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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1895)

2019 Annual Report

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Ms. WANG Yanbo *(Chief Executive Officer)*
Mr. HUANG Bo

NON-EXECUTIVE DIRECTORS
Mr. ZHANG Yong *(Chairman of the Board)*
Ms. YANG Yuyan

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. LUO Ji
Mr. LI Yifan
Mr. WANG Peng

AUDIT COMMITTEE
Mr. LI Yifan *(Chairman)*
Mr. LUO JI
Mr. WANG Peng

REMUNERATION COMMITTEE
Mr. LI Yifan *(Chairman)*
Mr. ZHANG Yong
Mr. LUO Ji

NOMINATION COMMITTEE
Mr. ZHANG Yong *(Chairman)*
Mr. LI Yifan
Mr. LUO Ji

JOINT COMPANY SECRETARIES
Mr. XU Yibin
Mr. TSO Ping Cheong Brian *FCPA, FCCA, FCIS, FCS*

AUTHORIZED REPRESENTATIVES
Mr. ZHANG Yong
Mr. TSO Ping Cheong Brian *FCPA, FCCA, FCIS, FCS*

AUDITOR
Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
9/F, Wah Yuen Building
149 Queen's Road Central
Central, Hong Kong

CORPORATE HEADQUARTER
3/F., International Living Clubhouse
18 Xiuyuan Road
Jinshui District
Zhengzhou City
Henan Province, PRC

COMPLIANCE ADVISER
Orient Capital (Hong Kong) Limited
Rooms 2803–2807, 28/F
Wing On House
71 Des Voeux Road Central
Central, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Everbright Bank
(Zhengzhou Dongfeng Branch)
58 Jingsan Road, Jinshui District
Zhengzhou City
Henan Province, PRC

Bank of China
(Zhengzhou Mianfang East Road Branch)
1/F., Xinyuan International City Garden
66 Mianfang East Road, Erqi District
Zhengzhou City
Henan Province, PRC

China Everbright Bank
(Zhengbian Road Zhengzhou Branch)
Zheng Bian Road & Ying Xie Road Junction
Zhengzhou City
Henan Province, PRC

Bank of Zhengzhou (Zhengzhou Weier Road Branch)
8-3 Weier Road, Jinshui District
Zhengzhou City
Henan Province, PRC

Huaxia Bank (Zhengzhou Branch)
29 Shangwu Waihuan Road, Zhengzhou City
Henan Province, PRC

Huaxia Bank (Zhengzhou Nongye Road Branch)
Nongye Road and Dongming Road Intersection
Zhengzhou City
Henan Province, PRC

OVERSEAS BANKER

Industrial and Commercial Bank of China
(Asia) Limited (Queens Road Central Branch)
Basement, G/F and 1/F
Nos. 122–126 Queen's Road
Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:

Li & Partners
22/F., World Wide House
Central
Hong Kong

STOCK CODE

1895

COMPANY WEBSITE ADDRESS

www.xypm.hk

HONOURS AND AWARDS

CHAIRMAN STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Xinyuan Property Management Service (Cayman) Ltd. ("**Xinyuan Service**" or the "**Company**"), I am pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Year**").

The Company's shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 October 2019. Entering the capital market enhances the Group's brand influence and provides new impetus for the Group's future development. The Group's management will adhere to a vision of innovative development in enhancing the Company's operation and management efficiency, and meeting our customers' increasingly sophisticated service demands, and continue to bring satisfying returns to the shareholders of the Company (the "**Shareholders**").

RESULTS REVIEW

During the Year, the Group recorded operating revenue of RMB534.0 million, representing an increase of approximately 35.8% as compared to RMB393.3 million in 2018. The Group's adjusted net profit (excluding deferred tax expenses arising from listing expenses, share-based payments and final dividends declared) was approximately RMB119.1 million, an increase of approximately 56.5% over approximately RMB76.1 million in 2018.

As of 31 December 2019, the Group's property management services had contracted GFA of approximately 37.03 million sq.m., representing an increase of 40.3% as compared to the end of 2018. GFA under management was approximately 20.06 million sq.m, representing an increase of 27.8% as compared to 15.7 million sq.m. at the end of 2018. There were 120 projects managed, covering 27 cities in China and serving over 200,000 owners with quality property management services. Over the years, the Group has consistently been ranked among the Top 100 Property Management Companies of China and was ranked 14th under comprehensive ranking therein. Our brand has leveled up itself from an industry brand to a social brand, from a regional brand to a national brand, and from a traditional service brand to an innovative technological brand.

The Group maintains a mutually complementary business cooperation relationship with the Company's controlling shareholder, Xinyuan Real Estate Co., Ltd. and its subsidiaries (excluding the Group, collectively "**Xinyuan Real Estate Group**"). We provide a wide range of services to Xinyuan Real Estate Group, including the provision of property management services, value-added services and pre-delivery and consultation services to residential properties, integrated properties, and industrial parks developed by Xinyuan Real Estate Group. As at 31 December 2019, we managed 65 properties of approximately 12.7 million sq.m. which were developed by Xinyuan Real Estate Group, representing approximately 63.5% of our total GFA under management as at that date. Meanwhile, Xinyuan Real Estate Group is committed to property-related technological innovation, with its technology subsidiary being one of the first domestic players in blockchain technology with world ranking in leading proprietary blockchain technology several times, providing us with technological support in aspects such as blockchain, artificial intelligence, and informatisation when we are carrying out property informatisation and building our community platform.

While we benefit from the robust development of real estate development business of Xinyuan Real Estate Group, we also actively expand towards the independent third parties market. In 2019, the Group had 36 new contracted projects with contracted GFA of approximately 10.7 million sq. m. As at 31 December 2019, our contracted GFA with independent third parties was approximately 18.2 million sq.m., representing approximately 49%. In 2019, the Group's expansion of the third-party market consisted mainly of low-cost, high-quality comprehensive engagements, marking a breakthrough from single-focus expansion to multifocal expansion that we further cultivate our regional presence upon the five regional expansion centres of Central China, the Bohai Rim, the Yangtze River Delta, the Pearl River Delta, and Southwest China. Meanwhile, the Group continued to increase cooperation with external parties for its high-end services. In 2019, we had a total of 11 contracts for sales venue assistance services and a total of 34 sales assistance cases under management, of which independent third party sales venue services accounted for 58%.

SMART COMMUNITY

The Group remains committed to construction of informatisation and smart features. We completed the overall planning and implementation of "Smart Community 1.0, 2.0, 3.0", where a comprehensive upgrade was carried out for all smart hardware in neighborhoods under our management. Based on a facial recognition system that we have established, and assisted by video technology and deep-learning technology, we have achieved unified authentication and management of community informatisation and identity verification, connecting seamlessly to the community and extending throughout the community landscapes.

The information technology system which we use consists of our business support system, management support system, strategy support system and customer service system, and provides us with a comprehensive infomrmation technology plagform for our daily operations as well as strong support in enhancing our management efficiency and business performance. Such information technology system represents in-depth application of informatisation in the aspects of on-site work efficiency improvement, management and operation efficiency improvement, strategic decision efficiency improvement and community service efficiency improvement, and in 2019 we increased the annual per capita management area by 19.5% year-on-year.

BUILDING A DIVERSIFIED PROPERTY-RELATED MANAGEMENT ECO-CHAIN

The Group has strengthened its presence both upstream and downstream as well as in peripheral services of the industry chain to cater to the community and living needs of owners and occupants. At the end of 2019, our joint venture Henan Qingning Apartment Management Co. Ltd., our subsidiary Henan Yingsheng M&E Engineering Co., Ltd., and our subsidiary Henan Gechen Culture Media Co., Ltd., which are respectively engaged in the businesses of serviced apartments, intelligence engineering services, and event planning and execution services, have gradually entered the substantive operation stage, marking the preliminary formation of a diversified property-related management eco-chain.

PROPOSED FINAL DIVIDEND

The Board considers the Group's operational and financial performance during the Year to be excellent. The Board has always believed in sharing the success of our growth with our Shareholders through the distribution of dividends. Given that the Group has sufficient funds to satisfy its working capital and investment requirements for the foreseeable future, the Board recommends the payment of a final dividend of HK5.2 cents per ordinary share of the Company for the year ended 31 December 2019.

OUTLOOK

With national macropolicy support for the overall development for a better life, and developments in 5G technology, artificial intelligence and community economy, new development opportunities are emerging for the property management industry. The sudden outbreak of epidemic in early 2020 has led to widespread social recognition for the important role of property management companies in daily life. It is believed that once the epidemic ends, the property management industry will enjoy enhanced status in people's livelihoods and increasingly diversified development in future.

The Group has always been committed to be a leading diverse property-related management operator. Leveraging on our management and branding strengths, we endeavour to provide better service experiences and more comprehensive service products to customers at large, and achieve sustained enhancement in business scale and profitability. To this end, we will carry out a new dual-driven development model called "Offline Business Scale Expansion + Online User Base Fission".

Our "Offline Business Scale Expansion" will be based on cultivating our five core regions of Central China, the Bohai Rim, the Yangtze River Delta, the Pearl River Delta, and Southwest China, and continue to achieve expansion of scale through comprehensive engagements, equity cooperation and strategic cooperation. For our selection of operation type, we will focus on mid to high end residences supplemented by other operation types such as office buildings, industrial parks, and commercial complexes as appropriate in order to optimise our operation type structure. Meanwhile, we will also actively participate in the development of urban renewal, state-owned enterprise reform and utilities-property management etc. so as to expand our business into new blue oceans.

CONBOW CLOUD COMMUNITY SERVICE PLATFORM

We will further build on our existing mobile application Xinyijia (鑫一家) to establish an integrated online service platform with unified back office support and multichannel reach, the Conbow Cloud Community Service Platform (慷寶雲社區服務平台) ("**Conbow Cloud Platform**"), integrating different types of resources covering areas such as property services, smart community, smart living, online marketplace, vertical e-business and offering services and products through multiple channels such as our official WeChat account, the Xinyijia mobile application, the Conbow Robot (慷寶機械人) and the Conbow Cloud Housekeeper (慷寶雲管家), so as to satisfy different community and living needs of owners and occupants. An online-merge-offline (OMO) community living service system centered on the online Conbow Cloud Platform and combined with the advantages of on-site staff service, reach and spaces operation, together with various means such as points system, corporate alliances and shared data, can procure a "fission" of our online user base and number, constantly stretching the boundaries of online services.

In terms of community value-added services, we will sharpen our focus on the needs of owners and occupants of all ages, and fully tap into their needs in relation to three major aspects: common area management, quality living services and asset management, forming community-run core product lines and service lines. Community landscapes, property services, owners' social interactions, offline resources, vertical e-commerce resources are effectively integrated into our Conbow Cloud Platform so that offline scenario experiences are combined with our online platform and consumer experiences are combined with social media marketing to procure a fission of our online user base and number, and through the "Conbow Points" award system, user traffic will be effectively converted to activate a new community value-added services ecology.

During the epidemic, the Conbow Cloud Platform led the industry in developing QR code verification functions for entry and exit registration, round-trip registration and occupant information screening, effectively reducing the risk of human contact. We strengthened access control with effective identification of occupant identity through background data support. Our online mall connected the needs of occupants with vegetable farms and essentials suppliers through customised online ordering service with offline property concierge performing contactless delivery, providing comprehensive living support to occupants during their self-isolation at home. We cooperated with professional organisations to launch online medical and psychological consultation functions, demonstrating our concern for the health and well-being of occupants and contributing with technology to the community disease prevention effort.

SUSTAINED ENHANCEMENT OF OPERATION AND MANAGEMENT EFFICIENCY

The Company's rapid transformation from business-oriented to capital-oriented, from slow and medium speed growth to high speed growth, from endogenous growth to exogenous expansion, from effect of management to effect of scale, is strategised around three main areas of focus. "User experience of services as focus": Based on our "6S Service Standard", namely "Sincere, Diligent, Caring, Attentive, Thoughtful, and Dedicated", we are taking a digitisation approach to enhance our standards of service for users and increase user satisfaction. Our goal is to build a rapid response platform for users powered by data from various sources and a rich diversity of user tags to achieve accurate user profiling and bespoke services. "Optimisation of management efficiency as focus": Based on four aspects of "quality, costs, efficiency, risk management" for management optimisation, through refinements to our internal control structure, upgrades to our service system, improvements to our management system, risk control mechanism and internal control mechanism, we will optimise our management and service system that matches the Company's development and achieve improvements in quality, reduction in costs and expenses, control of risks and optimisation of efficiency. "Increased functionality with data platform as focus": creating standardised business structure, application structure, data structure, technology structure and foundational structure, empowering the overall structure with technogical capabilities, product operation capabilities and data capabilities, to provide data research and development technology services, algorithm application services and business application advisory services, and to build a complete digital nervous system consisting of visualised customer management, employee profile management, asset life management, closed-loop strategy management, business process management and comprehensive financial management, creating a "digital twin" of our enterprise.

The Group has also planned a three-step development strategy of defining, developing and leading digitisation of community landscapes. 2020 will be a landmark year for defining the internet of community. While digitisation will be redefined, we will remain focused on user service at physical, social, and digital touchpoints, continuing to enhance utility, care, and responsiveness as our values, as we explore the blue oceans of community economy.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my gratitude to our shareholders, business partners and customers for their trust and support, and to all staff members and the management team of the Company for their hard work. We will adhere to our "6S Service Standard", continue to enhance our services with "high cost performance, great satisfaction, amazing experience" feature, and provide better quality services to more customers.

ZHANG Yong
Chairman and non-executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL PERFORMANCE

Total revenue for the year ended 31 December 2019 increased by 35.8% from approximately RMB393.3 million for the year ended 31 December 2018 to approximately RMB534.0 million.

Profit for the year ended 31 December 2019 was approximately RMB81.9 million (2018: Profit of approximately RMB76.1 million), representing growth of 7.6%. Adjusted net profit (excluding income tax effect arising from non-deductible listing expenses and share-based payments, and dividends withholding tax) was approximately RMB119.1 million, representing an increase of approximately 56.5% over approximately RMB76.1 million in 2018.

OVERVIEW

The Group is a fast-growing integrated property management service provider in the PRC. Over the years, we have consistently been ranked among the Top 100 Property Management Companies of China and honoured with the Excellent Property Management Branding Award, China Property Management Influential Brands, China Property Management Magazine's Outstanding Enterprise Award, etc. We were ranked 14th among the Top 100 Property Management Companies of China in 2019. As at 31 December 2019, we provided property management services and value-added services to 44 cities in the PRC, with contracted GFA amounting to approximately 37.0 million sq.m., and GFA under management amounting to approximately 20.1 million sq.m. Our business covers various types of properties, including residential properties, integrated properties, office buildings, industrial park etc.

BUSINESS REVIEW

The Group continues to cultivate regional presence and development on a national scale with the core covering Central China, the Bohai Rim, the Yangtze River Delta, the Pearl River Delta and Southwest China. Since its establishment in 1998, the Group has provided professional property management services for over 20 years, developing multi-operation management capability and pan-properties, pan-industries operation capability. The Group currently has three main business lines, including (i) property management services, (ii) value-added services and (iii) pre-delivery and consulting services. Building on sustained quality improvement of our property services, the Group continues to extend its industrial chain and value chain and expand its scope of services.

PROPERTY MANAGEMENT SERVICES

The Group persists with a robust, quality, fast-growth scale development strategy. For 2019, we mainly adopted comprehensive engagement cooperation approach (i.e. directly contracting property management services of the properties), forming a "1+N" business expansion model with five core regions of Central China (headquarter), the Bohai Rim, the Yangtze River Delta, the Pearl River Delta and Southwest China.

