shares of HK$0.00001 each on The Stock Exchange of Hong Kong Limited for a total consideration of HK$1,040,000 (equivalent to RMB951,000) in May 2020. The repurchased shares were cancelled in July 2020.

(b) On 15 July 2020, an aggregate of 50,000,000 placing shares have been placed to six placees at the placing price of HK$2.60 per placing share pursuant to the terms and conditions of the placing agreement. The gross proceeds from the placing amounted to HK$130,000,000 and the net proceeds (after deducting all applicable costs and expenses) amounted to approximately HK$127,200,000 (equivalent to RMB115,015,000).

* Amount less than RMB1,000.

## 14. BUSINESS COMBINATION

On 10 December 2020, the Group acquired 100% equity interest in Chongqing Heavy Truck Group Hongqi Property Co. Ltd. ("**Chongqing Hongqi**") from Chongqing General Machinery Industry Co., Ltd. Chongqing Hongqi is engaged in providing property management and related services to customers.

The fair values of the identifiable assets and liabilities of Chongqing Hongqi as at the date of acquisition were as follows:

| | **Fair value recognized on acquisition** *RMB'000* |
|---|---|
| Cash and cash equivalents | 4,018 |
| Trade receivables | 12,899 |
| Prepayments, other receivables and other assets | 2,943 |
| Property, plant and equipment | 3,037 |
| Deferred tax assets | 336 |
| Trade payables | (6,753) |
| Other payables and accruals | (5,453) |
| Tax payable | (558) |
| Total identifiable net assets at fair value | 10,469 |
| Acquisition price by cash | (13,559) |
| Goodwill | 3,090 |

The Group incurred transaction costs of RMB77,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in profit or loss.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

| | *RMB'000* |
|---|---|
| Acquisition price by cash | (13,559) |
| Cash and bank balances acquired | 4,018 |
| Net inflow of cash and cash equivalents included in cash flows from investing activities | 9,541 |

Since the acquisition, Chongqing Hongqi contributed RMB4,291,000 to the Group's revenue and RMB547,000 to the consolidated profit for the year ended 31 December 2020.

## 15. RECONCILIATION WITH THE ANNOUNCEMENT DATED 31 MARCH 2021

The Group's revenue, profit and total comprehensive income for the year, and profit attributable to owners of the parent as reflected in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 as disclosed in this announcement decreased by RMB6,371,000, when compared with the respective financial statement items disclosed in the unaudited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 published in the Company's announcement dated 31 March 2021. In addition, the Group's contract assets, total current assets, net current assets, total assets less current liabilities, net assets, reserves and total equity as disclosed in the statement of financial position as at 31 December 2020 also decreased by RMB6,371,000 when compared with the respective financial statement items in the unaudited statement of financial position as at 31 December 2020 as disclosed in the Company's announcement dated 31 March 2021. This is because currently the Group still has not yet entered into a sales contract with a third party for a property improvement project which the Group recognized the revenue in its unaudited management accounts based on the progress of completion of the project as at 31 December 2020, and hence such revenue and related contract asset were reversed in the consolidated financial statements for the year ended 31 December 2020 as disclosed in this announcement. The relevant costs of sales charged to the profit or loss in the Group's unaudited management accounts for the year ended 31 December 2020 were not reversed as such costs are not recoverable. The income tax effect of such reversal of revenue is not adjusted because the amount is immaterial.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

The Group is a property management service provider with widespread influence and robust growth. We strive to be a leading pan-properties, pan-industries business. In 2020, we were recognised by China Property Management Research Institution, Shanghai E-House China R&D Institute and China Real Estate Appraisal Centre as a 2020 Featured Brand of Property Management Service, 2020 Top 10 Branded Property Management Companies in Central China, and 2020 Leading Companies in Residential Property Service. As at 31 December 2020, the Group's property management services spanned 45 cities across China. Contracted gross floor area ("**GFA**") amounted to 53.0 million sq.m., of which GFA under management amounted to approximately 34.7 million sq.m. Services were provided to over 220,000 households. The severe conditions under the novel coronavirus outbreak in 2020 impacted the living conditions of our property owners and the economic development of society in general. The Group's value-added services, cost management, and market expansion were all affected to a certain extent. With the rapid control of the outbreak in China, and with policy support and effort from our team, we managed to maintain robust growth in our performance.

The Group's business structure covers various property types, including residential properties and non-residential properties (such as commercial offices, office buildings, commercial complexes, industrial parks, etc.). The Group continued to grow new operations and development capability. In 2020, the Group acquired 100% equity interest in Chongqing Heavy-Duty Truck Group Hongqi Property Ltd.* (重慶重型汽車集團鴻企物業有限責任公司) ("**Chongqing Hongqi Property**"), entered into a cooperation with Handan Iron and Steel (Group) Co., Ltd.* (邯鄲鋼鐵集團有限責任公司) on utilities-property reform, and entered into a cooperation with Henan E City Holdings on controlling-minority interest, which not only extended our development channels but also further optimised our business structure as the Group further extended to industrial parks, schools and hospitals, and at the same time expanded towards new businesses in old district redevelopment, smart construction, and asset co-sales, and continued to cultivate new operation and development capabilities.

As our business continued to develop and grow, we maintained our "6S Service Standard" and our goal of providing services with "high cost performance, great service experience, high satisfaction". The Group continues to innovate in its service content and service system. In 2020, as the Group continued to respond to demand for four major types of property services – community living services, industrial park commercial and office services, government public services, and urban public services, it further established "Harmony, Comfort, Peace, Joy" as four major service systems, for the continued optimisation and enrichment of its service system and service brand and continued enhancement of basic service quality and customer service experience.

## PROPERTY MANAGEMENT SERVICES

### Robust growth in GFA scale

The Group maintained a robust growth in scale strategy. Having established a solid foundation based on the traditional model of comprehensive engagement with developers, in 2020 the Group expanded towards other models such as comprehensive engagement cooperation with owners' committees, merger and acquisition, cooperation through utilities-property, cooperation with state-owned enterprises, and controlling-minority interest, and achieved rapid growth in both contracted GFA and GFA under management.

As at 31 December 2020, the Group's contracted GFA was approximately 53.0 million sq.m. from a total of 237 contracted properties, representing a year-on-year growth of 43.2% and 35.4% respectively. GFA under management amounted to approximately 34.7 million sq.m. from a total of 176 properties under management, representing a year-on-year growth of 72.8% and 46.7% respectively. Owing to the increase in GFA under management and scope of this segment, the Group recorded a revenue of RMB653.7 million in 2020, representing a growth of 22.4% as compared to RMB534.0 million in 2019.

Movements in the Group's contracted GFA and GFA under management during the year ended 31 December 2020 (the "**Year**"):

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | **Contracted GFA** *('000 sq.m.)* | **GFA under management** *('000 sq.m.)* | Contracted GFA *('000 sq.m.)* | GFA under management *('000 sq.m.)* |
| At the beginning of the year | **37,034** | **20,064** | 26,397 | 15,655 |
| Addition[(1)] | | | | |
| Internal | **1,162** | **557** | 3,432 | 1,053 |
| External | **15,014** | **14,148** | 7,205 | 3,356 |
| Termination[(2)] | **206** | **102** | – | – |
| At the end of the year | **53,004** | **34,667** | 37,034 | 20,064 |

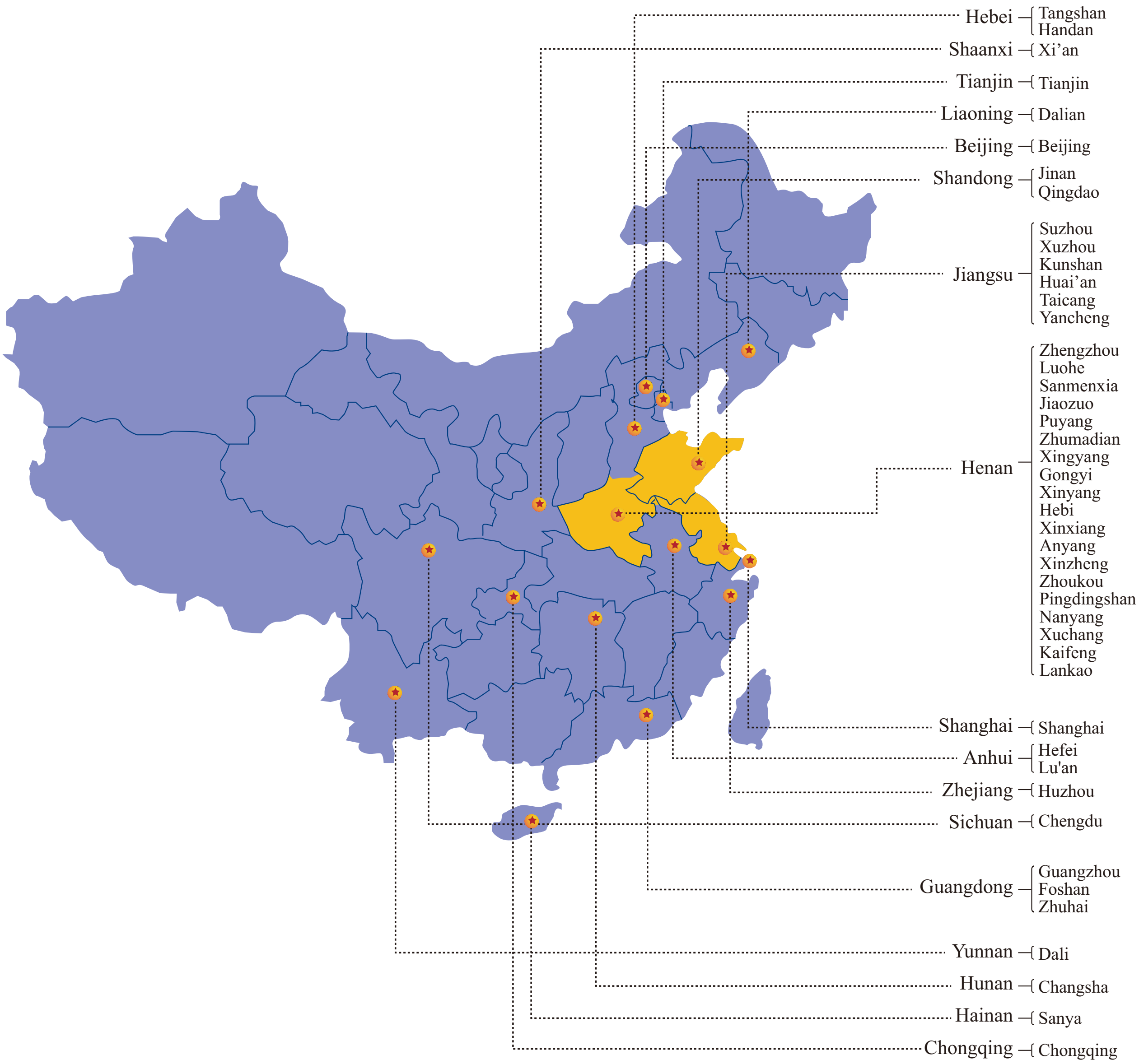
*Notes:*

(1) These new contracts mainly consist of advance management contracts for new properties developed by property developers, and property management service contracts with residential communities in replacing their former property management service providers, and contracts in relation to new mergers and acquisitions.

(2) Termination includes certain property management service contracts which we opted not to renew due to our reallocation of resources to contracts with higher profitability in order to optimise our property management portfolio.

### Our geographical coverage

Since the Group's establishment, as at 31 December 2020, our geographical coverage has expanded from Zhengzhou to over 45 cities across China.



The following table sets out GFA under management as at the dates indicated, and a breakdown of total revenue from property management service by geographical region for the years ended 31 December 2020 and 2019:

| | As at 31 December or Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | | 2019 | | |
| | **GFA** | **Revenue** | **Percentage share** | GFA | Revenue | Percentage share |
| | ***'0,000 sq.m.*** | ***RMB'000*** | ***%*** | *'0,000 sq.m.* | *RMB'000* | *%* |
| Central China[1] | **15,049** | **392,759** | **60.1** | 12,386 | 295,149 | 55.3 |
| Eastern China[2] | **6,112** | **167,983** | **25.7** | 5,908 | 155,358 | 29.1 |
| Western China[3] | **11,889** | **24,532** | **3.7** | 1,336 | 57,672 | 10.8 |
| Northern China[4] | **1,506** | **18,740** | **2.9** | 323 | 17,146 | 3.2 |
| Southern China[5] | **111** | **49,688** | **7.6** | 111 | 8,629 | 1.6 |
| Total | **34,667** | **653,702** | **100.0** | 20,064 | 533,954 | 100.0 |

*Notes:*

(1) Includes cities located in Henan and Hunan provinces.

(2) Includes cities located in Jiangsu, Anhui, Shandong and Zhejiang provinces and Shanghai municipality.

(3) Includes cities located in Sichuan, Yunnan and Shaanxi provinces and Chongqing municipality.

(4) Includes cities located in Liaoning and Hebei provinces, Beijing and Tianjin municipalities.

(5) Includes cities located in Hainan and Guangdong provinces.

## Robust and high quality growth of scale

The Group has always maintained a robust and high quality growth strategy in expansion of scale, and has developed its own unique and characteristic model of expansion of scale.

1. Comprehensive engagement: The Group mainly cooperates with third party developers who engage the Group during the project planning and marketing stages to provide support for marketing and property branding, as well as operations and management of the property projects in the later stages. The Group is able to achieve zero costs with this development model and even generate income from providing branding support to the developer. The Group's involvement begins at the project planning and marketing stages, which ensures the effectiveness of operations and management of the property projects in the later stages. The Group demonstrates its strength with signature projects in various locations to attract more cooperation opportunities with third party developers to establish a positive cycle. Generally, contracted GFA will become GFA under management within 2–3 years.

The Group made regional progress on multiple fronts in 2020. Besides focusing on the Henan region, the Group also signed agreements to provide services to Xi'an Taiheju* (西安太和居), Yancheng Huafang Literati Territory* (鹽城華芳上書院), and Sanya Senior Talent Apartment* (三亞高級人才公寓). Other than new properties, we also actively sought cooperation with developers on old properties, and with owners' committees on their properties, such as our agreement to provide services to Zhengzhou Civil Aviation Garden* (鄭州市民航花園).

2. Merger and acquisition of equity: The Group maintained a cautious approach towards merger and acquisition, mainly seeking companies with state ownership background or with positive operating efficiency in the market as targets for merger and acquisition. In 2020, the Group signed an agreement to acquire Chongqing Hongqi Properties, which not only increased Xinyuan Property's GFA under management by 10.6 million sq.m., but also diversified its industrial park property operation type.

3. Cooperation with state-owned enterprises, controlling-minority interest: The Group actively participates in state-owned enterprises utilities-property reform and pilot equity cooperation with state-owned enterprises in various locations. Equity participation allows the Group to optimise resource allocation with state-owned enterprises. The Group also participates in business integration and business outsourcing to increase both revenue and profit.

   In 2020, the Group secured an equity cooperation with Henan Investment Group Co., Ltd.* (河南投資集團有限公司) ("**Henan Investment Group**") to jointly establish Yicheng Xinyuan, further expanding the scope of this segment to cover management of mature properties, redevelopment of old communities, school management and asset management.

   Meanwhile, the Group also secured a cooperation with Gangcheng Property under the Handan Iron and Steel (Group) Co., Ltd.* (邯鄲鋼鐵集團有限責任公司), further expanding the scope of this segment to cover residential district services, hospital services and industrial district services.

4. Government cooperation, old district redevelopment: The Group also actively participates in government urban redevelopment plans, establishing an integrated construction-management model for old district development and has commenced construction works on old district development. The contract amount for old district development amounted to RMB17.2 million for the Year.