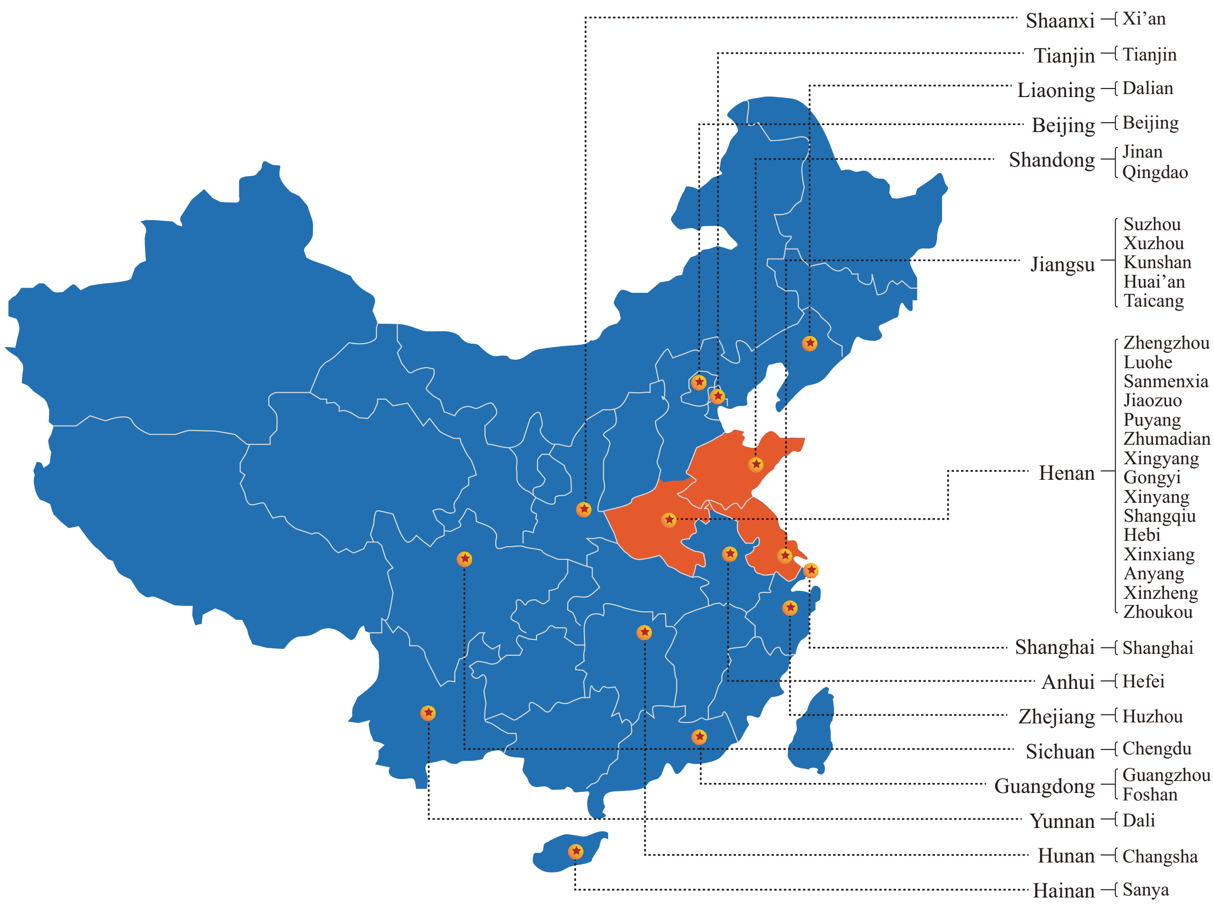
As at 31 December 2019, our contracted GFA was approximately 37.03 million sq.m., with a total of 175 contracted properties, representing a year-on-year growth of 40.3% and 25.9% respectively; GFA under management amounted to 20.06 million sq.m., with a total of 120 managed properties, representing a year-on-year growth of 27.8% and 25.0% respectively.

The following table sets out our contracted GFA, GFA under management and number of properties as at the dates indicted:

	As at 31 December	
	2019	2018
GFA under contract *(sq.m. '000)*	**37,034**	26,329
No. of contracted properties	**175**	139
GFA under management *(sq.m. '000)*	**20,064**	15,655
No. of managed properties	**120**	96

Our geographical coverage:

At 31 December 2019, our geographical coverage of contracted properties has expanded to 44 cities spanning 16 provinces and direct-controlled municipalities across China; while geographical coverage for properties under management has expanded to 35 cities spanning 15 provinces and direct-controlled municipalities across China. The following diagram illustrates our geographical coverage of properties under management as at 31 December 2019:



The following table sets out the breakdown of the respective GFA and the number of properties under management by geographic location as at the dates indicated:

	As at 31 December			
	2019		2018	
	GFA (sq.m. '000)	No. of properties	GFA (sq.m. '000)	No. of properties
Central China[1]	**12,386**	**83**	9,455	67
Eastern China[2]	**5,908**	**30**	4,511	22
Western China[3]	**1,336**	**4**	1,336	4
Northern China[4]	**323**	**2**	242	2
Southern China[5]	**111**	**1**	111	1
Total	**20,064**	**120**	15,655	96

Notes:

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

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

(3) Includes cities located in Sichuan and Shaanxi provinces.

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

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

DIVERSIFIED PROPERTY MANAGEMENT PORTFOLIO

The Group manages various types of properties, including residential properties, integrated properties, office buildings, industrial park etc. The following table sets out the breakdown by type of properties of the Group's property management services revenue for the year ended 31 December 2018 and 2019, GFA under management and number or properties under management for the periods/dates indicated:

	For the year ended 31 December/As at 31 December									
	2019					2018				
	Revenue RMB'000	%	GFA under management (sq.m. '000)	%	No. of properties	Revenue RMB'000	%	GFA under management (sq.m. '000)	%	No. of properties
Residential complexes	210,114	66.9	13,095	65.3	78	154,728	59.1	10,123	64.6	62
Non-residential complexes	10,554	3.4	779	3.9	7	18,405	7.0	769	4.9	7
Residential properties (including residential complexes)	70,269	22.4	5,422	27.0	28	67,256	25.7	3,995	25.5	20
Office buildings	20,614	6.6	606	3.0	5	18,279	7.0	606	3.9	5
Others(1)	2,634	0.7	162	0.8	2	3,214	1.2	162	1.1	2
Total	314,185	100.0	20,064	100.0	120	261,882	100.0	15,655	100.0	96

Note:

(1) Includes industrial parks and service halls.

BUSINESS EXPANSION STRATEGY

Benefiting from the robust development of real estate development business of Xinyuan Real Estate Co., Ltd. and its subsidiaries (collectively "**Xinyuan Real Estate Group**"), we also actively expand towards the independent third parties market which is strategically positioned upon the five core regions of Central China, the Bohai Rim, the Yangtze River Delta, the Pearl River Delta and Southwest China. As at 31 December 2019, GFA under management for properties developed by third party developers and managed by the Group amounted to approximately 7.3 million sq.m., representing an increase of approximately 82.5% over approximately 4.0 million sq.m. as at 31 December 2018; while the number of third party properties also increased from 35 as at 31 December 2018 to 55 as at 31 December 2019.

The following table sets out by developer type GFA under management and the Group's revenue for the year/at the date shown:

	For the year ended 31 December/As at 31 December									
	2019					2018				
	Revenue RMB'000	**%**	**GFA under management (sq.m. '000)**	**%**	**No. of properties**	Revenue RMB'000	%	GFA under management (sq.m. '000)	%	No. of properties
Xinyuan Real Estate Group	**438,619**	**82.1**	**12,737**	**63.5**	**65**	344,368	87.6	11,684	74.6	61
Independent third parties	**95,335**	**17.9**	**7,327**	**36.5**	**55**	48,961	12.4	3,971	25.4	35
Total	**533,954**	**100.0**	**20,064**	**100.0**	**120**	393,329	100.0	15,655	100.0	96

VALUE-ADDED SERVICES

We offer a wide range of value-added services to owners and occupants to improve their living standards as well as living experience; and offer value-added services such as property cleaning and property delivery services to property developers. As a focus segment which the Group has put in enormous effort in developing, value-added services had rapid development in 2019. Revenue for value-added services amounted to RMB129.0 million for the year, representing an increase of 66.0% over RMB77.7 million in 2018.

The Group integrates daily community and living needs of owners and occupants with our professional service edge. We offer our services from three main aspects of common area resources management, home living services and asset management, through the convergence of the online service platform with the offline service landscape, constituting a diverse community value-added service line.

In relation to common area resources management, the Group maintains a traditional approach of charging a pre-agreed management and service fee for usage of public areas such as leasing of spaces and advertising. On the other hand, we expand the integration and utilisation of spaces with reference to living needs of owners and we remodel and upgrade space with smart features. For instance, we remodeled certain basement rooms and public spaces to form smart storage spaces, thus meeting the needs of owners for utility space. In 2019, a total of approximately 3,000 sq.m. of spaces underwent remodeling.

In relation to home living services business, we cater to the living service needs of owners and occupants of all ages. From basic services (such as groceries ordering and delivery services, household repair services and utility fee payment services), we further build a community living service system covering community schooling, community healthcare, and quality living services, striving to provide different types of services based on the needs of owners and occupants. For community schooling, we invite renowned education institutions to station and provide relevant assistance and cooperation to them in establishing nurseries, pre-school and child transition education, complementing effectively with the state's compulsory education; for community healthcare, we build a community healthcare service system with the core of health checkups, homecare and retirement life; for quality living services, with the owners' more demanding needs for better quality living services and our property management professional edge, we develop a professional living service system related to the services about maintenance of indoor equipment and facilities, and green energy.

In relation to asset management, it is mainly related to owners' property assets and the provision of comprehensive asset management and organising services for owners. We offer services catering to owners' needs and value preservation and enhancement, ranging from ready-to-live (such as provision of renovation of new housing) and renewal of old housing. Our ready-to-live service, for instance, already has coverage over newly delivered properties in cities such as Chengdu, Kunshan, Tianjin, Jinan, and Zhengzhou.

PRE-DELIVERY AND CONSULTING SERVICES

Leveraging on the Group's real estate professional services experience of over 20 years, we offer tailored pre-delivery and consulting services to property developers. Pre-delivery services include providing sales assistance services, for instance (i) property sales venues management services; and (ii) property sales venues "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.

The Group's revenue from pre-delivery and consulting services significantly increased by 68.6% from RMB53.8 million for the year ended 31 December 2018 to RMB90.7 million for the year ended 31 December 2019, mainly attributable to a large increase in property development projects by Xinyuan Real Estate Group and third-party developers leading to an increase in sales venues management services, sales venues "warm-up" services and consulting services.

The following table sets out the breakdown by developer type of revenue from pre-delivery and consulting services for the period indicated:

	As at 31 December			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Xinyuan Real Estate Group	**74,625**	**82.3**	45,532	84.6
Independent third parties	**16,102**	**17.7**	8,262	15.4
Total	**90,727**	**100.0**	53,794	100.0

PROSPECTS

1. Further expansion of our business scale and geographical coverage, strengthening and developing various services

The Group is committed to further expansion of our business scale and geographical coverage, strengthening and developing various services. We implement a dual-driven strategy called "Offline Business Scale Expansion + Online User Base Fission".

"Offline Business Scale Expansion"

"Offline Business Scale Expansion" is a transformation from comprehensive engagement as the dominant approach towards a system based on comprehensive engagement but with a further focus on equity cooperation (i.e. acquisition, joint venture, investment etc.), which combines multiple expansion lines so as to achieve rapid growth of business scale via capital means. In terms of geographical coverage and regional presence, we will further cultivate in regions where we enjoy an edge of brand influence, consolidating our five core regions of Central China, the Bohai Rim, the Yangtze River Delta, the Pearl River Delta, and Southwest China, and continue to optimise our headquarter + regions "1+N" expansion deployment and expansion plan so that we can fully exploit our regional advantages and by which, continuously strengthen the influence of the "Xinyuan" Brand across the country.

Meanwhile, the Group will actively establish new pivots for scale development with regard to policy development such as urban renewal, state-owned enterprise reform, and utilities-property management; as well as expanding business presence in emerging professional services markets and professionally sub-classified property market segments, such as niche industries about professional equipment and professional industries operation and maintenance where competitive landscapes have not yet formed, as well as multi-faceted property types.

"Online User Base Fission"

We will further build on our existing mobile application Xinyijia (鑫一家) to establish an integrated online service platform with unified back office support and multichannel reach, the Conbow Cloud Community Service Platform (慷寶雲社區服務平台) ("**Conbow Cloud Platform**"), integrating different types of resources covering areas such as property services, smart community, smart living, online marketplace, vertical e-business and offering services and products through multiple channels such as our official WeChat account, the Xinyijia mobile application, the Conbow Robot (慷寶機械人) and the Conbow Cloud Housekeeper (慷寶雲管家), so as to satisfy different community and living needs of owners and occupants. An online-merge-offline (OMO) community living service system centered on the online Conbow Cloud Platform and combined with the advantages of on-site staff service, reach and spaces operation, together with various means such as points system, corporate alliances and shared data, can procure a "fission" of our online user base and number, constantly stretching the boundaries of online services and creating a new model of synergistic development and mutual support of management scale + user scale.

2. Strengthening management capability through informatisation and smart features

The Group remains committed to construction of informatisation and smart features. With an overall goal to build Smart Community, we construct smart experience scenarios in six major aspects of smart security and protection, smart travel, smart properties, living services, smart household, facilities and equipment, creating technology-driven carrier and support. In relation to improving the quality of basic services, building a smart service system and applying new technology and products on-site will help to continuously improve the quality of basic services; in relation to enhancing scale, we improve the scope of control for middle and senior management staff through management visualisation and intermediate data management to effectively resolve the issue of management deterioration in a rapid growth process, raising the extent and effect of management streamlining.

We have also planned a three-step development strategy of defining, developing and leading digitisation of community landscapes, building a technology-driven MSP model upon operation visualisation, service digitisation, and landscape digitisation:

Operation visualisation:	Streamlining property management and visualising production and operation, i.e. building a digitalised system in relation to manpower, finance and quality, lowering costs and fees, improving management efficiency and quality, achieving a highly unified and visualised business flow, cash flow and information flow.
Service digitisation:	Creating precise customer profiles and digitalising the service process, i.e. customer-oriented service from incident reporting and maintenance reporting to internet value-added services, building dynamic detection and rapid response features into a proactive service system, providing customers with smarter, more convenient products and services.
Landscape digitisation:	Taking business expansion online and building smart features into the community landscape, i.e. simultaneous online and offline expansion, catering to various landscapes ranging from communities, business districts, to industrial parks, creating a touchless, convenient spatial experience, providing integrated, diverse and smart services to customers, initiating a pan-properties smart ecosystem.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB534.0 million (2018: approximately RMB393.3 million), representing an increase of approximately 35.8% as compared to the year ended 31 December 2018.

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.

The table below sets forth the respective revenue of the Group's three business lines for the year ended 31 December 2019 indicated:

	Year ended 31 December					
	2019		2018		Change	
	RMB'000	**%**	RMB'000	%	RMB'000	%
Property management services	**314,185**	**58.8**	261,882	66.6	52,303	20.0
Value-added services	**129,042**	**24.2**	77,653	19.7	51,389	66.2
Pre-delivery and consulting services	**90,727**	**17.0**	53,794	13.7	36,933	68.7
Total	**533,954**	**100.0**	393,329	100.0	140,625	35.8

Property management services business line remained the Group's largest revenue-generating business line. In 2019, revenue from property management services amounted to approximately RMB314.2 million, representing approximately 58.8% of the Group's total revenue. The growth in revenue was mainly due to the rapid growth of GFA under management. The Group's total GFA under management increased from approximately 15.7 million sq.m. as at 31 December 2018 to approximately 20.1 million sq.m. as at 31 December 2019.

The increase in revenue from value-added services and pre-delivery and consulting services was mainly due to the expansion in the scope of the Group's value-added services and the increase in the Group's total GFA under management.

Cost of sales

The Group's cost of sales represents the costs directly associated with the provision of property management services, value-added services and pre-delivery and consulting services, comprising mainly (i) staff costs; (ii) subcontracting costs; (iii) utility expenses; (iv) facility maintenance expenses; (v) promotion costs; (vi) cleaning and gardening expenses; (vii) office expenses; and (viii) others.

For the year ended 31 December 2019, the Group's cost of sales was approximately RMB332.2 million, representing an increase of approximately 27.9% as compared to approximately RMB259.8 million for the year ended 31 December 2018. Major factors affecting the Group's costs of sales were our staff costs and subcontracting costs. Our staff costs mainly relate to the salaries and benefits paid to our employees involved in security, cleaning, gardening, property repair and maintenance services. The Group's subcontracting costs comprise costs for our subcontracted services, which includes cleaning and sanitation, safety and security, gardening and facility maintenance of the Group's managed properties. The increase in staff costs was mainly due to the expansion of business operations leading to an increase in the number of staff. The increase in subcontracting costs was mainly attributable to the increase in the number of contracted property management services projects.

Gross profit and gross profit margin

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

	Year ended 31 December					
	2019		2018		Change	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %	Amount RMB'000	%
Property management services	**67,888**	**21.6**	54,274	20.7	13,614	25.1
Value-added services	**88,848**	**68.9**	52,515	67.6	36,333	69.2
Pre-delivery and consulting services	**45,053**	**49.7**	26,783	49.8	18,270	68.2
Total	**201,789**	**37.8**	133,572	34.0	68,217	51.1

For the year ended 31 December 2019, the Group's overall gross profit was approximately RMB201.8 million, representing a growth of approximately 51.1% as compared to approximately RMB133.6 million in 2018. The Group's overall gross profit margin increased to approximately 37.8% from approximately 34.0% in 2018.