In 2020, the Group's third party GFA under management and percentage share of property management service revenue is as follows:

| | As at 31 December or Year ended 31 December | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2020** | | | | 2019 | | | |
| | **GFA** | | **Revenue** | | GFA | | Revenue | |
| | ***'000 sq.m.*** | **%** | ***RMB'000*** | **%** | *'000 sq.m.* | % | *RMB'000* | % |
| Xinyuan Real Estate Group[1] | **13,294** | **38.2** | **279,178** | **73.5** | 12,737 | 63.5 | 256,037 | 81.5 |
| Independent third parties[2] | **21,373** | **61.8** | **100,682** | **26.5** | 7,327 | 36.5 | 58,148 | 18.5 |
| Total | **34,667** | **100.0** | **379,860** | **100.0** | 20,064 | 100.0 | 314,185 | 100.0 |

*Notes:*

(1) Xinyuan Real Estate Co., Ltd. (the "**Ultimate Holding Company**") and its subsidiaries are collectively referred to as the "Xinyuan Real Estate Group". Includes properties developed by Xinyuan Real Estate Group.

(2) Refers to properties developed by independent third parties independent of Xinyuan Real Estate Group.

**Property management portfolio with diverse operation types**

We manage both residential and non-residential properties. Currently, our non-residential properties under management spans offices, commercial complexes, industrial parks, schools, and public buildings. While revenue from residential properties accounted for and will continue to account for a large portion of our revenue, we strive to diversify our services to cover properties of different types.

A breakdown of property management service revenue from developed properties by property types for the years ended 31 December 2020 and 2019:

| | As at 31 December or Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | | 2019 | | |
| | **GFA** | **Revenue** | **Percentage share** | GFA | Revenue | Percentage share |
| | ***'000 sq.m.*** | ***RMB'000*** | **%** | *'000 sq.m.* | *RMB'000* | % |
| Residential properties | **22,334** | **327,706** | **86.3** | 18,517 | 280,383 | 89.2 |
| Non-residential properties | **12,333** | **52,154** | **13.7** | 1,547 | 33,802 | 10.8 |
| Total | **34,667** | **379,860** | **100.0** | 20,064 | 314,185 | 100.0 |

## VALUE-ADDED SERVICES

The Group further expanded the coverage of its value-added services in 2020. Besides providing a wide range of value-added services to property owners and occupants to enhance their living standards and living experience, the Group also provided a wide range of value-added services to governments and developers, such as providing assets sales assistance to developers, and providing urban redevelopment services to governments. The value-added services segment developed to a certain degree in 2020. Revenue from value-added services increased by RMB3.0 million from approximately RMB129.0 million in 2019 to approximately RMB132.0 million in 2020.

With respect to value-added services for property owners and occupants, the Group integrated the daily household living needs of property owners and occupants with our professional service advantage and expanded services based on the aspects of public space management, utilities services, living services and asset management, linking up with our online community services platform to build a diverse community value-added service line.

The Group continued to build a new OMO community business landscape in 2020. During the pandemic, we provided delivery of vegetable packs and comprehensive daily necessities to property owners through the Xiaoxin Best Choice Mall* (小鑫優選商城), serving as a vital channel for property owners to secure their living necessities, strengthening their trust and reliance on our platform. At the same time, the Group actively developed online living services based on the Conbow Cloud platform and Xiaoxin Best Choice Mall, and cooperated with platforms such as 58, JD, Pinduoduo and Zamhome to attract traffic from property owners and monetise such traffic.

With an eye on improving the living experience and service experience of property owners, the Group commenced several segments in 2020 such as housekeeping services, facilities and equipment maintenance for houses, facilities and equipment renovation for old houses, renovation for new houses and serviced apartments, and green energy services, which contributed operating revenue of RMB12.4 million for the Year.

For leased properties, the Group entered into a strategic cooperation agreement with Zhengzhou Direct Branch of China Construction Bank Corporation for comprehensive cooperation through several models such as business cooperation, development and operation, and engagement operation.

The following table sets out a breakdown of revenue from community value-added service for the years ended 31 December 2020 and 2019:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Utilities payment services[1] | **31,414** | **23.8** | 19,689 | 15.2 |
| Public space resource management[2] | **60,337** | **45.7** | 52,091 | 40.4 |
| Household living services[3] | **40,239** | **30.5** | 57,262 | 44.4 |
| Total | **131,990** | **100.0** | 129,042 | 100.0 |

*Notes:*

(1) Profit is derived from paid utilities using the cost-plus method.

(2) We collect a pre-agreed fee for public space resource management.

(3) We conduct sales of daily necessities through our "Xinyijia" mobile application. Profit is derived from the provision of household living services and provision of customised services (such as maintenance of floor warming services and application and installation of electric vehicle charging station services).

## PRE-DELIVERY AND CONSULTING SERVICES

Leveraging on the Group's professional property management experience of 22 years, we offer tailored pre-delivery and consulting services to property developers to help enhance the competitiveness of the property development.

Pre-delivery services include providing sales assistance services, for instance (i) property sales venue management services; and (ii) property sales venue "warm-up" services to property developers at the pre-delivery stage of the relevant property or when the property is put onto the market for sale. Consulting services include (i) advising property developers at the early and construction stages of a property on project planning, design management and construction management to enhance its functionality, comfort and convenience; and (ii) referral and management services provided to property developers for unsold properties.

Having established a solid foundation in the traditional business model, the Group turned its focus on assets sales assistance and construction work in 2020:

For asset management, the Group focused its coverage on destocking stocked assets. The Group commenced assets sales assistance services and established an integrated asset destocking system comprising early stage planning, marketing and promotion, sales agency, and late stage management, based on internal and external cooperation with developers on resources such as stocked parking spaces, underground spaces, and stocked shop spaces. In 2020, the Group entered into the Car Parking Space Exclusive Sales Cooperation Agreement with the Ultimate Holding Company with a value of approximately RMB207.0 million.

For cooperation and provision of services to governments and major customers, in 2020 the Group focused on developing its coverage of segments such as urban redevelopment and smart construction for developers:

Regarding urban redevelopment, the Group established an "integrated construction-management" operation model. In 2020, the Group undertook projects relating to urban redevelopment of Jinshui District, Zhengzhou, and secured total contract value of RMB22.4 million; projects relating to redevelopment of old communities owned by Zhongyuan Pharmaceutical Factory* (中原製藥廠) under the Henan Investment Group, and secured total contract value of RMB240.0 million; and projects relating to comprehensive smart construction for developers, of which a total of RMB17.0 million secured was in connection with smart construction within the Xinyuan Real Estate Group.

Revenue from pre-delivery and consulting services significantly increased by 56.4% from approximately RMB90.7 million in 2019 to approximately RMB141.9 million in 2020, mainly due to significant growth in construction work and assets sales assistance segments. Value-added services derived from non-property owners accounted for 48.4% of total revenue in 2020.

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Early stage involvement[1] | **19,997** | **14.1** | 17,804 | 19.6 |
| Property sales venue services[2] | **41,004** | **28.9** | 39,606 | 43.7 |
| Venue "warm up" events fees | **25,851** | **18.2** | 22,392 | 24.7 |
| Construction settlement income | **34,184** | **24.1** | 0 | 0.0 |
| Parking space management income | **19,831** | **14.0** | 9,610 | 10.6 |
| Others | **985** | **0.7** | 1,315 | 1.4 |
| Total | **141,852** | **100.0** | 90,727 | 100.0 |

## DEVELOPMENT PROSPECTS

The Group's strategy for the next three to five years will be expansion of scale, increase in density, focus on segments, and adjustment of structure, based on five cores of accelerating business scale, upgrading services, optimising operation type, extension of industry, and empowerment through technology. Based on our position as a leading pan-properties, pan-industries smart business, we aim to realise quality growth through key measures such as quality operations, expansion of scale, organisation innovation, technological development, and enhancement of capability, which will form three major development pillars, "Xin-property", "Xin-industry", and "Xin-technology".

### I) Continuous expansion of management scale

The Group's strategy will focus on two aspects, to increase regional density and to expand national coverage. Geographically, the Group will remain focused on Central China while developing its presence in the Yangtze River Delta, Pearl River Delta, Bohai Economic Rim and Greater Southwest, increasing regional density and strengthening regional presence, driving the Group's development across the country through enhanced regional impact.

#### *1. Developing a 1+4+N strategy model for increasing regional coverage*

"1 vantage position", referring to intense consolidation of local market position in the Group's core location in Henan and Central China; "4 vital positions", referring to further expansion of Yangtze River Delta, Pearl River Delta, Bohai Economic Rim and Greater Southwest to optimise nationwide coverage, and "N strategic opportunities", referring to focus on regions with established presence, and select quality projects in expanding across the country.

#### *2. Focus on three major expansion channels of comprehensive engagement, merger and acquisition, and cooperation with state-owned enterprises, continuing to innovate in expansion models*

Comprehensive engagement is based on intensive regional development. The Group will be expanding its scope from cooperating with developers on new developments to cooperating with owners' committees on existing developments, maintaining robust annual growth in comprehensive engagement numbers and strengthening the quality and foundation for growth of scale.

For merger and acquisition of equity, the Group is establishing different merger and acquisition policies for different regions. The current policy for the five major development regions focus on increasing management density rather than demanding expansion of scale, with a stronger concern for integrating local resources and management effect of scale; for other regions, the focus is on strategic coverage with comprehensive assessment on project scale, numbers, operation types, and operating revenue, and merger and acquisition of equity to promote accelerated expansion of scale.

With respect to cooperation with state-owned enterprises, the Group broadly participates in state-owned enterprise reform and utilities-property management and complements advantages in quality resources with state-owned enterprises. The Group will also leverage its ability to provide industry-chain services to gradually achieve a business model based on having controlling-minority interest, and explore new blue oceans in growing the scale of our business.

Meanwhile, the Group will consider market conditions and the position of our partners as a whole to actively design new models of cooperation, such as platform cooperation, and to expand into new areas, such as taking over urban redevelopment projects. Through effective sharing of the Group's capital advantage, technology advantage, management advantage, team advantage and our partners' resource advantage, the Group will seek to build a new win-win business ecology.

**II) Continuous optimisation of operation type coverage, continuous business expansion**

The Group will develop a "3+1+N" business development model by integrating its own resource and capacity advantages to extend its business and industry centered around living space, non-living space and urban space:

"3" refers to the three major spaces of living space, non-living space and urban space:

The Group's acquisition of Chongqing Hongqi Property in 2020 effectively expanded our operation types in property management of industrial parks. Currently, the Group has established a preliminary coverage of living space, non-living space and urban space. For the next three to five years, the Group will continue to actively expand into operation types such as office properties, industrial parks, and will also extend its services from its current participation in urban redevelopment to offering urban special services. The Group will continue to strengthen its coverage around the three major spaces, in order to optimise its operation type structure and revenue structure.

"1" refers to the unified value-added services coverage:

Based on the living, working, and services needs of our customers, the Group effectively integrates offline property service advantages with an online service platform to offer value-added services in areas such as community living, park services, and daily business activities. The Group will continue to gradually expand from living services, professional services, housing services, asset management services in living spaces, to asset management, business support in non-living spaces and public services in urban spaces.

"N" refers to coverage across various industries, developing new growth lines and new segments:

The Group will expand its industrial coverage based on upstream and downstream of the property management industry chain and peripheral living needs. Currently, the Group has widespread coverage over areas such as preliminary works, smart community construction, old district redevelopment, long-term apartment rental, housekeeping, professional companies, cultural industries and community elderly care. In the next three to five years, the Group will maximise efforts on developing and expanding the scale of its core industries, and develop market-based expansion capabilities to grow new segments.

**III) Continuous digitalisation transformation, enhance internal operation efficiency and customer service experience**

In terms of digitalisation transformation upgrading, the Group will shift from ERP to EBC, turning towards being user-driven, business-driven and data-driven, in order to take services online, create smart landscapes and turn data into assets.

In terms of internal development, the Group will improve operational efficiency through upgrade of services of spaces with smart features, making customer services available on a platform, and digitalise management of services. Based on plans to improve internal efficiency, the Group will actively develop a business ecosystem with external enterprises, leveraging professional expertise to enable rapid transformation.

In terms of digitalisation development, the Group will transform its role into a driver of industry development for small and medium enterprises, focusing on management problems they face, targeting development of crucial products, integrating management systems, operational systems and supply chain systems, to form a digitalisation ecosystem that drives enterprises. Through digitalisation development, the Group will upgrade itself from ERP to EBC, becoming client-focused and business-driven, providing a comprehensive solution with an ecosystem to drive enterprises, providing not just products but also ancillary systems that truly enables application by small and medium enterprises and creating business value.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB653.7 million (corresponding period in 2019: approximately RMB534.0 million), representing an increase of approximately 22.4% as compared to the previous year.

The Group's revenue was derived from three business lines, (i) property management services; (ii) value-added services; and (iii) pre-delivery and consulting services:

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | **Revenue** | **Percentage** | Revenue | Percentage |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Property management services | **379,860** | **58.1** | 314,185 | 58.8 |
| Value-added services | **131,990** | **20.2** | 129,042 | 24.2 |
| Pre-delivery and consulting services | **141,852** | **21.7** | 90,727 | 17.0 |
| Total | **653,702** | **100.0** | 533,954 | 100.0 |

### Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin by its business lines for the periods indicated:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| **Segment** | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Property management services | **109,365** | **28.8** | 67,888 | 21.6 |
| Value-added services | **89,317** | **67.7** | 88,848 | 68.9 |
| Pre-delivery and consulting services | **58,990** | **41.6** | 45,053 | 49.7 |
| Total | **257,672** | **39.4** | 201,789 | 37.8 |

The Group's gross profit for the Year amounted to RMB257.7 million, representing a growth of approximately 27.7% over RMB201.8 million in 2019. Gross profit margin increased to 39.4% from approximately 37.8% in 2019.

Gross profit margin of property management services was 28.8%, representing an increase of 7.2 percentage points as compared to 21.6% in 2019, mainly due to (i) improved operation and management efficiency; and (ii) effective cost control.

Gross profit margin of value-added services was 67.7%, representing a decrease of approximately 1.2 percentage points as compared to 68.9% in 2019, mainly due to decrease in revenue from spaces operation under the impact of 2020 coronavirus pandemic as well as increase in staff costs arising from development of new business.

Gross profit margin for pre-delivery and consulting services was 41.6%, representing a decrease of approximately 8.1 percentage points as compared to 49.7% in 2019. The decrease in gross profit margin for pre-delivery and consulting services was due to initial funding and higher costs arising from expansion of our product and service product (in particular repairs and smart engineering services) portfolio and scale, which led to an increase in staff costs and expenses paid to third parties and subcontracts for subcontracting works arising from provision of such services, in turn causing a material adverse impact to our gross profit margin.

**Administrative expenses**

The Group's administrative expenses for the Year amounted to RMB56.6 million, representing a decrease of 17.5% as compared to RMB68.6 million in 2019, also representing 8.7% of revenue (2019: representing 12.9% of revenue). The decrease was mainly due to (i) the Group incurred listing expenses in 2019; (ii) staff costs decreased in 2020 under the impact of the pandemic; and (iii) implementation of informatisation leading to improved intensified management efficiency.

**Other income**

The Group's other income for the Year amounted to RMB12.0 million, representing an increase of 103% as compared to RMB5.9 million in the previous year. Such increase was mainly attributable to several factors, such as (i) listing bonus of RMB4.2 million received from Jinshui District; and (ii) interest income of approximately RMB5.2 million received in 2020.

**Income tax**

The Group's income tax expenses for the Year amounted to RMB60.5 million. The income tax rate was 31.4% (corresponding period in 2019: 35.6%). The decrease in income tax rate for the Year was mainly attributable to (i) non-deductible expenses reduced by RMB5.0 million; and (ii) losses attributable to joint ventures decreased by RMB0.6 million.

**Profit**

The Group's net profit for the Year amounted to RMB131.9 million, representing an increase of 61.1% as compared to RMB81.9 million in the corresponding period last year. Net margin was 20.2%, representing an increase of 4.9 percentage points as compared to 15.3% in the corresponding period last year, owing to (i) improved internal management efficiency of the Group; (ii) continued enhancement of cost management ability; and (iii) effect of scale and increase in high margin business.