Gross profit margin of property management services was approximately 21.6%, representing an increase of approximately 0.9% as compared to approximately 20.7% in 2018. The increase in gross profit margin for property management services was mainly due to (i) the increase in the Group's average property management fee; and (ii) effective cost control.

Gross profit margin of value-added services was approximately 68.9%, representing an increase of approximately 1.3% as compared to approximately 67.6% in 2018. The increase in gross profit margin for value-added services was mainly due to a significant increase in revenue arising from common area resource management services and utility fee payment services. Such services experienced a relatively small increase in cost of sales due to economies of scale.

Gross profit margin for pre-delivery and consulting services was approximately 49.7%, representing a slight decrease of approximately 0.1% as compared to approximately 49.8% in 2018.

The fact that higher gross profit margins of value-added services and pre-delivery and consulting services were recorded as compared to property management services was mainly attributable to the higher services fees charged for value-added services and pre-delivery and consulting services, which are generally tailor-made in order to meet the specific requirements of the Group's customers.

Further, certain types of value-added services and pre-delivery and consulting services (such as referral and management services and sale assistance services) can generate greater economic benefits to the Group's customers, and thereby the Group was able to charge a higher premium for these services as compared to the more standardised property management services which are labour intensive by its nature, leading to higher profit margin.

Other income and gains

For the year ended 31 December 2019, the Group's other gains was approximately RMB5.9 million, representing a decrease of approximately RMB5.9 million as compared to approximately RMB11.8 million in 2018. The decrease was mainly attributable to the impact of various factors such as (i) revenue from the disposal of financial assets of approximately RMB8.3 million in 2018; (ii) government subsidies received for the listing of the shares in Xinyuan Science and Technology Service Group Co., Ltd. (鑫苑科技服務集團有限公司) on the National Equities Exchanges and Quotations Co., Ltd. of approximately RMB1.9 million in 2018; and (iii) interest income received of approximately RMB4.7 million in 2019.

Administrative expenses

For the year ended 31 December 2019, the Group's administrative expenses was approximately RMB68.6 million, representing an increase of approximately 149.5% as compared to approximately RMB27.5 million in 2018, also representing approximately 12.9% of the Group's revenue (2018: representing approximately 7.0% of the Group's revenue for the year ended 31 December 2018). The increase was mainly due to the increase in the Group's sales, human resources investment and listing expenses.

The Company's shares were successfully listed on the Stock Exchange on 11 October 2019, and the Group incurred professional fees arising from the listing of existing shares of approximately RMB22.0 million recognised in administration expenses during the year.

The Company incurred share-based payments of approximately RMB12.3 million during the year arising from the Pre-IPO Share Award Scheme adopted on 31 January 2019.

Increase in staff cost was mainly due to the need for the recruitment of more employees to meet the demand of the Group's business expansion, as well as a yearly growth of staff salaries and benefits, training and related expenses.

Impairment of investment in a joint venture

For the year ended 31 December 2019, the Group recorded an impairment loss of investment in a joint venture, namely Henan Qingning Apartment Management Co., Ltd. (河南青檸公寓管理有限公司) ("**Henan Qingning**"), of approximately RMB3.0 million as a result of the annual impairment testing, which remained largely consistent with the impairment loss of approximately RMB3.1 million recorded for the year ended 31 December 2018. The impairment loss of such investment was mainly due to the estimated recoverable amount of the Group's investment in Henan Qingning being less than our investment cost as a result of (i) the tightened PRC government policies and regulations on the property leasing business; and (ii) the general decrease in the market rental price of the properties located in Zhengzhou in 2019.

Share of loss of a joint venture

Henan Qingning had recorded a loss for the year ended 31 December 2019, which was mainly due to the higher costs incurred in its early stage of development. As a result, the Group recorded a share of loss of a joint venture of approximately RMB4.4 million for the year ended 31 December 2019, representing an increase of approximately 29.4% as compared to the share of loss of a joint venture of approximately RMB3.4 million recorded for the year ended 31 December 2018.

Impairment losses on financial assets

For the year ended 31 December 2019, the Group's impairment losses on financial assets was approximately RMB3.4 million, remaining largely consistent as compared to approximately RMB3.4 million recorded for the year ended 31 December 2018. Impairment losses on financial assets primarily consisted of impairment of trade receivables and other receivables.

Other expenses

For the year ended 31 December 2019, the Group recorded other expenses of approximately RMB1.1 million, representing a decrease of approximately 69.4% as compared to approximately RMB3.6 million in 2018. Other expenses for the year mainly comprised exchange losses of approximately RMB0.8 million.

Profit before income tax expense

For the year ended 31 December 2019, the profit before income tax was approximately RMB127.2 million, representing an increase of approximately 21.8% as compared to approximately RMB104.4 million in 2018.

Income tax expense

For the year ended 31 December 2019, the Group's income tax expense was approximately RMB45.3 million, representing an increase of approximately 60.1% as compared to RMB28.3 million in 2018. The increase in income tax expense was attributable to (i) the increase in the Group's profit before income tax; (ii) the non-deductible expenses incurred during the year such as professional fees for the Listing and recognised share-based payments, of approximately RMB6.7 million; and (iii) dividend withholding tax of approximately RMB2.9 million made during the year.

Profit and total comprehensive income for the year

The Group's profit and total comprehensive income for the year ended 31 December 2019 was approximately RMB81.9 million, representing an increase of approximately 7.6% as compared to RMB76.1 million for the year ended 31 December 2018, benefitting mainly from a significant increase in the combination of services with high profit margin and the effective cost control measures alongside the rapid growth of the Group's businesses.

Profit attributable to owners of the parent for the year ended 31 December 2019 was approximately RMB81.3 million, representing an increase of 6.8% as compared to approximately RMB76.1 million for the year ended 31 December 2018.

Capital Structure

As at 31 December 2019, the Group's cash and bank balances were mainly held in RMB and Hong Kong dollar.

The Group maintained a healthy financial position during the year. As at 31 December 2019, the Group's net current assets amounted to approximately RMB459.5 million, representing an increase of approximately 235.2% as compared to approximately RMB137.1 million as at 31 December 2018.

As at 31 December 2019, the Group's total equity was approximately RMB563.1 million, representing an increase of approximately RMB312.4 million or approximately 124.6% as compared to approximately RMB250.7 million as at 31 December 2018. This was mainly due to the funds raised from the Listing and the profits realised during the year.

Cash and Cash Equivalents

As at 31 December 2019, the Group's cash and cash equivalents amounted to approximately RMB606.6 million, representing an increase of approximately 71.2% as compared to RMB354.3 million as at 31 December 2018. It was mainly due to the funds obtained from the Listing, as well as the Group's sustained increase in operating cash inflow.

As at 31 December 2019, the Group's cash and cash equivalents were mainly held in RMB and Hong Kong dollar.

Plant, Property and Equipment

The Group's plant, property and equipment mainly comprised motor vehicles and office equipment. As at 31 December 2019, the Group's net carrying amount of plant, property and equipment was approximately RMB4.5 million, representing a decrease of approximately 6.3% as compared to approximately RMB4.8 million as at 31 December 2018. It was mainly due to the acquisition of office equipment and machinery equipment necessary to the Group's business expansion needs, which was partially set off by depreciation for the year.

Property Interest

Vincorn Consulting and Appraisal Limited, an independent proerty valuer, valued the Group's property interests as at 31 July 2019 and is of the opinion that market value with the consideration of the existing construction status of the property located in Zhengzhou City of the Henan Province of the PRC and the gross development value in which the Group had interest at such date was approximately RMB36.0 million and RM90.0 million, respectively. The full text of the letter and valuation certificate with regard to the said Group's property interests are set out in the valuation report in Appendix III to the prospectus dated 25 September 2019. As the relevant property is still under construction is are expected to be delivered by 2021, full consideration paid for the purchase of the relevant property was accounted as non-current prepayment to related parties amounting to approximately RMB89.1 million as at 31 December 2019.

Intangible Assets

As at 31 December 2019, the carrying value of the Group's intangible assets was approximately RMB0.9 million, representing an increase of approximately RMB0.5 million as compared to approximately RMB0.4 million as at 31 December 2018. The Group's intangible assets were mainly (i) the integrated management platform system; (ii) the call centre system; and (iii) the electronic invoice tax control invoicing system.

Trade Receivables

The Group's trade receivables mainly comprised receivables arising from income from property management services charged on a lump sum basis, value-added services fees and pre-delivery and consulting services fees. As at 31 December 2019, the Group's trade receivables (net of allowance for impairment) was approximately RMB182.0 million, representing an increase of approximately RMB57.0 million as compared to approximately RMB125.0 million as at 31 December 2018. The increase was mainly due to (i) an increase in the Group's total GFA under management leading to an increase in trade receivables from property management services; and (ii) business expansion of pre-delivery and consulting services leading to an increase in trade receivables from property developers.

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 2019, the Group's prepayments and other receivables was approximately RMB98.0 million, representing a decrease of approximately RMB4.6 million as compared to approximately RMB102.6 million as at 31 December 2018. The decrease was mainly due to a decrease in other receivables from third parties in the period.

Our prepayments to related parties mainly represent prepayments to another subsidiary of Xinyuan Real Estate Co., Ltd. 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 RMB2.8 million as at 31 December 2018 to approximately RMB3.0 million as at 31 December 2019. The 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 RMB10.8 million as at 31 December 2018 to approximately RMB5.9 million as at 31 December 2019. The decrease was mainly attributable to the Group's improved management of other receivables from third parties during the year.

Trade Payables

The Group's trade payables mainly comprised payables to its suppliers and subcontractors. As at 31 December 2019, the Group's trade payables amounted to approximately RMB37.1 million, representing an increase of approximately 25.8% as compared to RMB29.5 million as at 31 December 2018. The increase was mainly attributable to the increase in the Group's GFA under management and business growth.

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 2019, the Group's other payables amounted to approximately RMB159.0 million, representing a decrease of approximately 26.8% as compared to RMB217.1 million as at 31 December 2018. The decrease was mainly attributable to (i) the decrease in non-trade payables to related parties; and (ii) the refund of deposits and temporary receipts to property owners.

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 2019, our contract liabilities was approximately RMB103.4 million, representing an increase of 31.2% from approximately RMB78.8 million as at 31 December 2018. The increase was mainly due to the increase in the Group's GFA under management and the number of customers during the year.

Cash Flow

For the year ended 31 December 2019, net cash inflow from operating activities was approximately RMB56.8 million, as compared to approximately RMB113.2 million in 2018, which was mainly due to the decrease in other payables and accruals.

For the year ended 31 December 2019, net cash outflow from investing activities was approximately RMB1.4 million, while net cash inflow from investing activities was approximately RMB143.2 million for the year ended 31 December 2018. The difference was mainly due to a significant decrease in investment of financial assets (representing listed securities and non-listed financial products) in 2019.

For the year ended 31 December 2019, net cash inflow from financing activities was approximately RMB196.1 million, mainly arising from the global offering.

Gearing Ratio and Basis of Calculation

Gearing ratio is calculated by dividing total interest-bearing borrowings by total equity. As at 31 December 2019, we had no interest-bearing borrowings, thus our gearing ratio is zero.

Liquidity and Financial Resources

In 2019, the Group's cash was mainly utilised on working capital and mainly derived from operating cash flow. For the foreseeable future, we expect that cash flow from operating activities will continue to be our main source of liquidity, and we may utilise a portion of our proceeds from the global offering to fund part of our capital expenditure.

As at 31 December 2019, our Group did not have any material financing plan, nor was there any material covenant or undertaking which may affect our Group's ability to undertake additional debt or equity financing.

Pledged Assets

As at 31 December 2019, the Group had no pledged assets.

Material Acquisition and Disposal of Assets

During 2019, the Group had no material acquisition or disposal of assets.

Significant Investment

As at 31 December 2019, except for fixed deposits placed with banks, the Group did not hold any significant investment.

Contingent Liabilities

As at 31 December 2019, the Group had no significant contingent liabilities.

Interest Rate Risk

As the Group had no significant interest-bearing assets and liabilities, the Group was not exposed to material risk directly related to movements in market interest rates.

Exchange Rate Risk

The Group's principal business is conducted in the PRC where most of the Group's revenue and expenses are denominated in RMB. Accordingly, save certain bank balances that were denominated in Hong Kong dollars and US dollars, the Group was not exposed to material risk directly related to foreign exchange rate fluctuation. Currently, the Group has not entered into any contracts to hedge its exchange rate risk, although management will continue to monitor exchange rate risk and take cautionary measures to minimise exchange rate risk.

Employment and Remuneration Policy

As at 31 December 2019, the Group had approximately 1,343 employees (31 December 2018: approximately 1,253 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 Listing

On 11 October 2019, the shares in the Company were successfully listed on the Stock Exchange. After deducting underwriting fees and related expenses, net proceeds from the initial public offering was approximately RMB197.2 million.

Up to 31 December 2019, a portion of the net proceeds from the Listing had been utilised with reference to the section headed "Future Plans and Use of Proceeds" in the prospectus dated 25 September 2019 as follows:

Use of net proceeds	**Net proceeds from the Listing public offering** RMB' million	**Actual utilisation up to 31 December 2019** RMB' million	**Unutilised amounts at 31 December 2019** RMB' million
Expand property management services, seek strategic acquisition and investment opportunities	118.3	0	118.3
Expand the types of services offered in our value-added services business line	29.6	0	29.6
Upgrade and develop information technology and smart systems	29.6	0	29.6
Funding working capital needs and other general corporate purposes	19.7	19.7	0
Total	197.2	19.7	177.5

The unutilised amount of the net proceeds will be applied in the manner consistent as set out in the prospectus dated 25 September 2019.

Events After the Reporting Period

Since January 2020, there has been an outbreak of the novel coronavirus disease (COVID-19) in the PRC. The state has implemented a series of containment measures, including an extension of the spring break, delay of work resumption, community lockdown and traffic control. As a property service provider, the Group has actively complied with the state's relevant containment requirements. In addition to providing regular property management services, we purchased relevant disease prevention supplies, raising security specifications, as well as public area sanitation and disinfection standards and frequency, in order to safeguard the health of employees, owners and occupants. These disease prevention expenditures will increase our costs. At the same time, since development, construction and sales work of property developers are subject to restrictions to certain extents, it would result in a delay or reduction in revenue from our value-added services and pre-delivery and consultation services provided to property developers.

The Group has adopted all possible effective measures to contain and control the relevant impacts. The Group will continue to monitor changes in the situation, responding and making adjustments in a timely manner in future. In view of the uncertainties relating to the situation, we are unable to reasonably estimate the sustained length of business interruption and the related financial impact.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. WANG Yanbo (王研博) ("**Ms. Wang**"), aged 48, was appointed as a Director and the chief executive officer on 13 December 2018 and 19 April 2019 respectively and was redesignated as an Executive Director on 19 April 2019. She is responsible for overseeing the strategic and business planning of the Group and making decisions in material business operations.

Ms. Wang joined the Group in October 2004 as a customer service manager. She was appointed as a chief manager of Xinyuan Science and Technology Service Group Co., Ltd. ("**Xinyuan Science**") in January 2012 and has been a director of Xinyuan Science since 8 May 2016, responsible for overseeing the business operations of the group of Xinyuan Science. In addition, Ms. Wang currently holds directorship in various other subsidiaries of the Company, including Xinyuan Property Management Service (BVI) Ltd., Xinyuan Property Management Service (HK) Limited, Henan Xinyuan Real Estate Marketing Co., Ltd., Henan Yueshenghang Property Services Co., Ltd., Henan Xinyuan Property Services Co., Ltd. and Henan Chengzhihang Property Services Co., Ltd.

Ms. Wang obtained a degree in business management from Henan Business School of High Education (河南商業高等專科學校) in the PRC in July 1993. She then obtained a college degree in economic management from Xian Institute of Politics (西安政治學院) in the PRC in July 1999. Ms. Wang has been registered as a property manager of the Ministry of Human Resources and Social Security and the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國人力資源和社會保障部、住房和城鄉建設部) of the PRC since September 2011.

Mr. HUANG Bo (黃波) ("**Mr. Huang**"), aged 41, was appointed as a Director and the chief financial officer on 13 December 2018 and 19 April 2019 respectively and was redesignated as an Executive Director on 19 April 2019. He is responsible for overseeing financial operations and strategic investment developments of the Group.

Mr. Huang joined the Group in August 2007 as the financial controller of Xinyuan Science. He was further appointed as the deputy manager of business operations as well as the financial controller of Xinyuan Science on 26 April 2013 and has been a director of Xinyuan Science since 8 May 2016, responsible for overseeing the financial operations of the group of Xinyuan Science. In addition, Mr. Huang currently holds directorship in various other subsidiaries of the Company, including Xinyuan Property Management Service (BVI) Ltd., Xinyuan Property Management Service (HK) Limited and Puyang Zhongfang Xinyuan Property Services Co., Ltd.

Mr. Huang obtained a bachelor's degree in accounting from Henan Finance and Economics School (河南財經學院) in the PRC in July 2000 and a master's degree from Henan University of Technology (河南工業大學) in the PRC in June 2008. He has been conferred mid-level accounting specialty by the Ministry of Personnel of the PRC (中華人民共和國人事部) since May 2001, a registered accountant with the Finance Department of the PRC (財政部) since February 2003, a registered tax agent with the Ministry of Personnel of the PRC, the State Administration of Taxation of the PRC (中華人民共和國人事部、國家稅務總局) since September 2003, a certified public valuer with the Ministry of Personnel and Ministry of Finance of the PRC (中華人民共和國人事部和財政部) since September 2004 and a certified internal auditor with the Institute of Internal Auditors and with the China Institute of Internal Audit since November 2007.

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Yong (張勇) ("**Mr. Zhang**"), aged 56, was appointed as a Director on 19 April 2019 and was designated as a Non-executive Director and appointed as the chairman of the board of directors of the Company on the same date. He is responsible for formulating of and providing guidance and development strategies for the overall development of the Group. Mr. Zhang is the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Mr. Zhang founded Xinyuan Real Estate Group (i.e. Xinyuan Real Estate Co., Ltd. (("**Xinyuan Real Estate Holdings**"), a company listed on the New York Stock Exchange (stock code: XIN)) and its subsidiaries, including the Group), the parent group of the Company, on 19 May 1997. Mr. Zhang is a director and the chairman of the board of directors of Xinyuan Real Estate Holdings. Xinyuan Real Estate Holdings is owned as to 25.90% by Mr. Zhang. Also, Mr. Zhang is appointed as a director, the president and the chief executive officer of Xinyuan Real Estate, Ltd. (a company wholly-owned by Xinyuan Real Estate Holdings, and is one of the controlling shareholders of the Company).

Mr. Zhang further founded the Group in December 1998. Xinyuan Science has become a wholly-owned subsidiary of Xinyuan Real Estate Group since 4 September 2006. Mr. Zhang had been a director of Xinyuan Science from 28 December 1998 to 18 September 2014 and from 1 June 2016 to 10 July 2017.

Mr. Zhang obtained (i) a bachelor's degree in industrial and civil architecture from Zhengzhou Institute of Technology (中州大學) in the PRC in July 1985; (ii) a master's degree in business management from Tianjin University of Finance and Economics (天津財經學院) in the PRC in June 2000; and (iii) a doctorate degree in finance from Renmin University of China (中國人民大學) in the PRC in June 2014.

Ms. YANG Yuyan (楊玉岩) ("**Ms. Yang**"), aged 56, was appointed as a Director on 19 April 2019 and was designated as a Non-executive Director on the same date. She is responsible for planning the future strategic development of the Group. Ms. Yang had been a supervisor of Xinyuan Science from 11 November 2001 to 8 May 2016.

Ms. Yang has invested in Xinyuan Real Estate Group since its establishment and is a director of Xinyuan Real Estate Holdings which is one of the controlling shareholders of the Company. Ms. Yang is deemed to beneficially own all of the shares in Xinyuan Real Estate Holdings held directly or indirectly by The Spectacular Stage Trust representing 24.94% of the issued shares in Xinyuan Real Estate Holdings. Also, Ms. Yang is a director of Xinyuan Real Estate, Ltd. (a company wholly-owned by Xinyuan Real Estate Holdings and is one of the controlling shareholders of the Company).

Ms. Yang obtained a master's degree in business administration from National University of Singapore in Singapore in May 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LUO Ji (羅輯) ("**Mr. Luo**"), aged 74, was appointed as an Independent Non-executive Director on 16 September 2019. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

From May 2010 to April 2016, Mr. Luo was an independent director of Beijing Aerospace Changfeng Co., Ltd. (北京航天長峰股份有限公司) a company listed on the Shanghai Stock Exchange (stock code: 600855). He has acted as the executive manager and the partner of Beijing Hanheng Law Firm (北京市漢衡律師事務所) since September 2003 and March 2007 respectively.

Mr. Luo obtained a bachelor's degree in law from the China University of Political Science and Law in the PRC in November 1999. Mr. Luo became a qualified lawyer of the Ministry of Justice of the People's Republic of China in April 2001. He completed Shanghai Stock Exchange subsequent training for independent directors of listed companies in March 2015.

Mr. LI Yifan (李軼梵) ("**Mr. Li**"), aged 52, was appointed as an Independent Non-executive Director on 16 September 2019. He is the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

Mr. Li has been a director and Vice President of Zhejiang Geely Holding Group Co., Ltd since October 2014. Mr. Li is also a director of Shanghai International Port (Group) Co. Ltd. (stock code: 600018) and Heilongjiang Interchina Water Treatment Co., Ltd. (stock code: 600187), which are listed on the Shanghai Stock Exchange. He is an independent non-executive director of Zhongan Online P & C Insurance Co., Ltd. (stock code: 6060) and Frontage Holdings Corporation (stock code: 1521), which are listed on the Stock Exchange and an independent director of Qudian Inc. (stock code: QD) and Sunlands Technology Group (stock code: STG), which is listed on the New York Stock Exchange. Mr. Li has been appointed as an independent director of Xinyuan Real Estate Co., Ltd. since 23 February 2017.

Mr. Li obtained a bachelor's degree of economics in world economy from Fudan University in the PRC in July 1989, a master's degree of science in management and administrative sciences from the University of Texas at Dallas in the United States in May 1994 and a master's degree of business administration from the University of Chicago in the United States in June 2000.

Mr. Li has been registered with The State of Texas State Board of Public Accountancy as a certified public accountant in April 1995, admitted as a member by the American Institute of Certified Public Accountants and registered as a chartered global management accountant with the American Institute of Certified Public Accountants in September 1995 and January 2015 respectively.

Mr. WANG Peng (王鵬) ("**Mr. Wang**"), aged 44, was appointed as an Independent Non-executive Director on 16 September 2019. He is a member of the Audit Committee of the Company.

Since October 2000, Mr. Wang successively served at China Property Management Institute (中國物業管理協會), an industry association of property management enterprises with his current position as the deputy chairman and secretary general. He is an independent non-executive director of A-Living Services Co., Ltd. (stock code: 3319), Ever Sunshine Lifestyle Services Group Limited (stock code: 1995) and Poly Property Development Co., Ltd. (stock code: 6049), all are listed on the Main Board of the Stock Exchange.

Mr. Wang graduated from Hebei University of Technology (河北工業大學) in the PRC in January 2015, where he obtained an executive master of business administration degree.

SENIOR MANAGEMENT

Mr. WANG Yantao (王彥濤) ("**Mr. YT Wang**"), aged 39, the vice president of Xinyuan Science, is responsible for overseeing property management and business development of the Group. Mr. YT Wang joined the Group in February 2003 as a customer service officer. He was appointed as the business executive of Xinyuan Science in January 2012 and has been appointed as the vice president of Xinyuan Science since June 2016.

Mr. YT Wang obtained a diploma in property management from Henan Business School of High Education (河南商業高等專科學校) in the PRC in July 2003 and a master's degree in business administration from Zhengzhou University (鄭州大學) in the PRC in December 2015.

Ms. DU Xiangyan (杜祥艷) ("**Ms. Du**"), aged 39, the human resources center chief manager of Xinyuan Science, is responsible for managing human resources and administrative matters. Ms. Du joined the Group in March 2000 as a secretary with Xinyuan Science. She has been appointed as the human resources center chief manager of Xinyuan Science since January 2012.

Ms. Du obtained a bachelor's degree in journalism from Henan University (河南大學) in the PRC in July 2013 and passed the tertiary education self-learning examination in Chinese Literature with Henan University (河南大學) in the PRC in December 2003.

Ms. ZHANG Rong (張蓉) ("**Ms. Zhang**"), aged 48, the operations chief manager of Xinyuan Science, is responsible for overseeing business operations and performance appraisal. Ms. Zhang joined the Group in August 2006 as a quality control supervisor with Xinyuan Science. She was appointed as an administrative executive of Xinyuan Science in January 2012 and has been appointed as the operations chief manager of Xinyuan Science since April 2017.

From September 1991 to August 2002, Ms. Zhang acted as the office manager at Xinyang Port Transportation Machinery Factory (信陽港口運輸機械廠). From August 2002 to August 2006, she acted as the management representative and project manager at Zhengzhou XSJ Property Services Ltd. (鄭州新世紀物業服務有限公司).

Ms. Zhang obtained a college degree in library science from Zhengzhou University (鄭州大學) in the PRC in June 1991 and a bachelor's degree in law from Second Artillery Command College (第二炮兵指揮學院) in the PRC in June 2001. She has been registered as a member in the specialty of file with Xinyang Municipal People's Government (信陽市人民政府) since April 2001, a property manager with Department of Human Resources and Social Security of Zhengzhou (鄭州市人力資源和社會保障局) since October 2010. Further, she completed state-owned or mid-sized corporations management personnel business administration training with Henan Finance and Economics School (河南財經學院) in the PRC in June 1999. She has been registered as a First Level Corporate Human Resources Manager with the Ministry of Human Resources and Social Security, the PRC since December 2012.

JOINT COMPANY SECRETARIES

Mr. TSO Ping Cheong Brian (曹炳昌) ("**Mr. Tso**"), aged 39, was appointed as the joint company secretary of the Company on 19 March 2019 and has been acting as a joint company secretary with Mr. Xu Yibin since 19 April 2019.

Mr. Tso has over 15 years of experience in accounting and financial management. In January 2013, Mr. Tso founded Teton CPA Company, an accounting firm as a sole proprietor. Currently, he is the company secretary of Fineland Real Estate Services Group Limited (stock code: 8376), a company listed on GEM of the Stock Exchange. From May 2010 to August 2012, Mr. Tso was a senior vice president of a private company and was mainly responsible for handling merger and acquisition transactions in the natural resources industry in the Central and South America region. From December 2008 to May 2010, Mr. Tso served as the financial controller of Greenheart Group Limited (stock code: 94) (formerly known as Omnicorp Limited), a company listed in Hong Kong. From September 2003 to December 2008, Mr. Tso worked at Ernst & Young and the last position he held was manager.

He is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant (practicing) of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

Mr. Tso holds a bachelor's degree in accountancy and a master's degree in corporate governance, both from the Hong Kong Polytechnic University in Hong Kong.

Mr. XU Yibin (許倚濱) ("**Mr. Xu**"), aged 34, was appointed as the joint company secretary of the Company on 19 April 2019 and has been acting as a joint company secretary with Mr. Tso Ping Cheong Brian since 19 April 2019.

Mr. Xu has approximately eight years of experience in investment management. He worked for the equity investment department of Jiangsu Winfast Holding Group Company Limited (江蘇瑞華投資控股集團有限公司) from January 2011 to September 2011. He worked for Hongze Infinity Entrepreneur Investment Centre (limited partnership) (洪澤英飛尼迪創業投資中心(有限合夥)) from October 2011 to August 2013 as an investment manager and investment supervisor. From August 2013 to December 2018, he worked at China Yu Tian Holdings Limited (stock code: 8230), a company listed in Hong Kong, with his last position as a joint company secretary. Mr. Xu joined Xinyuan Renju (Beijing) Asset Management Co., Ltd. in February 2019 as a deputy manager of the capital market department.

Mr. Xu obtained a bachelor's degree in e-commerce from Zhejiang Gongshang University (浙江工商大學) in the PRC and a postgraduate qualification in economics from Nanjing University (南京大學) in the PRC.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of corporate governance. The directors of the Company (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.

CORPORATE GOVERNANCE PRACTICES

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 of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. The Company has complied with all the code provisions as set out in the CG Code from 11 October 2019 (the "**Listing Date**") to the date of publication of this annual report.

THE BOARD

Responsibilities

The Board of Directors of the Company (the "**Board**") is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the audit committee (the "**Audit Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

The Company supports the division of responsibility between the Chairman and the Chief Executive Officer in order to ensure a balance of power and authority and preserve a balance judgement of views. The Chairman of the Board is responsible for leading the Board, giving weighty strategic advice of development and overseeing the Company in formulating regulatory plans in corporate governance of the Group while the Chief Executive Officer is responsible for leading the senior management of the Company, advising strategic directions, setting business goals, supervising the daily management as well as the business operations and development of the Group.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

As at the date of this annual report, the Board comprises seven Directors, including two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors as set out below:

Executive Directors:
Ms. WANG Yanbo *(Chief Executive Officer)*
Mr. HUANG Bo

Non-executive Directors:
Mr. ZHANG Yong *(Chairman)*
Ms. YANG Yuyan

Independent Non-executive Directors:
Mr. LUO Ji
Mr. LI Yifan
Mr. WANG Peng

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

From the Listing Date to the date of publication of this annual report, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive director representing at least one-third of the Board.

Each of the Independent Non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them has satisfied his independence to the Group.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Director.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant laws, rules and regulations.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

According to the records kept by the Company, each of the Directors from the Listing Date to the date of publication of this annual report, namely, Ms. WANG Yanbo, Mr. HUANG Bo, Mr. ZHANG Yong, Ms. YANG Yuyan, Mr. LUO Ji, Mr. LI Yifan and Mr. WANG Peng attended seminars and/or trainings that are relevant to the Directors' professional knowledge and skills and in performing their duties and responsibilities as Directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Executive Directors of the Company entered into a service contract with the Company for a term of three years commencing from the Listing Date which may be terminated by either party giving not less than three months' prior notice in writing and is subject to termination provisions therein and retirement and re-election at the annual general meetings of the Company in accordance with the memorandum and articles of association of the Company (the "**Memorandum and Articles of Association**") or any other applicable laws from time to time whereby he/she shall vacate his/her office.

Each of Non-executive Directors and Independent Non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, unless either party gives three months prior written notice to the other to terminate the letter of appointment before expiry of the existing term, and is subject to retirement by rotation in accordance with the Memorandum and Articles of Association.

None of the Directors has a service agreement which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

In accordance with the provisions of the Memorandum and Articles of Association, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years; any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of Company and shall then be eligible for re-election at that meeting.

The procedures and process of appointment, re-appointment and continuation (or not) in service of any Director are set out in the Memorandum and Articles of Association. The Nomination Committee is responsible for reviewing the composition of the Board, monitoring the appointment, re-appointment and continuation (or not) in service of any Director.

BOARD MEETINGS

The Company has adopted the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice will generally be given. The agenda and accompanying Board papers are dispatched to the Directors or committee members seven days (and in any event not less than three days) before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Minutes of the Board meetings and committee meetings will be recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

From the Listing Date to the date of publication of this annual report, three Board meetings were held and the attendance of each Director at these meetings are set out in the table below:

Name of Director	Attended/ Eligible to attend Board meeting
Ms. WANG Yanbo	3/3
Mr. HUANG Bo	3/3
Mr. ZHANG Yong	1/3
Ms. YANG Yuyan	2/3
Mr. LUO Ji	3/3
Mr. LI Yifan	2/3
Mr. WANG Peng	1/3

No general meeting was held from the Listing Date up to the date of publication of this annual report.

MODEL CODE FOR 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 enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to the date of publication of this annual report.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have resource to seek independent professional advice in performing their duties at the Company's expense and are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management of the Group. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for the Company's corporate governance functions to perform the following corporate governance duties:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and Senior Management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report of the Company.

The Board approved the terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2019 are set out in note 8 to the financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the top senior management (excluding the Directors) for the year ended 31 December 2019 fell within the following bands are as follows:

Remuneration Band	**No. of employees**
HK$2,500,001 to HK$3,000,000	2
HK$3,500,001 to HK$4,000,000	1
	3

DIRECTORS' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee was established on 16 September 2019 and written terms of reference of the Nomination Committee had been adopted by the Board and were posted on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Nomination Committee is comprised of three members, namely Mr. ZHANG Yong, Mr. LI Yifan and Mr. LUO Ji. Mr. ZHANG Yong is the chairman of the Nomination Committee.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

The primary duties of the Nomination Committee include:

- to review the structure, size and composition of the Board;
- to develop and maintain a policy for the nomination of Board members;
- to develop and maintain a policy concerning diversity of Board members;
- to review the Board Diversity Policy;
- to identify individuals suitably qualified to become members of the Board;
- to assess the independence of Independent Non-executive Directors; and
- to make recommendation to the Board on matters relating to (i) the role, responsibilities, capabilities, skills, knowledge, experience and diversity of perspectives required from members of the Board; (ii) the policy on the terms of employment of Non-Executive Directors; (iii) the composition of the Audit Committee, Remuneration Committee and other Board committees of the Company; (iv) proposed changes to the structure, size and composition of the Board; (v) candidates suitably qualified to become members of the Board; (vi) the selection of individuals nominated for directorship; (vii) the re-election of any Directors who are to retire by rotation; (viii) the continuation (or not) in service of any Independent Non-Executive Directors serving more than nine years; and (ix) the appointment or re-appointment of Directors and succession planning for Directors.