Profit attributable to the Company's shareholders for the Year amounted to RMB131.2 million, representing a growth of 61.4% as compared to RMB81.3 million in the corresponding period last year. Basic earnings per share was RMB26.34 cents.

**Current assets, reserves and capital structure**

The Group maintained a sound financial position during the Year. As at 31 December 2020, current assets amounted to RMB1,134.5 million, representing a growth of 42.3% as compared to RMB797.5 million as at 31 December 2019.

As at 31 December 2020, the Group's total equity was RMB797.9 million, representing an increase of RMB234.8 million or 41.7% as compared to RMB563.1 million as at 31 December 2019, mainly due to funds raised from the private placement and profits realised during the Year.

**Property, plant and equipment**

As at 31 December 2020, the Group's net property, plant and equipment was RMB8.9 million, representing a growth of 97.8% as compared to RMB4.5 million as at 31 December 2019, mainly due to purchases such as additions of office equipment and machinery for expansion of the Group's business being partially offset by depreciation for the Year.

**Other intangible assets**

As at 31 December 2020, the book value of the Group's other intangible assets was RMB1.0 million, representing a growth of 11.1% as compared to RMB0.9 million as at 31 December 2019. The Group's intangible assets mainly comprise (i) the Xinyuan Property Integrated Management Platform System; (ii) the Xinyuan Property Call Centre System; (iii) the electronic invoice tax control invoicing system; and (iv) FineReport software.

**Trade receivables**

As at 31 December 2020, trade receivables amounted to RMB238.8 million, representing a growth of 31.2% as compared to RMB182.0 million as at 31 December 2019, mainly due to (i) the growth in the Group's GFA under management driving the growth of the respective business; and (ii) the increase in trade receivables upon the Group's acquisition of the target company.

### Prepayments and other receivables

Our prepayments and other receivables mainly comprised (i) prepayments to related parties; (ii) prepayments to third parties; and (iii) other receivables. As at 31 December 2020, the Group's prepayments and other receivables was approximately RMB111.9 million, representing an increase of approximately RMB13.9 million as compared to approximately RMB98.0 million as at 31 December 2019, mainly due to an increase in other receivables from third parties in the period.

Our prepayments to related parties mainly represent prepayments to another subsidiary of Xinyuan Real Estate Group of approximately RMB89.1 million for the purchase of certain residential units for investment purposes pursuant to a sale and purchase agreement dated 11 June 2018.

Our prepayments to third parties mainly comprised prepayments made to utility suppliers and subcontractors. Our prepayments increased from approximately RMB3.0 million as at 31 December 2019 to approximately RMB7.0 million as at 31 December 2020. Such increase was mainly attributable to the increase in advance payments made to our suppliers and subcontractors as a result of the increase in the Group's GFA under management leading to the increase in engagements with them.

Our other receivables mainly represent deposits, prepayments on behalf of property residents and amount due from third parties. Our other receivables decreased from approximately RMB5.9 million as at 31 December 2019 to approximately RMB15.3 million as at 31 December 2020. Such increase was mainly attributable to the increase in the Group's GFA under management and business growth during the Year.

### Trade payables

As at 31 December 2020, trade and other payables amounted to RMB44.0 million, representing a growth of 18.6% as compared to RMB37.1 million as at 31 December 2019, mainly due to (i) increase in GFA under management and increase in services subcontracted to independent third party service providers; and (ii) increase in trade and other payables from merger and acquisition of company.

### Other payables and accruals

The Group's other payables and accruals mainly comprised (i) non-trade payables to related parties; (ii) deposits and temporary receipts from property owners; and (iii) payroll payables and other taxes payable. As at 31 December 2020, the Group's other payables and accruals (other than contract liabilities) amounted to approximately RMB213.5 million, representing an increase of approximately 34.3% as compared to approximately RMB159.0 million as at 31 December 2019. Such increase was mainly attributable to the increase in the Group's GFA under management and business growth during the Year.

**Contract liabilities**

The Group's contract liabilities mainly resulted from the advance payments received from customers while the underlying services are yet to be provided. As at 31 December 2020, our contract liabilities was approximately RMB124.1 million, representing an increase of 20.0% as compared to approximately RMB103.4 million as at 31 December 2019, mainly due to the increase in the Group's GFA under management and the number of customers during the Year.

**Borrowings**

As at 31 December 2020, the Group had no borrowings or bank loans.

**Gearing ratio**

Gearing ratio is calculated by dividing total borrowings by total equity, based on the sum of long-term and short-term interest-bearing bank loans and other borrowings as at the corresponding date divided by the total equity on the same date. As at 31 December 2020, gearing ratio was nil.

**Pledged assets**

As at 31 December 2020, the Group had no pledged assets.

**Material acquisition**

***Acquisition of equity interest in Chongqing Hongqi Property***

On 11 December 2020, the Company acquired 100% equity at a consideration of RMB13.6 million. The consideration for the acquisition under the equity transfer agreement was a transfer price not lower than the transfer reserve price of RMB13,481,700, which is also the minimum bid price required by the State-owned Assets Supervision and Administration Commission of the State Council based on its internal valuation of Chongqing Hongqi property. Upon completion of the acquisition, Chongqing Hongqi Property has become an indirect wholly-owned subsidiary of the Company and its results have been consolidated into the Group's results since December 2020.

**Material disposal**

The Group had no material disposal of subsidiaries and associates during the Year.

**Significant investment**

As at 31 December 2020, the Group did not hold any significant investment.

**Contingent liabilities**

As at 31 December 2020, the Group had no significant contingent liabilities.

**Exchange rate risk**

The Group has converted most of the funds raised from the Listing into RMB by batches in 2019. As at 31 December 2020, the Group is not exposed to any significant exchange rate risk.

**Employment and Remuneration Policy**

As at 31 December 2020, the Group had approximately 1,392 employees (31 December 2019: approximately 1,343 employees).

The Group adopts a remuneration policy similar to its peers in the industry. The remuneration payable to our employees is determined with reference to their duties and the prevailing local market rates. Employees are paid discretionary performance bonuses upon review as reward for their contribution. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Group has participated in different social welfare plans for its employees.

In addition, the Group adopted a post-IPO share option scheme on 16 September 2019 which enables the Directors to grant share options to the Group's employees in order to retain elite personnel and to provide reward and incentive for their contribution to the Group. No share option thereof was granted during the Year.

**Use of Proceeds from the Listing**

On 11 October 2019, the shares of the Company were successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). After deducting underwriting fees and related expenses, net proceeds from the Listing was approximately RMB197.2 million (the "**Listing Net Proceeds**").

Up to 31 December 2020, the Group utilised approximately RMB54.1 million of the Listing Net Proceeds. Details of the use of the Listing Net Proceeds are as follows:

| Use of Listing Net Proceeds | Planned use of Listing Net Proceeds to be used *RMB million* | Actual use of Listing Net Proceeds from the Listing Date to 31 December 2019 *RMB million* | Unutilised amount of Listing Net Proceeds up to 31 December 2019 *RMB million* | Actual use of Listing Net Proceeds from 1 January 2020 to 31 December 2020 *RMB million* | Unutilised amount of Listing Net Proceeds up to 31 December 2020 *RMB million* | Expected timetable for the use of the unutilised Listing Net Proceeds[5] |
|---|---|---|---|---|---|---|
| To expand our property management services, seek strategic acquisition and investment opportunities | 118.3 | – | 118.3 | 20.0[1] | 98.3[1] | Expected to be fully utilised on or before 30 September 2023 |
| To expand the types of services offered in our value-added services business line | 29.6 | – | 29.6 | 11.5[2] | 18.1[2] | Expected to be fully utilised on or before 30 September 2022 |
| To upgrade and develop our own information technology and smart systems | 29.6 | – | 29.6 | 2.9[3] | 26.7[3] | Expected to be fully utilised on or before 30 September 2022 |
| Funding our working capital needs and other general corporate purposes | 19.7 | 19.7[4] | – | 0 | 0 | – |
| Total | 197.2 | 19.7 | 177.5 | 34.4 | 143.1 | |

*Notes:*

1. Approximately RMB5.2 million and RMB14.8 million were used, respectively, for the payment for (i) the fees in relation to the development of the scale of our property management services and marketing and promotion of our property management services; and (ii) the consideration for the capital contribution to Handan Gangcheng Property Service Co., Ltd.* (邯鄲市鋼城物業有限公司) and the acquisition of 100% equity interest in Chongqing Heavy Truck Group Honqqi Property Co. Ltd.* (重慶重型汽車集團鴻企物業有限公司). As disclosed in the Prospectus (as defined below), the Group intends to actively expand our property management services by strategically acquiring or investing in quality property management companies who have a regional scale of business operations. Due to the impact of the pandemic since early 2020, the Group is still on the lookout for property management service providers that are suitable for acquisition or investment on a prudent basis, in order to maximise the returns for the Company and its Shareholders.