From the Listing Date to the date of publication of this annual report, the Nomination Committee held one meeting during which the Nomination Committee has performed the following major works:

- reviewed the structure, size and composition (including the skills, knowledges and experience of each member) of the Board;
- recommended to the Board on re-election of retiring directors at the forthcoming annual general meeting;
- reviewed the Board Diversity Policy; and
- assessed the independence of the Independent Non-executive Directors.

The attendance record of each committee member is set out below:

Name of committee members	Attendance/ Number of Meeting
Mr. ZHANG Yong	1/1
Mr. LI Yifan	0/1
Mr. LUO Ji	1/1

Policy for the Nomination of Directors

The Company follows a formal, considered and transparent procedure for the appointment of new Directors for the Board to achieve a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's strategic focus and specific business needs. Recognising the vitality of diversity for the Board, the Company has adopted a board diversity policy.

The Nomination Committee reviews the structure, size and composition of the Board regularly and makes recommendation to the Board to complement the corporate strategy of the Company. The appointment of a new Director is a collective decision of the Board, taking into consideration the procedures for Shareholders to propose a person for election as a Director of the Company and the Board Diversity Policy. The Board believes that changes to the Board composition shall be managed without undue disruption, and shall continue to provide a balanced composition of the executive Directors, the non-executive Directors (including independent non-executive Directors) so that there is a strong independent element in the Board, which can effectively exercise independent judgement.

Board Diversity Policy

The Company has adopted a board diversity policy which sets out the approach to achieve diversity on the Board in order to enhance the quality of its performance. Pursuant to the board diversity policy, the Company seeks to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

Remuneration Committee

The Remuneration Committee was established on 16 September 2019 and written terms of reference of the Remuneration Committee had been adopted by the Board and were posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee is comprised of three members, namely Mr. LI Yifan, Mr. ZHANG Yong and Mr. LUO Ji. Mr. LI Yifan is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include:

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

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

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

– to make recommendations to the Board on the remuneration of Non-executive Directors;

– to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions;

– to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment;

– to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; and

– to ensure that no Director or any of his associates is involved in deciding his remuneration.

From the Listing Date to the date of publication of this annual report, the Remuneration Committee held one meeting during which the Remuneration Committee has performed the following major works:

– reviewed the Company's policy and structure for all Directors' and senior management remuneration (including salaries paid based on business performance);

– considered and approved the recommendation of the remuneration packages of Executive Directors and senior management for the year ending 31 December 2020;

– considered and approved the recommendation of the remuneration packages of Non-Executive Directors for the year ending 31 December 2020; and

– considered and approved the recommendation of the remuneration packages of Independent Non-executive Directors for the year ending 31 December 2020.

The attendance record of each committee member at the meeting is set out below:

Name of committee members	Attendance/ Number of Meeting
Mr. LI Yifan	0/1
Mr. ZHANG Yong	1/1
Mr. LUO Ji	1/1

Audit Committee

The Audit Committee was established on 16 September 2019 and written terms of reference of the Audit Committee had been adopted by the Board and were posted on the websites of the Company and the Stock Exchange.

The Audit Committee is comprised of three Independent Non-executive Directors of the Company, namely Mr. LI Yifan, Mr. LUO Ji and Mr. WANG Peng with Mr. LI Yifan possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. Mr. LI Yifan is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's external auditor.

The primary duties of the Audit Committee include:

– to make recommendations to the Board on the appointment, reappointment and removal of the external auditor;

– to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

– to develop and implement policy on engaging an external auditor to supply non-audit services;

– to monitor the integrity of the Company's financial statements and annual report and accounts, interim report and to review significant financial reporting judgments contained in them;

– to review the Company's annual report and accounts and interim report prior to submission to the Board for approval;

– to discuss problems and reservations with the auditors arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

- to review the Company's financial controls, internal control and risk management systems;

- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- to review the Group's financial and accounting policies and practices;

- to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

- to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and

- to report to the Board on the matters set out above.

From the Listing Date to the date of publication of this annual report, the Audit Committee held one meeting and the Audit Committee has performed the following major works:

- considered and approved the audited annual results of the Company and its subsidiaries for the year ended 31 December 2019;

- considered and approved the accounting treatment adopted by the Group's annual report for the year ended 31 December 2019;

- considered and recommended acceptance of the audit committee report prepared by Ernst & Young for the year ended 31 December 2019;

- considered and evaluated the management system adopted by the Group for internal, financial and risk management and internal control procedures;

- consider and evaluated whether the external auditor is independent and objective and whether the audit procedures are effective, the reappointment and remuneration of the external auditor (subject to shareholders' approval), and make a proposal to the Board;

- reviewed the compliance status of the deed of non-competition dated 16 September 2019 given by the controlling shareholders of the Company in favour of the Company (for itself and as trustee for each of its subsidiaries) (the "**Deed of Non-Competition**"); and

– reviewed the effectiveness of the corporate governance measures adopted to manage any potential or actual conflict of interests between the Group and the controlling shareholders of the Company.

The attendance record of each committee member at the meeting is as follow:

Name of committee members	Attendance/ Number of Meeting
Mr. LI Yifan	0/1
Mr. LUO Ji	1/1
Mr. WANG Peng	1/1

Each of the controlling shareholders of the Company has provided with the Company a confirmation on compliance pursuant to their undertakings under the Deed of Non-Competition. The Audit Committee has reviewed the confirmations and noted that during the period from the Listing Date to the date of publication of this annual report, each of the controlling shareholders of the Company has complied with the Deed of Non-Competition. The Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness of the corporate governance measures.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended 31 December 2019 and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 82 and 83 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has maintained an internal control system and internal audit function and the Directors are responsible for monitoring the implementation of internal control measures and reviewing its effectiveness. With a view to manage the Group's business and operational risks, to ensure smooth operation and to avoid future recurrence of historical non-compliance incidents, the Group has engaged an independent internal control adviser (the "**Internal Control Adviser**") to assist the Group in reviewing and providing recommendations on improving the Group's internal control system, including corporate governance, enterprise risk assessment, internal audit, compliance consultancy and relevant business processes including revenue, purchase, expenses and cost management, fixed assets management, human resources, financial management and information technology. The findings and recommendations of the internal audit team on the risk management and internal control systems are reviewed once a year.

The Internal Control Adviser has conducted a review during the period from February 2019 to March 2019 and have provided recommendations to the Group's internal control system. No material internal control deficiencies were identified. During April 2019, the Group has subsequently adopted the internal control measures and rectified the weaknesses identified by the Internal Control Adviser.

Based on the recommendations of the Internal Control Adviser and the follow-up review procedures conducted, the Directors have confirmed that the Group had adopted all internal control measures and policies suggested by the Internal Control Adviser and did not have any significant or material deficiencies in its internal control system as at the date of publication of this annual report. The Directors considered that the Group's risk management and internal control systems are effective and adequate.

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the total remuneration paid or payable to the Company's auditor, Ernst & Young, for annual audit and other audit services totally RMB5,520,000.

An analysis of the remuneration paid or payable to Ernst & Young is set out below:

Description of services performed	Amount RMB'000
Audit and assurance services[(1)]	5,520
Non-Audit services	–
Total	5,520

Note:

(1) 2019 auditor's remuneration included an audit fee of RMB3,200,000 for the Company's global offering with the portion of RMB2,400,000 for listing of existing shares charged to the 2019 income statement, and remaining portion of RMB800,000 for listing of new shares charged to share premium account.

The Board and the Audit Committee have agreed on the re-appointment of Ernst & Young as the external auditor of the Group for the year ending 31 December 2020 and the proposal will be submitted for approval at the annual general meeting to be held on 29 May 2020.

JOINT COMPANY SECRETARIES

Mr. TSO Ping Cheong Brian and Mr. XU Yibin have been acting as the joint company secretaries of the Company since April 2019. They both have assisted on the company secretarial matters of the Company since its listing, and each of them has duly complied with relevant training requirement under Rule 3.29 of the Listing Rules.

The primary contact person with the joint company secretaries of the Company is Mr. TSO Ping Cheong Brian. Mr. Tso has confirmed that he has taken no less than 15 hours of relevant training.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Group recognizes the importance of transparent and timely disclosure of corporate information, which enables the Shareholders and investors to make the best investment decision. The Company believes the effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company maintains a website at www.xypm.hk as a communication platform with shareholders and investors, where information on the Company's announcements, financial information and other information are available for public access. The Shareholders and investors may send written enquires or requests to the Company's principal place of business in Hong Kong at 9/F., Wah Yuen Building, 149 Queen's Road Central, Hong Kong for the attention of the Joint Company Secretaries.

Besides, Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders, Board members and appropriate senior staff of the Group will be available at the meeting to answer any questions raised by the Shareholders.

The Company has also established a Shareholders' communication policy to ensure the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The policy is regularly reviewed to ensure its effectiveness and is available on written request to the Joint Company Secretaries.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals

Under the Memorandum and Articles of Association, an extraordinary general meeting ("**EGM**") may be convened by the Board upon requisition by any two or more shareholders holding not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company. EGM may also be convened by the Board upon requisition by any one member which is a recognized clearing house (or its nominees) holding not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company. The Shareholder(s) shall make a written requisition to the Board or the Joint Company Secretaries at the Company's principal place of business in Hong Kong, specifying the shareholding information of the Shareholder(s), his/her/its contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board fails to proceed to convene such EGM, the requisitionist(s) themselves or any of them may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Making enquiries to the Board

The Shareholders shall direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

DIVIDEND POLICY

The Company adopted a dividend policy on 27 March 2020. Pursuant to the Company's dividend policy, the dividend payout ratio shall be determined by the Board from time to time. The remaining net profit will be used for the Group's operations and development. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(a) the Company's current and future operations, actual and expected financial performance;

(b) any corporate development plans;

(c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and, any declaration of final dividend for a financial year will be subject to the approval of the shareholders of the Company. The declaration and payment of dividends is also subject to any restrictions under the Companies Law of the Cayman Islands, any applicable laws, rules and regulations, including the Listing Rules, and the Company's Articles of Association.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association have been amended and restated with effect from the Listing Date, a copy of which is available on the websites of the Company (www.xypm.hk) and the Stock Exchange (www.hkexnews.hk).

REPORT OF THE DIRECTORS

The board (the "**Board**") of directors (the "**Directors**") of Xinyuan Property Management Service (Cayman) Ltd. (the "**Company**") are pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 13 December 2018 as an exempted company with limited liability under the Cayman Islands Companies Law (the "**Companies Law**"). The Company carried out the global offering (the "**Global Offering**"), comprising 125,000,000 shares in the Company (the "**Shares**") at HK$2.08 per Share and the Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 October 2019 ("**Listing Date**"). For details of the relevant use of proceeds, please see the section headed "Use of Proceeds from Listing" in this annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Through its subsidiaries, the Company provides property management services, value-added services and pre-delivery and consulting services. Details of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements of this annual report.

BUSINESS REVIEW AND PERFORMANCE

The business review of the Group including the information below are set out in the Chairman Statement and the Management Discussion and Analysis on pages 5 to 30 of this annual report:

(a) A fair review of the Group's business;

(b) A description of the principal risk management strategies of the Group; and

(c) An analysis using financial key performance indicators.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position on pages 84 to 86 of this annual report.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK5.2 cents per share for the year ended 31 December 2019 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 (the "**AGM**") to be held on Friday, 29 May 2019. The proposed final dividend will be paid to the Shareholders on Thursday, 18 June 2020 whose names appear on the Company's Register of Members on Friday, 5 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The AGM is expected to be held on Friday, 29 May 2020. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020, both days inclusive, during which 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, 25 May 2020.

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 Thursday, 4 June 2020 to Friday, 5 June 2020, 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 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 Wednesday, 3 June 2020.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of change in equity and note 32 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to approximately RMB457.0 million, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the distribution or proposed distribution.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past financial years is set out on page 160 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules, the Company's environmental, social and governance report will be available on the Company's website within three months from the publication of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2019 there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2019, total revenue from the Group's largest customer, Xinyuan Real Estate Group, and the five largest customers accounted for approximately 20.1% and 23.2% of the Group's total sales for the year respectively. Xinyuan Real Estate Group is a connected person of the Group. Save for Xinyuan Real Estate Group, none of the Directors or their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% interest in the Company) had any interest in any of the five largest customers for the year ended 31 December 2019.

For the year ended 31 December 2019, total purchases from the Group's largest supplier and the five largest suppliers accounted for approximately 13.2% and 29.7% of the Group's total purchases respectively. Save for Xinyuan Real Estate Group, none of the Directors or their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% interest in the Company) had any interest in any of the five largest suppliers for the year ended 31 December 2019.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 22 to the financial statements in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange throughout the period from the Listing Date to 31 December 2019.

BORROWINGS

As at 31 December 2019, the Group had no borrowings.

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this annual report were:

Executive Directors:	
Ms. WANG Yanbo *(Chief Executive Officer)*	*(appointed on 13 December 2018)*
Mr. HUANG Bo *(Chief Financial Officer)*	*(appointed on 13 December 2018)*
Non-executive Directors:	
Mr. ZHANG Yong *(Chairman)*	*(appointed on 19 April 2019)*
Ms. YANG Yuyan	*(appointed on 19 April 2019)*
Independent Non-executive Directors:	
Mr. LUO Ji	*(appointed on 16 September 2019)*
Mr. LI Yifan	*(appointed on 16 September 2019)*
Mr. WANG Peng	*(appointed on 16 September 2019)*

In accordance with the provisions of the Company's memorandum and articles of association (the "**Memorandum and Articles of Association**"), every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with articles 16.19 of the Memorandum and Articles of Association, Ms. WANG Yanbo, Mr. HUANG Bo and Mr. ZHANG Yong will retire and being eligible, will offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company confirms that it has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and still considers that all Independent Non-executive Directors have satisfied their independence to the Group.

DIRECTORS' SERVICE CONTRACTS

Each of Executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date which may be terminated by either party giving not less than three months' prior notice in writing and is subject to termination provisions therein and retirement and re-election at the annual general meetings of the Company in accordance with the Memorandum and Articles of Association or any other applicable laws from time to time whereby he/she shall vacate his/her office.

Each of Non-executive Directors and Independent Non-executive Directors has entered a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, unless either party gives three months prior written notice to the other to terminate the letter of appointment before expiry of the existing term, and is subject to retirement by rotation in accordance with the Memorandum and Articles of Association.

None of the Directors has a service agreement which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Save as disclosed under the section headed "Connected Transactions" and note 27 to the financial statements contained herein, there was no transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director of the Company or an entity connected with any Director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed under the section headed "Connected Transactions" and note 27 to the financial statements contained herein, there was no contract of significance entered into between the Company, or any of its subsidiaries, and a controlling shareholder of the Company, or any of its subsidiaries, during the year.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the emoluments of the Directors and senior management are set out in notes 8 and 27 to the financial statements in this annual report.

No emoluments were paid by the Group to any director or chief executive as an inducement to join or upon joining the Group or as compensations for loss of office for the year and none of the Directors has waived any emoluments for the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Memorandum and Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year, which remains in force.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 31 to 36 of this annual report.

EQUITY-LINKED AGREEMENTS

(a) Pre-IPO Share Award Scheme

The Pre-IPO Share Award Scheme (the "**Pre-IPO Share Award Scheme**") was adopted on 31 January 2019 (the "**Adoption Date**") and revised on 15 March 2019. The main purposes of Pre-IPO Share Award Scheme are (i) to reflect the substance of the share incentive scheme adopted by Xinyuan Science and Technology Service Group Co., Ltd. on 17 March 2018 at the level of the Company (which is the ultimate holding company of the Group after the Listing) and have modifications thereto based on the existing circumstances; (ii) to recognize contributions made by the grantees; (iii) to encourage and retain the grantees to work with the Group; and (iv) to align the interests of the grantees directly to the Shareholders though ownership of the Shares.

Pursuant to the Pre-IPO Share Award Scheme and prior to the Global Offering, a total of ten directors and employees of the Group (each, a "**Grantee**") were awarded a total of 56,250 Shares at the date of the grant, which were subsequently subdivided into 56,250,000 Shares representing 11.25% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering and not taking into account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme. All the said awarded Shares were allotted and issued by the Company to the Grantees' nominee vehicles, namely Galaxy Team Holdings Limited and Glory Eternity Holdings Limited, upon their requests on 21 March 2019.