2. The Group is still on the lookout for value-added services business providers and contractors to expand the types of value-added services that can be provided by the Group, and has repeatedly carried out research on the relevant market and discussions with potential partners of our value-added services business line.

3. Approximately RMB2.9 million was used for the construction of our hardware end (i.e. servers, real time monitoring equipment and management center). The Group has completed the planning and validation of the digitalised enterprise management system, and coordinated with the relevant equipment manufacturers and software providers, to jointly build a digitalised management platform for our smart community. The development plan will be launched gradually in the second half of 2020. The selection of eligible suppliers has entered the tender preparation stage.

4. Approximately RMB19.7 million was fully utilised for the payment of the wages and salaries of the Group's employees.

5. The expected timetable for the use of the unutilised Net Proceeds is determined based on the Group's best estimate of future market conditions, and is subject to change depending on current market conditions and future market developments.

The Board confirmed that the utilised proceeds were allocated and used in the manner set out in the prospectus of the Group dated 25 September 2019 (the "**Prospectus**"), and intends to continue to allocate and use the unutilised Listing Net Proceeds in the following manner, as set out in the Prospectus:

(i) Approximately 60% of the Listing Net Proceeds will be used to expand our property management services, seek strategic acquisition and investment opportunities;

(ii) Approximately 15% of the Listing Net Proceeds will be used to expand the types of services offered in our value-added services business line;

(iii) Approximately 15% of the Listing Net Proceeds will be used to upgrade and develop our own information technology and smart systems; and

(iv) Approximately 10% of the Listing Net Proceeds will be used in funding our working capital needs and other general corporate purposes.

As at 31 December 2020, the unutilised Listing Net Proceeds are placed at a licensed bank in the PRC. The Directors are not aware of, and do not anticipate any material delay or change in the use of proceeds, and will continue to assess the plans in relation to the planned allocation of the Listing Net Proceeds as set out in the Prospectus, the annual report and the interim report of the Company. The Directors may modify or amend the relevant plans as necessary in order to address the changing market conditions, and strive for the Group to achieve better business performance.

**Use of Proceeds from the 2020 Placing**

On 3 July 2020, the Company entered into a placing agreement (the "**Placing Agreement**") with Guotai Junan Securities (Hong Kong) Limited and Valuable Capital Limited (the "**2020 Placing Agents**"), pursuant to which, the 2020 Placing Agents (each on a several but not joint nor joint and several basis) conditionally agreed to procure, as agents of the Company, not less than six (6) placees (the "**2020 Placees**") on a best effort basis for up to an aggregate of 50,000,000 placing shares at the placing price of HK$2.60 per placing share on the terms and subject to the conditions set out in the Placing Agreement (the "**2020 Placing**"). The market price of the placing shares was HK$2.86 per share as quoted on the Stock Exchange on 3 July 2020, being the date of the Placing Agreement. The net price of the placing shares was approximately HK$2.54 per share.

Completion of the 2020 Placing took place on 15 July 2020, a total of 50,000,000 placing shares were placed by the 2020 Placing Agents to the 2020 Placees at the placing price of HK$2.60 per placing share.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the 2020 Placees and their respective ultimate beneficial owner(s), as applicable, are parties independent of the Company and not acting in concert with the connected persons of the Company and are not parties acting in concert with each of the other 2020 Placees procured by the 2020 Placing Agents under the Placing Agreement.

The net proceeds from the 2020 Placing amounted to approximately RMB115.0 million (the "**2020 Placing Net Proceeds**"). Up to 31 December 2020, the Group utilised approximately RMB11.5 million of the 2020 Placing Net Proceeds. Details of the use of the 2020 Placing Net Proceeds are as follows:

| **Use of 2020 Placing Net Proceeds** | **Planned amount of 2020 Placing Net Proceeds to be used** *RMB million* | **Actual use of 2020 Placing Net Proceeds up to 31 December 2020** *RMB million* | **Unutilised amount of 2020 Placing Net Proceeds up to 31 December 2020** *RMB million* | **Expected timeline for the use of the unutilized 2020 Placing Net Proceeds** |
|---|---|---|---|---|
| Business development, which mainly relates to (a) diversifying the types of services offered to the customers and (b) upgrading and developing the Group's smart systems | 69.0 | 0 | 69.0 | Expected to be fully utilised on or before 30 June 2024 |
| Strategic investment in businesses or targets that are related to the Group's principal businesses | 34.5 | 0 | 34.5 | Expected to be fully utilised on or before 30 June 2023 |
| General working capital | 11.5 | 11.5 | 0 | |
| Total | 115.0 | 11.5 | 103.5 | |

## RELATED PARTY TRANSACTIONS

### Material related party fund transfers during the year ended 31 December 2020

(i) The Company transferred cash of HK$88.79 million to the Ultimate Holding Company in March 2020 and the Ultimate Holding Company repaid HK$88.79 million to the Company in June 2020.

(ii) On 10 March 2020, Xinyuan (China) Real Estate Ltd. ("**Xinyuan China**", a subsidiary of the Ultimate Holding Company) has transferred cash of RMB20 million to Xinyuan Science (an indirect wholly-owned subsidiary of the Company) which transferred cash of HK$22.09 million to the Ultimate Holding Company on 17 March 2020. Subsequently on 30 June 2020, the Ultimate Holding Company repaid the same amount of HK$22.09 million to the Company. The RMB20 million received by Xinyuan Science from Xinyuan China on 10 March 2020 was then used to settle the trade balances due to Xinyuan Science.

(iii) Henan Xinyuan Guangsheng Real Estate Co., Ltd. ("**Henan Xinyuan Guangsheng**", a subsidiary of the Ultimate Holding Company) transferred cash of RMB39.08 million to the Group on 28 June 2020 and then the Group transferred cash of RMB39.08 million to Henan Xinyuan Real Estate Co., Ltd. ("**Henan Xinyuan Real Estate**", a subsidiary of the Ultimate Holding Company) on 28 June 2020.

On 29 June 2020, the Group, Henan Xinyuan Guangsheng and Henan Xinyuan Real Estate entered into a tri-party settlement agreement pursuant to which Henan Xinyuan Guangsheng transferred its receivable from the Group of RMB39.08 million to Henan Xinyuan Real Estate, and then the Group and Henan Xinyuan Real Estate agreed to settle the Group's receivable from Henan Xinyuan Real Estate of RMB39.08 million against the Group's payable to Henan Xinyuan Real Estate of the same amount.

Hence the Group's receivable from Henan Xinyuan Real Estate of RMB39.08 million and the payable to Henan Xinyuan Real Estate of the same amount arising from above cash transfers were settled and derecognized.

(iv) Zhengzhou Kangshengboda Real Estate Co., Ltd. ("**Zhengzhou Kangshengboda**", a subsidiary of the Ultimate Holding Company) transferred cash of RMB11.89 million to the Group on 29 September 2020 and then the Group transferred cash of RMB11.89 million to Zhengzhou Shengdao Real Estate Co., Ltd. ("**Zhengzhou Shengdao**", a subsidiary of the Ultimate Holding Company) on 29 September 2020.

On 30 September 2020, the Group, Zhengzhou Kangshengboda and Zhengzhou Shengdao entered into a tri-party settlement agreement pursuant to which Zhengzhou Kangshengboda transferred its receivable from the Group of RMB11.89 million to Zhengzhou Shengdao, and then the Group and Zhengzhou Shengdao agreed to settle the Group's receivable from Zhengzhou Shengdao of RMB11.89 million against the Group's payable to Zhengzhou Shengdao of the same amount.

Hence the Group's receivable from Zhengzhou Shengdao of RMB11.89 million and payable to Zhengzhou Kangshengboda of the same amount arising from above cash transfers were settled and derecognized.

(v) The Group has transferred cash of RMB35 million to Henan Qingning Apartment Management Co. Ltd. ("**Qingning Apartment**", a joint venture of the Group) in mid-September 2020, and then Qingning Apartment transferred cash of RMB35 million to Xinyuan China. Around the end of September 2020, Xinyuan China repaid RMB35 million to Qingning Apartment, and Qingning Apartment repaid RMB35 million to the Group.

(vi) The Group has transferred cash in aggregate of RMB60 million to Qingning Apartment during November 2020 and December 2020, and the same aggregate amount of RMB60 million was then remitted to Xinyuan China by Qingning Apartment during November 2020 and December 2020. On 31 December 2020, Xinyuan China transferred cash of RMB60 million to the Group, and pursuant to a tri-party agreement between the Group, Xinyuan China and Qingning Apartment, the Group transferred its receivable from Qingning Apartment of RMB60 million to Xinyuan China in settlement of the cash transfer of RMB60 million from Xinyuan China to the Group. Hence as at 31 December 2020, the Group's receivable from Qingning Apartment of RMB60 million, and the Group's payable to Xinyuan China of the same amount arising from above cash transfers were settled and derecognized. In addition, Qingning Apartment's receivable from Xinyuan China of RMB60 million was settled against Xinyuan China's receivable from Qingning Apartment of RMB60 million as transferred from the Group to Xinyuan China.

(vii) On 13 December 2020, the Group transferred cash of RMB5 million to Henan Xinyuan Guangsheng as partial prepayment for the purchase of various car parks of International New City project for aggregate consideration of RMB19.3 million, which was for the purpose of providing referral services to the Ultimate Holding Company group in respect of unsold car parks and earning service fees based on the price differentials upon the sales of such car parks to the project property owners. On 31 December 2020, the above prepayment of RMB5 million was refunded to the Group by offset against the Group's payable to Xinyuan China of same amount.

## EVENTS AFTER THE REPORTING PERIOD

(i) The Group transferred cash of HK$120 million to the Ultimate Holding Company on 12 January 2021. On 29 June 2021, South Glory International Limited, a subsidiary of the Ultimate Holding Company, repaid HK$120 million to the Group on behalf of the Ultimate Holding Company.

On 29 June 2021, the Group transferred cash of RMB100 million to Xinyuan China as partial earnest money pursuant to an exclusive car park sales co-operation agreement dated 17 September 2020 entered into between the Company and the Ultimate Holding Company, which was approved by the Company's independent shareholder meeting on 19 November 2020. In addition, since 1 January 2021 the Group transferred cash aggregating to RMB62.08 million to various subsidiaries of the Ultimate Holding Company as additional earnest money pursuant to the above exclusive sales co-operation agreement.

(ii) The Group has transferred cash of RMB55 million to Qingning Apartment on 4 January 2021, and then on the same day Qingning Apartment remitted RMB55 million to Xinyuan China. The Group has transferred cash of RMB30 million to Qingning Apartment on 15 January 2021, and then on the same day Qingning Apartment transferred cash of RMB30 million to Henan Xinyuan Guangsheng. On 19 April 2021, Xinyuan China partially repaid RMB35 million to Qingning Apartment, and Qingning Apartment partially repaid RMB35 million to the Group.

Hence Qingning Apartment owed RMB50 million to the Group, and Xinyuan China and Henan Xinyuan Guangsheng owed RMB20 million and RMB30 million to Qingning Apartment respectively.

On 25 March 2021, Xingyang Xinyuan Real Estate Co., Ltd. ("**Xingyang Xinyuan**", a subsidiary of the Ultimate Holding Company) transferred cash of RMB50 million to the Group.

On 29 March 2021, Xingyang Xinyuan transferred Xingyang Xinyuan's receivable from the Group of RMB50 million to Qingning Apartment, and hence the Group has a payable of RMB50 million to Qingning Apartment. Xingyang Xinyuan confirmed that such transfer of receivable to Qingning Apartment was for the settlement of the payables of Xinyuan China and Henan Xinyuan Guangsheng to Qingning Apartment of RMB20 million and RMB30 million, respectively. Hence, Qingning Apartment's receivable from Xinyuan China and Henan Xinyuan Guangsheng of RMB20 million and RMB30 million, respectively, were settled.

Subsequently the Group agreed with Qingning Apartment for the offset of the Group's receivable from Qingning Apartment of RMB50 million against the Group's payable to Qingning Apartment of RMB50 million. Hence the Group's receivable from and payable to Qingning Apartment of the same amount of RMB50 million were settled.

(iii) On 21 January 2021, the Group transferred cash of RMB10.77 million to Henan Xinyuan Guangsheng as additional prepayment for the purchase of various car parks of International New City project for an aggregate consideration of RMB19.3 million, which was for the purpose of providing referral services to the Ultimate Holding Company group in respect of unsold car parks and earning service fees based on the price differentials upon the sales of such car parks to the project property owners.

(iv) On 31 January 2021, the Group prepaid RMB1.83 million to Zhengzhou Xinnan Real Estate Co., Ltd. ("**Zhengzhou Xinnan**", a subsidiary of the Ultimate Holding Company) for the purchase of various car parks of International New City project for a consideration of RMB39.35 million by offsetting against the Group's property management fee receivable from Zhengzhou Xinnan. Such purchase was for the purpose of providing referral services to the Ultimate Holding Company group in respect of unsold car parks and earning service fees based on the price differentials upon the sales of such car parks to the project property owners.

(v) In January 2021, the Group transferred cash in aggregate of RMB4.32 million to Mingyuan Landscape Engineering Co., Ltd. as partial prepayment for the purchase of various car parks of Jinan International City Garden project at a consideration of RMB11.9 million, which was for the purpose of providing referral services to the Ultimate Holding Company group in respect of unsold car parks and earning service fees based on the price differentials upon the sales of such car parks to the project property owners.

(vi) Henan Xinyuan Real Estate transferred cash in aggregate of RMB41.06 million to the Group on 24 February 2021 and on the same day the Group transferred cash of RMB27.55 million and RMB13.51 million to Zhengzhou Xinnan and Henan Xinyuan Guangsheng, respectively.

Henan Xinyuan Real Estate confirmed to the Group that the above fund transfers by the Group to Zhengzhou Xinnan and Henan Xinyuan Guangsheng respectively were conducted by the Group on behalf of Henan Xinyuan Real Estate at Henan Xinyuan Real Estate's instruction. Hence no receivable from Zhengzhou Xinnan and Henan Xinyuan Guangsheng by the Group, and no payable to Henan Xinyuan by the Group shall arose from the above cash transfers.

(vii) In February 2021, the Group transferred cash of RMB5 million to Changsha Xinyuan Wanzhuo Real Estate Co, Ltd (Xinyuan Wanzhuo) as partial prepayment for the purchase of various car parks of Changsha Xinyuan Splendid project at a consideration of RMB8.76 million, which was for the purpose of providing referral services to the Ultimate Holding Company group in respect of unsold car parks and earning service fees based on the price differentials upon the sales of such car parks to the project property owners.