A summary of the Grantees who have been awarded Shares under the Pre-IPO Share Award Scheme is set out below:

Name of the Grantee	Consideration RMB	Number of awarded Shares	Percentage of shareholding *(Note 1)*
Directors			
Ms. WANG Yanbo	1,680,000	11,250,000	2.25%
Mr. HUANG Bo	840,000	5,625,000	1.125%
Senior Management			
Mr. WANG Yantao	840,000	5,625,000	1.125%
Ms. DU Xiangyan	560,000	3,750,000	0.75%
Ms. ZHANG Rong	560,000	3,750,000	0.75%
Other Grantees			
Mr. HUANG Jinfu	280,000	1,875,000	0.375%
Mr. LYU Shaohui	280,000	1,875,000	0.375%
Mr. ZHANG Xiaofei	280,000	1,875,000	0.375%
Mr. AN Guangfu	280,000	1,875,000	0.375%
Mr. ZHANG Lizhou *(Note 2)*	2,800,000	18,750,000	3.75%
Total		56,250,000	11.25%

Notes:

1. These percentages are calculated on the basis of 500,000,000 Shares in issue immediately following the completion of the Global Offering and not taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

2. Mr. ZHANG Lizhou was appointed as a Director on 13 December 2018 and was redesignated as an Executive Director on 19 April 2019. Mr. ZHANG Lizhou resigned as a Director on 30 June 2019 in order to devote more time to other personal businesses. Pursuant to the Pre-IPO Share Award Scheme, the resignation of Mr. ZHANG Lizhou constituted a triggering event for forfeiture of awarded Shares and the Company is entitled to request Mr. ZHANG Lizhou to transfer, or procure his nominee (i.e. Glory Eternity Holdings Limited) to transfer the legal and equitable ownership in all the Shares allotted and issued to him or his nominee vehicle under the Pre-IPO Share Award Scheme (the "**Subject Shares**") to the Company or its nominee. On 14 August 2019, the Company, Xinyuan Real Estate, Ltd., Mr. ZHANG Lizhou and Glory Eternity Holdings Limited entered into the Arrangement Agreement, pursuant to which (i) Glory Eternity Holdings Limited shall transfer all of the Subject Shares to Xinyuan Real Estate, Ltd. in consideration of the Company's refund of RMB2,800,000 paid by Mr. ZHANG Lizhou pursuant to the Pre-IPO Share Award Scheme and (ii) Xinyuan Real Estate, Ltd. shall apply a portion of the shareholder's loan it advanced to the Company in the amount of RMB2,800,000 as settlement of the consideration for the Subject Shares. Upon completion of the transfer of the Subject Shares on 20 August 2019, Mr. ZHANG Lizhou ceased to be a shareholder of the Company.

Save for the above, no further Shares had been awarded under the Pre-IPO Share Award Scheme and no further Shares had been awarded thereunder on or after the Listing Date.

The Pre-IPO Share Award Scheme shall commence on the Adoption Date and shall remain valid and effective for a period of three years from the Adoption Date. Notwithstanding the foregoing and without prejudice to any subsisting rights of any Grantee, the Company may at any time terminate the Pre-IPO Share Award Scheme. Each Grantee shall be subject to a service condition that he/she shall continuously serve or work for the Group for the period from the date of grant to 31 December 2021 (both dates inclusive) and the lock-up requirement under the Pre-IPO Share Award Scheme. For further details of the triggering events for forfeiture of awarded Shares and the lock-up requirement, please refer to Appendix V to the prospectus of the Company dated 25 September 2019.

(b) Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme (the "**Post-IPO Share Option Scheme**") was adopted by a resolution in writing passed by the Shareholders on 16 September 2019 for the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. A summary of the principal terms of the Post-IPO Share Option Scheme is set out below:

Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of subsidiaries of the Company or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest;

(b) any non-executive directors (including independent non-executive directors) of the Company, any of subsidiaries of the Company or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Post-IPO Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

Maximum Number of Shares Available for Issue under the Post-IPO Share Option Scheme

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Scheme and any other share option schemes of the Group is 50,000,000, being no more than 10% of the Shares in issue on the Listing Date (the "**General Scheme Limit**").

The General Scheme Limit may be refreshed at any time by obtaining prior approval of the Shareholders in general meeting. However, the refreshed General Scheme Limit cannot exceed 10% of the Shares in issue as at the date of such approval, and for the purpose of calculating the latest refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO Share Option Scheme and any other share option schemes of the Group) previously granted under the Post-IPO Share Option Scheme and any other share option schemes of the Group will not be counted.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

As at the date of this annual report, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Scheme was 50,000,000 Shares, representing 10% of the issued share capital of the Company as at the date of this annual report.

Limit of Each Participant

Unless approved by Shareholders in a general meeting, the total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Post-IPO Share Option Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Time of Acceptance and Exercise of Option

Any option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised.

Subscription Price for the Shares and Consideration for the Option

The subscription price for the Shares under the Post-IPO Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted.

The terms of the Post-IPO Share Option Scheme are disclosed in the Company's prospectus dated 25 September 2019. No share options were granted, exercised, expired or lapsed under the Post-IPO Share Option Scheme during the year. The Company did not have any outstanding share options, warrants and convertible instruments into shares as at 31 December 2019 and up to the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), were as follows:

(a) The Company

Name of Directors and Chief Executives	Nature of Interest[1]	Number of Shares or underlying Shares	Approximate Percentage of Interest in the Company
Ms. WANG Yanbo	Beneficial owner	11,250,000	2.25%
Mr. HUANG Bo	Beneficial owner	5,625,000	1.13%
Mr. ZHANG Yong	Interest of controlled corporation[2]	15,000,000	3.00%
Ms. YANG Yuyan	Interest of controlled corporation[3]	15,000,000	3.00%

Notes:

1. All interests stated are long position.

2. Victory Destiny Holdings Limited is wholly-owned by Mr. ZHANG Yong. By virtue of the SFO, Mr. Zhang is therefore deemed to be interested in 15,000,000 Shares held by Victory Destiny Holdings Limited.

3. Grace Hope Holdings Limited is wholly-owned by Ms. YANG Yuyan. By virtue of the SFO, Ms. Yang is therefore deemed to be interested in 15,000,000 Shares held by Grace Hope Holdings Limited.

(b) The Associated Corporation – Xinyuan Real Estate Co., Ltd.

Name of Directors and Chief Executives	Nature of Interest[1]	Number of Shares or underlying Shares	Approximate Percentage of Interest in the Company
Mr. ZHANG Yong	Beneficial owner	28,400,000	25.90%
	Interest of controlled corporation[2]	1,090,724	
Ms. YANG Yuyan	Founder of discretionary trust[3]	28,400,000	24.94%

Notes:

1. All interests stated are long position.

2. Universal World Development Co. Ltd. is wholly-owned by Mr. ZHANG Yong. By virtue of the SFO, Mr. Zhang, a Non-Executive Director of the Company, is therefore deemed to be interested in 1,090,724 Shares held by Universal World Development Co., Ltd.

3. Pursuant to the trust deed dated 24 November 2015 (the "**Trust Deed**") entered into by Ms. YANG Yuyan (as settlor) and HSBC International Trustee Limited (as trustee), The Spectacular Stage Trust (the "**Trust**") was established as discretionary trust and the beneficiaries under the Trust include her family members. Under Section 13(d) of the Securities Exchange Act of 1934 of the United States, as amended, Ms. Yang may be deemed to beneficially own all of the Shares held directly or indirectly by the Trust.

Save as disclosed above, none of the Directors and chief executives of the Company has any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate since the Listing Date.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interests and/or short position in the Shares or the underlying Shares which fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Capacity/Nature of Interest[1]	Number of Shares	Approximate percentage of shareholding
Xinyuan Real Estate, Ltd.[2]	Beneficial owner	300,000,000	60.00%
Xinyuan Real Estate Co., Ltd.[2, 3]	Interest of controlled corporation	300,000,000	60.00%
Galaxy Team Holdings Limited[4]	Beneficial owner	37,500,000	7.50%

Notes:

1. All interests stated are long position.

2. Xinyuan Real Estate, Ltd. is wholly owned by Xinyuan Real Estate Co., Ltd.. By virtue of the SFO, Xinyuan Real Estate Co., Ltd. is therefore deemed to be interested in 300,000,000 Shares which are interested by Xinyuan Real Estate, Ltd.

3. Xinyuan Real Estate Co., Ltd., the shares in which are listed on the New York Stock Exchange (stock code: XIN), is owned as to 25.90% by Mr. ZHANG Yong, 24.94% by Spectacular Stage Limited and 49.16% by other and public shareholders.

4. Galaxy Team Holdings Limited is owned as to 30%, 15%, 15%, 10%, 10%, 5%, 5%, 5% and 5% by Ms. WANG Yanbo, Mr. HUANG Bo, Mr. WANG Yantao, Ms. DU Xiangyan, Ms. ZHANG Rong, Mr. HUANG Jinfu, Mr. AN Guangfu, Mr. LYU Shaohui and Mr. ZHANG Xiaofei, respectively.

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any other person (other than Directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTOR'S AND CONTROLLING SHAREHOLDER'S INTEREST IN COMPETING BUSINESS

As disclosed in the prospectus dated 25 September 2019, each of Xinyuan Real Estate Co., Ltd. and Xinyuan Real Estate, Ltd., the controlling shareholders of the Company, (collectively, the "**Covenantors**" and each a "**Covenantor**") has given non-competition undertakings (the "**Non-Competition Undertakings**") in favor of the Company (for itself and as trustee for each of its subsidiaries) on 16 September 2019, pursuant to which each of the Covenantors has, among other matters, irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of the Covenantors shall, and shall procure that their respective close associates and/or companies controlled by them (other than the Group) shall:

(i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group (including but not limited to the provision of (i) property management services, (ii) value-added services, (iii) pre-delivery and consulting services, (iv) property marketing services, (v) event planning services and (vi) intelligence engineering services, as described in the prospectus) in the PRC and/or any other country or jurisdiction to which the Group provides such services and/or in which any member of the Group carries on business mentioned above from time to time (the "**Restricted Activity**");

(ii) not solicit any existing employee of the Group for employment by it or its associates (excluding the Group);

(iii) not, without the consent from the Company, make use of any information pertaining to the business of the Group which may have come to its knowledge in its capacity as the controlling shareholder for any purpose of engaging, investing or participating in any Restricted Activity;

(iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to the Group for consideration;

(v) not invest or participate in any Restricted Activity; and

(vi) procure its associates (excluding the Group) not to invest or participate in any project or business opportunity of the Restricted Activity.

The above undertakings (i) to (vi) are subject to the exception that any of the close associates of the Covenantors and/or companies controlled by the Covenantors (excluding the Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to the Group, provided always that information about the principal terms thereof has been disclosed to the Company and the Directors, and the Company shall have, after review and approval by a board committee which consists of the Directors (including the Independent Non-Executive Directors) who do not have any directorship in Xinyuan Real Estate Co., Ltd. and do not have an interest in such project or business opportunity, confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which that relevant close associate of the Covenantor(s) or company controlled by the Covenantor(s) invests, participates or engages in the Restricted Activity are substantially the same as or not more favorable than those disclosed to the Company. Subject to the above, if the relevant close associate of the Covenantor(s) or company controlled by the Covenantor(s) decides to be involved, engaged, or participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to the Company and the Directors as soon as practicable.

For the above purpose, the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

(a) the date on which the Covenantors and their close associates (individually or taken as a whole) ceases to own 30% of the then issued share capital of the Company (whether directly or indirectly) or cease to be considered as the controlling shareholders of the Company for the purpose of the Listing Rules and do not have power to control the majority of the Board; and

(b) the date on which the Shares cease to be listed on the Stock Exchange.

The controlling shareholders of the Company confirmed that they have complied with the Deed of Non-Competition for the year ended 31 December 2019. No new business opportunity was informed by the controlling shareholders as at 31 December 2019.

The Independent Non-Executive Directors of the Company who do not have any directorship in Xinyuan Real Estate Co., Ltd. have conducted a review for the year ended 31 December 2019 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-Competition has been fully complied.

Save as disclosed above, none of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during the year ended 31 December 2019.

CONNECTED TRANSACTIONS

From the Listing Date to 31 December 2019, the Company has strictly complied with the requirements specified under Chapter 14A of the Listing Rules in respect of its connected transactions or continuing connected transactions. Details of the relevant connected transaction or continuing connected transactions are as follows:

(A) Continuing Connected Transactions Fully Exempt From the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. Trademark Licensing Agreement

On 16 September 2019, a trademark licensing agreement (the "**Trademark Licensing Agreement**") was entered into between the Company on one hand and Henan Xinyuan Property Services Co., Ltd. ("**Henan Xinyuan**") and Beijing Aijieli Technology Development Co., Ltd. ("**Beijing Aijieli**") (collectively the "**Licensors**") on other hand, pursuant to which the Licensors agreed to irrevocably and unconditionally grant the Company a non-transferable license to use certain trademarks registered in the names of the Licensors in the PRC for a perpetual term commencing from the date of the Trademark Licensing Agreement on a royalty-free basis. The Trademark Licensing Agreement is not unilaterally terminable by the Licensors.

The Company has been using the abovementioned licensed trademarks in the business of the Group over the years in relation to the services rendered by the Group and for the related marketing and promotion activities on a royalty-free basis. The Directors believe that the entering into of the Trademark Licensing Agreement with a term of more than three years can ensure the stability of the Group's operations, and is beneficial to the Company and the Shareholders as a whole.

Henan Xinyuan and Beijing Aijieli, as the registered proprietors of the licensed trademarks, are an indirect wholly-owned subsidiary of Xinyuan Real Estate Co., Ltd., the controlling shareholder of the Company, and an associate of Xinyuan Real Estate Co., Ltd. respectively, and therefore each of them is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Trademark Licensing Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the right to use the licensed trademarks is granted to the Company on a royalty-free basis, the transactions under the Trademark Licensing Agreement will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Software Licensing Agreement

On 16 September 2019, a software licensing agreement (the "**Software Licensing Agreement**") was entered into between the Company and Beijing Juzhouyun Technology Co., Ltd. ("**Beijing Juzhouyun**"), pursuant to which Beijing Juzhouyun agreed to irrevocably and unconditionally authorise the Company to use certain software registered in the name of Beijing Juzhouyun in the PRC (the "**Software**") for a term commencing from the Listing Date until 31 December 2021 on a royalty-free basis. Details of the Software are set forth as follows:

No.	Software Copyright	Registered Owner	Registration No.	Place of Registration	Date of Registration
1.	Juzhouyun office administration system V1.0 (巨洲雲協同辦公系統V1.0)	Beijing Juzhouyun	2017SR605437	PRC	25 May 2017
2.	Xinyijia intelligent community platform V1.0 (鑫一家智慧社區平台V1.0)	Beijing Juzhouyun	2018SR1067050	PRC	15 November 2018

The Software Licensing Agreement is not unilaterally terminable by Beijing Juzhouyun and the Company is entitled to, subject to compliance with the PRC laws and the Listing Rules, renew the Software Licensing Agreement for successive periods of three years under the same conditions upon the expiry thereof.

Beijing Juzhouyun, as the registered proprietor of the Software, is an indirect non-wholly owned subsidiary of Xinyuan Real Estate Co., Ltd. and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Software Licensing Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the right to use the Software is granted to the Company on a royalty-free basis, the transactions under the Software Licensing Agreement will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Property Lease Framework Agreement

On 16 September 2019, the Company (for itself and on behalf of its subsidiaries and associates) (as tenant, the "**Tenant**") entered into a property lease framework agreement (the "**Property Lease Framework Agreement**") with Xinyuan (China) Real Estate, Ltd. ("**Xinyuan (China)**") (for itself and on behalf of its subsidiaries and associates) (as landlord, the "**Landlord**"), pursuant to which the Tenant will lease from the Landlord's property(ies) for office use. The Property Lease Framework Agreement has a term commencing from the Listing Date until 31 December 2021. Separate lease agreement(s) entered into between the relevant subsidiaries or associated companies of both parties setting out the specific terms and conditions will be subject to the principles provided in the Property Lease Framework Agreement.

The rent payable by the Group in relation to the properties leased from Xinyuan (China) and/or its subsidiaries/associates for office use under the Property Lease Framework Agreement will be determined on arm's length basis, with reference to the prevailing market rent of similar properties located in similar areas and should not be less favourable than that offered by independent third parties.

The Directors estimated that the maximum annual fee payable by the Group under the Property Lease Framework Agreement for each of the three years ending 31 December 2021 will not exceed RMB248,000, RMB310,000 and RMB387,000, respectively.

Xinyuan (China) is an indirect wholly-owned subsidiary of Xinyuan Real Estate Co., Ltd., the controlling shareholder of the Company, and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Property Lease Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Property Lease Framework Agreement is less than 0.1%, the transactions under the Property Lease Framework Agreement exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, the total rent paid to Xinyuan (China) or its subsidiary/associate by the Group under the Property Lease Framework Agreement was RMB190,000 which did not exceed the cap of RMB248,000.

(B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. Property Management Services Framework Agreement

On 16 September 2019, the Company (for itself and on behalf of its subsidiaries and associates entered into a property management services framework agreement (the "**Property Management Services Framework Agreement**") with Xinyuan Real Estate Co., Ltd. (for itself and on behalf of its subsidiaries and associates), pursuant to which the Group and/or its associates agreed to provide to Xinyuan Real Estate Co., Ltd and its subsidiaries (collectively "**Xinyuan Real Estate Group**") and/or its associates property management services in respect of the unsold property units after the agreed delivery date set out on the property purchase contract for projects developed by Xinyuan Real Estate Group excluding the Group (the "**Remaining Xinyuan Real Estate Group**") and managed by the Group (the "**XRE Property Management Services**"), for a term commencing from the Listing Date until 31 December 2021.

The fees to be charged for the XRE Property Management Services shall be determined based on the regulations promulgated by the PRC government and after arm's length negotiations taking into account the location of the project, the anticipated operational costs (including labour costs, material costs and administrative costs) with reference to the fees for similar services and similar type of projects in the market.

The Directors estimated that the maximum annual fee payable by the Remaining Xinyuan Real Estate Group and/or its associates in relation to the XRE Property Management Services to be provided by the Group under the Property Management Services Framework Agreement for each of the three years ending 31 December 2021 will not exceed RMB17,265,000, RMB22,962,000 and RMB30,081,000, respectively.

Xinyuan Real Estate Co., Ltd. is one of the controlling shareholders of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Property Management Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the proposed aggregate annual caps contemplated under the Property Management Services Framework Agreement are, on an annual basis, more than 5% and such proposed aggregate annual caps are more than HK$10 million, the transactions under the Property Management Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, the total amounts paid to the Group by the Remaining Xinyuan Real Estate Group and/or its associates under the Property Management Services Framework Agreement was RMB16,954,000 which did not exceed the cap of RMB17,265,000.

2. Pre-delivery and Consulting Services Framework Agreement

On 16 September 2019, the Company (for itself and on behalf of its subsidiaries and associates) entered into a pre-delivery and consulting services framework agreement (the "**Pre-delivery and Consulting Services Framework Agreement**") with Xinyuan Real Estate Co., Ltd. (for itself and on behalf of its subsidiaries and associates), pursuant to which the Group agreed to provide to the Remaining Xinyuan Real Estate Group and/or its associates pre-delivery and consulting services, including but not limited to sales assistance services, early involvement services, referral and management services for unsold properties and repair and intelligent engineering services (collectively the "**XRE Pre-delivery and Consulting Services**"), for a term commencing from the Listing Date until 31 December 2021.

The Directors estimated that the maximum annual fee payable by the Remaining Xinyuan Real Estate Group and/or its associates in relation to the XRE Pre-delivery and Consulting Services to be provided by the Group under the Pre-delivery and Consulting Services Framework Agreement for each of the three years ending 31 December 2021 will not exceed RMB82,573,000, RMB111,194,000 and RMB156,080,000, respectively.

Xinyuan Real Estate Co., Ltd. is one of the controlling shareholders of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Pre-delivery and Consulting Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios (other than the profits ratio) in respect of the proposed aggregate annual caps contemplated under the Pre-delivery and Consulting Services Framework Agreement are, on an annual basis, more than 5% and such proposed aggregate annual caps are more than HK$10 million, the transactions under the Pre-delivery and Consulting Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, the total amounts paid to the Group by the Remaining Xinyuan Real Estate Group and/or its associates under the Pre-delivery and Consulting Services Framework Agreement was RMB69,148,000 which did not exceed the cap of RMB82,573,000.

3. Value-added Services Framework Agreement

On 16 September 2019, the Company (for itself and on behalf of its subsidiaries and associates) entered into a value-added services framework agreement (the "**Value-added Services Framework Agreement**") with Xinyuan Real Estate Co., Ltd. (for itself and on behalf of its subsidiaries and associates), pursuant to which the Group and/or its associates agreed to provide to the Remaining Xinyuan Real Estate Group and/or its associates value-added services, including but not limited to the provision of on-site cleaning, operations and other related services at the pre-delivery stage and the delivery events for the property development projects, utility fee collection service, "400 CS Center" service and other value-added services (collectively the "**XRE Value-added Services**"), for a term commencing from the Listing Date until 31 December 2021.

The fees to be charged for the XRE Value-added Services shall be determined after arm's length negotiations taking into account the location of the project, the anticipated operational costs (including labour costs, material costs and administrative costs) with reference to the fees for similar services and similar type of projects in the market.

The Directors estimated that the maximum annual fee payable by the Remaining Xinyuan Real Estate Group and/or its associates in relation to the XRE Value-added Services to be provided by the Group under the Value-added Services Framework Agreement for each of the three years ending 31 December 2021 will not exceed RMB21,978,000, RMB29,385,000 and RMB41,140,000, respectively.

Xinyuan Real Estate Co., Ltd. is one of the controlling shareholders of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Value-added Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the proposed aggregate annual caps contemplated under the Value-added Services Framework Agreement are, on an annual basis, more than 5% and such proposed aggregate annual caps are more than HK$10 million, the transactions under the Value-added Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2019, the total amounts paid to the Group by the Remaining Xinyuan Real Estate Group and/or its associates under Value-added Services Framework Agreement was RMB20,982,000 which did not exceed the cap of RMB21,978,000.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, the Company has applied for, and the Stock Exchange has granted, waivers exempting us from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "(B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement, and Independent Shareholders' Approval Requirements" in this section, subject to, among others, the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

In respect of the Trademark Licensing Agreement, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement to set a term not exceeding three years under Rule 14A.52 of the Listing Rules.

Pursuant to 14A.55 of the Listing Rules, the above continuing connected transactions have been reviewed by the Independent Non-Executive Directors of the Company, who confirmed that these continuing connected transactions were entered into:

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

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued a letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 69 to 75 of this annual report as below:

(1) nothing has come to its attention that causes him to believe that the disclosed continuing connected transactions have not been approved by the Board.

(2) for transactions involving the provision of goods or services by the Group, nothing has come to his attention that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(3) nothing has come to its attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(4) nothing has come to its attention that have exceeded the relevant cap amounts disclosed in the Prospectus and the relevant announcements of the Company, where applicable, for the financial year ended 31 December 2019.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2019 are set out in note 27 to the financial statements contained herein.

Save as disclosed under the section headed "Connected Transactions", none of related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

UPDATE ON DIRECTORS' INFORMATION

The change in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. WANG Peng, Independent Non-executive Director of the Company, was appointed as independent non-executive director of Poly Property Development Co., Ltd. (stock code: 6049) on 19 December 2019, the shares of which is listed on the Stock Exchange.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

RETIREMENT BENEFIT SCHEME

The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

MANAGEMENT CONTRACTS

There is no contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

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 annual report, 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 Memorandum and Articles of Association or the Companies Laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

CHARITABLE DONATIONS

During the year ended 31 December 2019, no charitable and other donations was made by the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 37 to 53 of this annual report.

AUDIT COMMITTEE

The audit committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2019.

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. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to 31 December 2019.

AUDITOR

Ernst & Young has been appointed as auditor of the Company for the year ended 31 December 2019.

Ernst & Young shall retire in the AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as independent auditor of the Company will be proposed at the AGM.

On behalf of the Board

ZHANG Yong
Chairman

Hong Kong, 27 March 2020

INDEPENDENT AUDITOR'S REPORT

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Xinyuan Property Management Service (Cayman) Ltd.
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Xinyuan Property Management Service (Cayman) Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 84 to 159, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (CONTINUED)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables As at 31 December 2019, gross trade receivables amounted to RMB187,765,000, which represented approximately 21% of the total assets of the Group. Management has assessed the expected credit losses of the trade receivables and loss allowance of RMB5,757,000 was made against the trade receivables as at 31 December 2019. Management assessed the expected credit losses of trade receivables based on assumptions about risk of default and expected credit loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, ageing profile of the receivables, existing market conditions as well as forward-looking estimates at the end of each reporting period. Given the magnitude of the balance of trade receivables and that the assessment of the expected credit losses of trade receivables involved significant judgments and estimates made by management, we consider the assessment of the expected credit losses of trade receivables a key audit matter. The disclosures about impairment of trade receivables are included in Note 2.4, Note 3 and Note 16 to the consolidated financial statements.	We have performed the following procedures to address this key audit matter: (i) Understood, evaluated and tested management's key controls in relation to the assessment of the expected credit losses of trade receivables; (ii) Assessed the appropriateness of the credit loss provisioning methodology adopted by management; (iii) Assessed the reasonableness of the estimated credit loss rates by considering historical cash collection performance and movements of the ageing of trade receivables, and taking into account the market conditions; (iv) Tested, on a sample basis, the accuracy of ageing analysis of trade receivables prepared by management; and (v) Checked the mathematical accuracy of the calculation of the provision for loss allowance.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yim Chi Hung Henry.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**533,954**	393,329
Cost of sales	7	**(332,165)**	(259,757)
Gross profit		**201,789**	133,572
Other income and gains	6	**5,907**	11,780
Administrative expenses		**(68,640)**	(27,468)
Impairment losses on financial assets	7	**(3,373)**	(3,365)
Other expenses		**(1,105)**	(3,595)
Impairment of investment in a joint venture	15	**(2,995)**	(3,092)
Share of loss of:			
A joint venture	15	**(4,350)**	(3,415)
PROFIT BEFORE TAX	7	**127,233**	104,417
Income tax expense	10	**(45,308)**	(28,328)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**81,925**	76,089
Attributable to:			
Owners of the parent		**81,319**	76,100
Non-controlling interests		**606**	(11)
		81,925	76,089
		RMB cents	RMB cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**21.76**	22.55
Diluted		**20.33**	22.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**4,505**	4,766
Intangible assets	14	**906**	399
Investment in a joint venture	15	**10,608**	17,953
Prepayments	17	**89,073**	89,073
Deferred tax assets	21	**1,700**	1,331
Total non-current assets		**106,792**	113,522
CURRENT ASSETS			
Trade receivables	16	**182,008**	125,033
Prepayments and other receivables	17	**8,974**	13,530
Cash and cash equivalents	18	**606,552**	354,275
Total current assets		**797,534**	492,838
CURRENT LIABILITIES			
Trade payables	19	**37,067**	29,456
Other payables and accruals	20	**159,032**	217,110
Contract liabilities	5	**103,445**	78,761
Tax payable		**38,497**	30,366
Total current liabilities		**338,041**	355,693
NET CURRENT ASSETS		**459,493**	137,145
TOTAL ASSETS LESS CURRENT LIABILITIES		**566,285**	250,667
NON-CURRENT LIABILITIES			
Deferred tax liabilities	21	**3,198**	–
Total non-current liabilities		**3,198**	–
Net assets		**563,087**	250,667

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
EQUITY			
Share capital	*22*	**4**	–
Reserves	*23*	**561,932**	249,092
		561,936	249,092
Non-controlling interests		**1,151**	1,575
Total equity		**563,087**	250,667

Wang Yanbo
Director

Huang Bo
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent							
	Share capital RMB'000 (Note 22)	Share premium RMB'000	Other reserve RMB'000	PRC reserve funds RMB'000 (Note 23(a))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1 January 2018	–	–	72,732*	14,565*	85,695*	172,992	–	172,992
Profit and total comprehensive income for the year	–	–	–	–	76,100	76,100	(11)	76,089
Acquisition of a subsidiary	–	–	–	–	–	–	1,586	1,586
Appropriation to statutory reserve	–	–	–	7,587	(7,587)	–	–	–
At 31 December 2018 and 1 January 2019	–	–	72,732*	22,152*	154,208*	249,092	1,575	250,667
Profit and total comprehensive income for the year	–	–	–	–	81,319	81,319	606	81,925
Disposal of a subsidiary *(Note 26)*	–	–	–	–	–	–	90	90
Issue of restricted shares *(Note 23(b), Note 24)*	–**	8,400	–	–	–	8,400	–	8,400
Equity-settled share-based payments *(Note 24)*	–	–	12,299	–	–	12,299	–	12,299
Distribution to then shareholders of subsidiaries *(Note 23(c))*	–	–	(230,000)	–	–	(230,000)	–	(230,000)
Fully paid up all the nil-paid shares issued pursuant to the capitalisation of shareholders' loans *(Note 23(d))*	3	221,597	–	–	–	221,600	–	221,600
Shares issued pursuant to the Global Offering *(Note 23(e))*	1	234,485	–	–	–	234,486	–	234,486
Listing expense attributable to listing of new shares *(Note 23(e))*	–	(15,260)	–	–	–	(15,260)	–	(15,260)
Dividend declared to the non-controlling shareholders	–	–	–	–	–	–	(1,120)	(1,120)
Appropriation to statutory reserve	–	–	–	3,045	(3,045)	–	–	–
At 31 December 2019	4	449,222*	(144,969)*	25,197*	232,482*	561,936	1,151	563,087

* These reserve accounts comprise the consolidated reserves of RMB561,932,000 (2018: RMB249,092,000) in the consolidated statement of financial position.

** Amount less than RMB1,000

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**127,233**	104,417
Adjustments for:			
Interest income		**(1,615)**	(161)
Share of loss of a joint venture	*15*	**4,350**	3,415
Gain from acquisition of a subsidiary	*25*	**–**	(202)
Gain on disposal of financial assets	*6*	**–**	(8,277)
Loss on disposal of items of property, plant and equipment		**4**	158
Listing expenses attributed to listing of existing shares		**21,998**	–
Depreciation and amortisation	*7*	**1,320**	1,494
Impairment losses on financial assets	*7*	**3,373**	3,365
Impairment of investment in a joint venture	*15*	**2,995**	3,092
Gain on disposal of a subsidiary	*26*	**(93)**	–
Foreign exchange differences		**848**	–
Equity-settled share-based payment expense	*24*	**12,299**	–
		172,712	107,301
Increase in trade receivables		**(60,988)**	(49,801)
Decrease/(increase) in prepayments and other receivables		**5,166**	(3,978)
Increase in contract liabilities		**25,060**	22,817
Increase in trade payables		**7,611**	11,592
(Decrease)/increase in other payables and accruals		**(58,391)**	48,524
Cash generated from operations		**91,170**	136,455
Income tax paid		**(34,348)**	(23,211)
Net cash flows from operating activities		**56,822**	113,244

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,615**	161
Proceeds from sales of property, plant and equipment		**–**	58
Proceeds from sales of intangible assets		**–**	25
Purchases of items of property, plant and equipment		**(1,833)**	(2,278)
Purchases of items of intangible assets		**(653)**	(71)
Prepayment for purchase of investment properties		**–**	(89,073)
Purchase of investments in principal guaranteed deposits		**(620,000)**	(20,000)
Purchase of financial assets at fair value through profit or loss		**–**	(711,666)
Proceeds from disposal of investments in principal guaranteed deposits		**620,000**	20,000
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	968,192
Acquisition of a joint venture		**–**	(24,460)
Acquisition of a subsidiary	*25*	**–**	2,332
Disposal of a subsidiary	*26*	**(546)**	–
Net cash flows (used in)/from investing activities		**(1,417)**	143,220
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of restricted shares	*24*	**8,400**	–
Receipt of shareholder's loan from the ultimate holding Company		**230,000**	–
Receipt of loans from other shareholders		**23,000**	–
Distribution to the then shareholders of a subsidiary		**(230,000)**	–
Repayment of loans to ultimate holding Company		**(31,400)**	–
Net proceeds received pursuant to the Global Offering		**197,228**	–
Dividends to non-controlling shareholders		**(1,120)**	–
Net cash flows from financing activities		**196,108**	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		**251,513**	256,464
Cash and cash equivalents at beginning of year		**354,275**	97,811
Effect of exchange rate changes on cash and cash equivalents		**764**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**606,552**	354,275

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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, PO Box 309, Ugland House, Grand Cayman, KY1-1104, 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.