(viii) On 25 January 2021, Xinyuan Science and Technology Service Group Co., Ltd. ("**Xinyuan Science**") (an indirect wholly-owned subsidiary of the Company), Beijing I-Journey Science and Technology Development Co., Ltd.* (北京愛接力科技發展有限公司) ("**Beijing I-Journey**"), Beijing Ruizhuo Chaoyun Technology Group Co. Ltd.* (北京瑞卓超雲科技集團有限公司), Ms. Leung Lai Shan and Beijing Future Xinzhihui Technology Development Centre (Limited Partnership)* (北京未來鑫智慧科技發展中心(有限合夥)) (collectively, the "**Parties**") entered into the capital injection agreement (the "**Capital Injection Agreement**"), pursuant to which, Xinyuan Science has agreed to inject capital in the sum of approximately RMB30,000,000 (equivalent to approximately HK$36,000,000) into Beijing I-Journey, of which RMB10,000,000 (equivalent to approximately HK$12,000,000) will be included in the registered capital of Beijing I-Journey and the remaining RMB20,000,000 (equivalent to approximately HK$24,000,000) will be included in the capital reserve (資本公積金) of Beijing I-Journey (the "**Capital Injection**"). Upon completion of the Capital Injection, the Company will indirectly hold 20% of the equity interest in Beijing I-Journey and Beijing I-Journey will not become a subsidiary of the Company. On 8 March 2021, the Parties mutually agreed not to proceed with the Capital Injection and entered into a termination agreement (the "**Termination Agreement**") to terminate the Capital Injection Agreement. With effect from the date of the Termination Agreement, all rights and obligations under the Capital Injection Agreement shall cease to have effect, and neither Party shall make any claims against the other Parties for fees or breaches in connection with the Capital Injection Agreement. Please refer to the announcements of the Company dated 25 January 2021 and 8 March 2021 for further details.

(ix) On 25 January 2021, the Company entered into the placing and subscription agreement with Xinyuan Real Estate, Ltd. (the "**Vendor**") and Guotai Junan Securities (Hong Kong) Limited (the "**2021 Placing Agent**"), pursuant to which (i) the Vendor agreed to appoint the 2021 Placing Agent, and the 2021 Placing Agent agreed to act as an agent of the Vendor to procure not less than six (6) placees (the "**2021 Placees**"), on a best effort basis, to purchase up to 18,000,000 shares of the Company (the "**Placing Shares**") at the price of HK$2.10 per 2021 Placing Share (the "**2021 Placing**"); and (ii) the Vendor agreed to subscribe for, and the Company agreed to allot and issue to the Vendor, up to 18,000,000 new shares of the Company (the "**Subscription Shares**") at the price of HK$2.06 per Subscription Share (the "**Subscription**").

Completion of the 2021 Placing took place on 27 January 2021 and completion of the Subscription took place on 8 February 2021. A total of 18,000,000 Placing Shares have been successfully placed by the 2021 Placing Agent to the 2021 Placees. A total of 18,000,000 Subscription Shares had been allotted and issued to the Vendor pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on 29 May 2020. The gross proceeds from the Subscription are approximately HK$37,800,000 and the net proceeds from the Subscription are approximately HK$37,160,000 after deducting the 2021 Placing Agent's commission, other related fees, costs and expenses in relation to the Placing and the Subscription. The Company intends to use the net proceeds from the Subscription in the following manner: (i) approximately 75% for strategic investment in businesses or targets that are related to property management services; and (ii) approximately 25% for general working capital of the Group. Please refer to the announcements of the Company dated 25 January 2021 and 8 February 2021 for further details of the 2021 Placing and the Subscription.

(x) On 13 August 2021, Xinyuan Science (an indirect wholly-owned subsidiary of the Company) entered into a loan agreement (the "**Loan Agreement**") with Henan Xinyuan Real Estate Co., Ltd. ("**Henan Xinyuan Real Estate**", an indirect wholly-owned subsidiary of the Ultimate Holding Company (one of the controlling shareholders of the Company)), pursuant to which Xinyuan Science agreed to provide a loan up to RMB48 million (the "**Loan**") to Henan Xinyuan Real Estate, and Xinyuan (China) Real Estate, Ltd. (an indirect wholly-owned subsidiary of Xinyuan Real Estate Holdings) agreed to provide an irrevocable and unconditional guarantee for the Loan. Interest shall be accrued on the outstanding principal of the Loan at the rate of 8% per annum starting from 17 August 2021, being the date on which Xinyuan Science made a one-time disbursement to Henan Xinyuan Real Estate (the "**Disbursement Date**"). Henan Xinyuan Real Estate shall pay to Xinyuan Science the entire amount of outstanding interest incurred from the Loan on the interest payment date of each quarter. Unless otherwise agreed between the parties, the Loan and the accrued interest thereon shall be repaid in full on the second anniversary from the Disbursement Date (i.e. 16 August 2023). As Henan Xinyuan Real Estate is the indirect wholly-owned subsidiary of Xinyuan Real Estate Holdings, Henan Xinyuan Real Estate is a connected person of the Company, and thus the Loan Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. Please refer to the Company's announcement dated 13 August 2021 for details.

## FINAL DIVIDEND

The Board recommend the payment of a final dividend of HK10.2 cents per share (2019: HK5.2 cents per share) for the year ended 31 December 2020 to the shareholders of the Company (the "**Shareholders**"). The final dividend is subject to the approval of the Shareholders at the Company's annual general meeting to be held on Monday, 18 October 2021 (the "**AGM**"). The proposed final dividend will be paid to the Shareholders on Friday, 29 October 2021 whose names appear on the Company's Register of Members on Monday, 25 October 2021.

## CLOSURE OF REGISTER OF MEMBERS

The AGM is expected to be held on Monday, 18 October 2021. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, 12 October 2021 to Monday, 18 October 2021, both days inclusive, during which the period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 11 October 2021.

For determining the entitlement to the proposed final dividend (subject to approval by the Shareholders at the AGM), the Register of Members of the Company will be closed from Friday, 22 October 2021 to Monday, 25 October 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanies by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 21 October 2021.

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximizing shareholders' interests.

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. Throughout the year 2020, the Company has complied with the code provisions save for the following:

Code Provision A.6.7 provides that independent non-executive directors and other non-executive directors should also generally attend general meetings to gain and develop a balanced understanding of the views of shareholders. Ms. YANG Yuyan, non-executive Director, did not attend the annual general meeting of the Company held on 29 May 2020 due to prior business engagement. Mr. WANG Peng, independent non-executive Director, did not attend the annual general meeting of the Company held on 29 May 2020 due to prior business engagemnt.

## CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made of all Directors and all Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2020.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, a total of 500,000 ordinary shares of the Company were repurchased by the Company on the Stock Exchange. As at the date of this announcement, all the repurchased shares were cancelled by the Company. The Directors believed that the repurchase was made to reflect the Company's recognition of its own value and its confidence in the long-term prospects of the industry. Details of the repurchase of shares of the Company were as follows:

| Date | No. of shares | Highest price paid per share *(HK$)* | Lowest price paid per share *(HK$)* | Average price paid per share *(HK$)* | Aggregate price paid *(HK$)* |
|---|---|---|---|---|---|
| May 2020 | 500,000 | 2.08 | 2.08 | 2.08 | 1,040,000 |

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2020.

## AUDIT COMMITTEE

The audit committee has communicated with the management and external auditor and reviewed the accounting principles and policies adopted by the Group and the Company's consolidated financial statements for the year ended 31 December 2020.

## BASIS OF FINANCIAL FIGURES OF PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income for the year then ended and the related notes thereto as set out in this annual results announcement is based on amounts set out in the Group's consolidated financial statements for the year which have been agreed by the Group's auditor, Ernst & Young, Certified Public Accountants. The work performed by Ernst & Young 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 Ernst & Young on this annual results announcement.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors at the date of this announcement there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the Companies Laws, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

## ANNUAL GENERAL MEETING

The AGM will be held on Monday, 18 October 2021. The notice of AGM will be sent to Shareholders at least 20 clear business days before the AGM.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company at www.xypm.hk and the Stock Exchange at www.hkexnews.hk. The 2020 annual report containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

By Order of the Board
**Xinyuan Property Management Service (Cayman) Ltd.**
**ZHANG Yong**
*Chairman and Non-Executive Director*

Hong Kong, 31 August 2021

*As at the date of this announcement, the Board comprises Ms. WANG Yanbo and Mr. HUANG Bo as executive Directors; Mr. ZHANG Yong and Ms. YANG Yuyan as non-executive Directors; and Mr. LUO Ji, Mr. LI Yifan and Mr. FU Shaojun as independent non-executive Directors.*

* *For identification purposes only*