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History and Reorganisation" in the Company's prospectus dated 25 September 2019 (the "**Prospectus**"), the Company became the holding company of the companies now comprising the Group in August 2019. The Company, Xinyuan Property Management Service (BVI) Ltd. and Xinyuan Property Management Service (HK) Limited (together, the "**Investment Holding Companies**") are newly incorporated companies as part of the Reorganisation and none of these new holding companies carried out any businesses since their incorporation. The Investment Holding Companies are inserted as holding companies of Xinyuan Science and Technology Service Group Co., Ltd. and have not resulted in any change of economic substances. Accordingly, these financial statements has been prepared on a consolidated basis as a continuation of the existing group by applying the principles of merger accounting as if the Reorganisation had been completed on 1 January 2018, the beginning date of the Company's comparative consolidated financial statements for the year ended 31 December 2018.

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.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

As at 31 December 2019, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/place of operation	Registered and issued	Percentage of equity attributable to the Company As at 31 December		Principal activities
			Direct	Indirect	
Xinyuan Property Management Service (BVI) Ltd.	British Virgin Islands, 2 January 2019	–	100	–	Investment holding
Xinyuan Property Management Service (HK) Limited ("**Xinyuan HK**")	Hong Kong, 8 January 2019	HKD1	–	100	Investment holding
Xinyuan Science and Technology Service Group Co., Ltd. (鑫苑科技服務集團有限公司) ("**Xinyuan Science**")	The PRC, 28 December 1998	RMB50,000,000	–	100	Property management and related services
Beijing Xinxiang Huicheng Decoration Co., Ltd. (北京鑫享匯成裝飾有限公司)	The PRC, 18 October 2013	RMB10,000,000	–	100	Property decoration services
Henan Chengzhihang Property Services Co., Ltd. (河南誠至行物業服務有限公司)	The PRC, 15 December 2017	RMB5,000,000	–	100	Property management and related services
Henan Xinyuan Property Services Co., Ltd. (河南鑫苑物業服務有限公司)	The PRC, 1 December 2016	RMB10,000,000	–	100	Property management and related services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Name	Place and date of incorporation/place of operation	Registered and issued	Percentage of equity attributable to the Company As at 31 December Direct	Indirect	Principal activities
Qingdao Xinyuan Jinguang Property Development Co., Ltd. (青島鑫苑金光物業發展有限公司) ("**Qingdao Jinguang**")	The PRC, 6 November 2001	RMB1,000,000	–	60	Property management and related services
Henan Xinyuan Real Estate Marketing Co., Ltd. (河南鑫苑房地產營銷策劃有限公司)	The PRC, 30 July 2015	RMB1,000,000	–	100	Real estate marketing
Henan Yueshenghang Property Services Co., Ltd. (河南悦晟行物業服務有限公司)	The PRC, 15 April 2016	RMB5,000,000	–	100	Property management and related services
Puyang Zhongfang Xinyuan Property Services Co., Ltd. (濮陽中房鑫苑物業服務有限公司)	The PRC, 29 November 2017	RMB5,000,000	–	65	Property management and related services
Binhai Huafang Property Co., Ltd. (濱海華芳物業有限公司)	The PRC, 12 June 2017	RMB2,680,000	–	100	Property management and related services
Henan Gechen Culture Media Co., Ltd. (河南格宸文化傳媒有限公司)	The PRC, 14 March 2019	RMB10,000,000	–	100	Event planning and execution
Xingyang Xinzhisheng Property Services Co., Ltd. (滎陽市鑫之晟物業服務有限公司)	The PRC, 9 April 2019	RMB10,000,000	–	100	Property management and related services
Henan Yingsheng M&E Engineering Co., Ltd. (河南省盈晟機電工程有限公司)	The PRC, 10 April 2019	RMB20,000,000	–	51	Intelligence engineering

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Name	Place and date of incorporation/place of operation	Registered and issued	Percentage of equity attributable to the Company As at 31 December		Principal activities
			Direct	Indirect	
Xinyi Xinyuan Property Services Co., Ltd. (新沂鑫苑物業服務有限公司)	The PRC, 7 May 2019	RMB10,000,000	–	100	Property management and related services
Anyang Xinhengyue Property Services Co., Ltd. (安陽鑫恒悦物業服務有限公司)	The PRC, 26 June 2019	RMB10,000,000	–	100	Property management and related services
Neihuang Shirui Property Management Co., Ltd. (內黃縣實瑞物業服務有限公司)	The PRC, 19 September 2014	RMB500,000	–	100	Property management and related services
Henan Xinjiasheng Elevator Engineering Co., Ltd. (河南鑫嘉晟電梯工程有限公司)	The PRC, 22 October 2019	RMB10,000,000	–	100	Elevator installation, repairment and maintenance services

The English names of all subsidiaries established in the PRC are translated for identification purposes only.

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**"), accounting principles generally accepted in Hong Kong 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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019. 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 following revised IFRSs for financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the revised IFRSs are described below:

(a) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, which are applicable to the Group's operation, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

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

2 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

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 expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results of joint ventures is included in profit or loss. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, except for the Reorganisation as disclosed in Note 1. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal useful lives for this purpose are as follows:

Structures	3 to 5 years
Transportation equipment	5 to 10 years
Office equipment	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at each financial year end.

The principal estimated useful lives for this purpose are as follows:

Computer software	5 to 10 years

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

The Group has early adopted IFRS 16 *Leases* on 1 January 2016 as disclosed in the Prospectus.

No right-of-use assets and lease liabilities are recognised in the consolidated financial statements because the respective amounts are immaterial.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flows characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables and other receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables, the Group applies the general approach to provide for ECLs prescribed by IFRS 9, which permits to recognise 12-month ECLs. The 12-month ECL is the portion of lifetime ECLs that results from default events that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ("**EIR**"). The EIR amortisation is included as finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

The Group provides property management services, value-added services and pre-delivery and consulting services. Revenue from contracts with customers is recognised when services are rendered to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primarily responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management services income from properties managed under a commission basis, the Group recognises the commission, which is calculated by a certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

For value-added services, revenue is recognised when the related value-added services are rendered. Payment of the transaction is due immediately when the value-added services are rendered to the customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

Pre-delivery and consulting services mainly include property sale venue management services to property developers at the pre-delivery stage, consulting service on project planning, design management and construction management to property developers at early and construction stages. The Group agrees the price for each service with the customers upfront and issues bills to the customers which varies based on the actual level of service completed.

If contracts involve the sale of multiple services, the transaction prices will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or an adjusted market assessment approach, depending on the availability of observable information.

Revenue from other sources

Rental income under sub-operating leases is generally recognised on a straight-line basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates a restricted share scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the Company's equity at the date at which they are granted. The fair value is determined by an external valuer using the discounted cash flow method to determine the underlying equity fair value of the Company. Key assumptions, such as the discount rate, cash flow projections and the discount for lack of marketability, are determined by the Group with best estimates.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of share-based payments scheme is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

PRC contribution plan

Pursuant to the relevant PRC laws and regulations, each of the PRC subsidiaries of the Group is required to participate in a retirement benefit scheme organised by the local municipal government whereby the Group is required to contribute a certain percentage of the salaries of its employees to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to pay the ongoing required contributions. Contributions made to the defined contribution retirement benefit scheme are charged to profit or loss as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

The consolidated financial statements is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, service type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 16 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. 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 2019, all of the non-current assets were located in the PRC.

5. 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 2019 and 2018 was as follows:

	2019 **RMB'000**	2018 RMB'000
Revenue from customers and recognized over time *(Note 1)*		
Property management services	**314,185**	261,882
Value-added services	**129,042**	77,653
Pre-delivery and consulting services	**90,727**	53,794
	533,954	393,329

For the years ended 31 December 2019 and 2018, revenue from entities controlled by the Ultimate Holding Company accounted for 20% and 18% 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 year.

5. REVENUE (CONTINUED)

Note 1: Revenue from contracts with customers:

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

For the years ended 31 December 2019 and 2018, there were no significant incremental costs to obtain a contract.

(2) Contract liabilities

The Group had recognised the following revenue-related contract liabilities:

	2019 **RMB'000**	2018 RMB'000
Contract liabilities	**103,445**	78,761

(a) Significant change in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments received from customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

(b) Revenue recognised in relation to contract liabilities

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

	2019 **RMB'000**	2018 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**72,123**	51,511

(3) Performance obligations

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.

6. OTHER INCOME AND GAINS

	2019 RMB'000	2018 RMB'000
Other income and gains:		
Rental income	–	936
Government grants	–	1,875
Gain on disposal of financial assets	–	8,277
Gain on acquisition of a subsidiary *(Note 25)*	–	202
Gain on disposal of a subsidiary *(Note 26)*	93	–
Interest income	4,700	465
Others	1,114	25
	5,907	11,780

7. PROFIT BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Depreciation of property, plant and equipment	*13*	1,174	1,396
Amortisation of intangible assets	*14*	146	98
Employee benefit expenses (excluding directors' and chief executive's remuneration *(Note 8)*):			
Wages and salaries		86,439	67,308
Equity-settled share-based payment expense	*24*	6,764	–
Pension scheme contributions		8,048	6,605
Impairment losses on financial assets		3,373	3,365
Impairment of investment in a joint venture	*15*	2,995	3,092
Listing expenses attributed to the listing of existing shares, excluding audit fees		19,598	–
Auditor's remuneration *(Note (a))*		4,720	319
Foreign exchange differences, net		848	–

7. PROFIT BEFORE TAX (CONTINUED)

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 RMB 2,400,000 which was charged to the 2019 income statement.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors before its incorporation on 13 December 2018.

Mr. Zhang Lizhou was appointed as an executive director of the Company on 13 December 2018 and resigned as executive director on 30 June 2019. Ms. Wang Yanbo was appointed as a director and the chief executive officer on 13 December 2018 and 19 April 2019, respectively, and was redesignated as an executive director on 19 April 2019. Mr. Huang Bo was appointed as a director and the chief financial officer on 13 December 2018 and 19 April 2019, respectively, and was redesignated as an executive director on 19 April 2019. Mr. Zhang Yong was appointed as a director on 19 April 2019 and was designated as a non-executive director and appointed as the chairman of the board of directors of the Company on the same date. Ms. Yang Yuyan was appointed as a director on 19 April 2019 and was designated as a non-executive director on the same date. Mr. Luo Ji, Mr. Li Yifan and Mr. Wang Peng were appointed as independent non-executive directors on 16 September 2019.

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 **RMB'000**	2018 RMB'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**2,026**	1,882
Discretionary bonuses	**1,931**	1,620
Share-based payments expense	**5,535**	–
Pension scheme contributions	**48**	46
	9,540	3,548

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Share-based payments expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2019						
Independent non-executive directors						
Mr. Luo Ji	–	–	–	–	–	–
Mr. Li Yifan	–	–	–	–	–	–
Mr. Wang Peng	–	–	–	–	–	–
	–	–	–	–	–	–
Executive directors						
Mr. Zhang Lizhou (resigned on 30 June 2019)	–	–	–	–	–	–
Ms. Wang Yanbo	–	1,312	1,325	3,690	22	6,349
Mr. Huang Bo	–	714	606	1,845	26	3,191
	–	2,026	1,931	5,535	48	9,540
Non-executive directors						
Mr. Zhang Yong	–	–	–	–	–	–
Ms. Yang Yuyan	–	–	–	–	–	–
	–	–	–	–	–	–
2018						
Executive directors						
Mr. Zhang Lizhou	–	–	–	–	–	–
Ms. Wang Yanbo	–	1,236	1,103	–	18	2,357
Mr. Huang Bo	–	646	517	–	28	1,191
	–	1,882	1,620	–	46	3,548

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (including one director also being chief executive) (2018: two directors including one director also being chief executive), details of whose remuneration are set out in Note 8 above. Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 Number of individuals	2018 Number of individuals
Directors and chief executive	**2**	2
Non-directors	**3**	3
	5	5

Details of the remuneration of the remaining three highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**1,924**	1,886
Discretionary bonuses	**1,741**	1,551
Share-based payments expense	**4,304**	–
Pension scheme contributions	**79**	84
	8,048	3,521

9. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2019 Number of individuals	2018 Number of individuals
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	3
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**2**	–
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**1**	–

10. INCOME TAX

	2019 RMB'000	2018 RMB'000
Current income tax	**42,479**	28,735
Deferred income tax *(Note 21)*	**2,829**	(407)
Total tax charge for the year	**45,308**	28,328

(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.

10. INCOME TAX (CONTINUED)

(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:

	2019 **RMB'000**	2018 RMB'000
Profit before tax	**127,233**	104,417
Tax at the statutory tax rates of the respective jurisdictions	**34,643**	26,104
Loss attributable to:		
A joint venture	**1,088**	854
Withholding income tax *(Note 21)*	**2,866**	–
Expenses not deductible for tax	**6,711**	1,370
Tax charge at the Group's effective tax rate	**45,308**	28,328

11. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Proposed final – HK5.2 cents (2018: Nil) per ordinary share	**23,806**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. 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 365,582,000 (2018:337,500,000) 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.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

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

	2019	2018
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation (RMB'000):	**81,319**	76,100
Adjustment of the proposed dividends for unvested shares under restricted share award scheme (RMB'000):	**(1,785)**	–
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000):	**79,534**	76,100
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (thousands)	**365,582****	337,500*
Effect of dilution – weighted average number of ordinary shares:		
Restricted share award scheme (thousands)	**34,418**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**400,000**	337,500
Basic earnings per share (RMB cents)	**21.76**	22.55
Diluted earnings per share (RMB cents)	**20.33**	22.55

Note:

* Weighed average of 337,500,000 ordinary shares for the year ended 31 December 2018, being the number of shares in issue upon the completion the Reorganisation in August 2019, excluded the 37,500,000 unvested restricted shares (after subdivision) issued under a restricted share award scheme in January 2019 as detailed in Note 24, deemed to have been issued throughout the year ended 31 December 2018.

** 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 aforementioned 337,500,000 ordinary shares in issue (excluding the unvested restricted shares) upon the completion of the Reorganisation in August 2019.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2018	Structures RMB'000	Transportation equipment RMB'000	Office equipment RMB'000	Total RMB'000
At 1 January 2018:				
Cost	277	2,976	7,169	10,422
Accumulated depreciation	(171)	(1,978)	(4,188)	(6,337)
Net carrying amount	106	998	2,981	4,085
At 1 January 2018, net of accumulated depreciation	106	998	2,981	4,085
Additions	814	67	1,412	2,293
Disposals	–	(190)	(26)	(216)
Depreciation provided during the year	(61)	(402)	(933)	(1,396)
At 31 December 2018, net of accumulated depreciation	859	473	3,434	4,766
At 31 December 2018:				
Cost	1,091	2,102	8,418	11,611
Accumulated depreciation	(232)	(1,629)	(4,984)	(6,845)
Net carrying amount	859	473	3,434	4,766

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2019	**Structures RMB'000**	**Transportation equipment RMB'000**	**Office equipment RMB'000**	**Total RMB'000**
At 1 January 2019:				
Cost	**1,091**	**2,102**	**8,418**	**11,611**
Accumulated depreciation	**(232)**	**(1,629)**	**(4,984)**	**(6,845)**
Net carrying amount	**859**	**473**	**3,434**	**4,766**
At 1 January 2019, net of accumulated depreciation	**859**	**473**	**3,434**	**4,766**
Additions	**–**	**210**	**1,623**	**1,833**
Disposals	**(783)**	**–**	**(137)**	**(920)**
Depreciation provided during the year	**(21)**	**(89)**	**(1,064)**	**(1,174)**
At 31 December 2019, net of accumulated depreciation	**55**	**594**	**3,856**	**4,505**
At 31 December 2019:				
Cost	**265**	**2,303**	**9,448**	**12,016**
Accumulated depreciation	**(210)**	**(1,710)**	**(5,591)**	**(7,511)**
Net carrying amount	**55**	**593**	**3,857**	**4,505**

14. INTANGIBLE ASSETS

	Software RMB'000
At 1 January 2018:	
Cost	769
Accumulated amortisation	(318)
Net carrying amount	451
Cost at 1 January 2018, net of accumulated amortisation	451
Additions	71
Disposals	(25)
Amortisation provided during the year	(98)
At 31 December 2018	399
At 31 December 2018:	
Cost	815
Accumulated amortisation	(416)
Net carrying amount	399
Cost at 1 January 2019, net of accumulated amortisation	**399**
Additions	**653**
Disposals	**–**
Amortisation provided during the year	**(146)**
At 31 December 2019	**906**
At 31 December 2019:	
Cost	**1,468**
Accumulated amortisation	**(562)**
Net carrying amount	**906**

15. INVESTMENT IN A JOINT VENTURE

	2019 **RMB'000**	2018 RMB'000
Share of net assets	**16,695**	21,045
Impairment of investment in a joint venture	**(6,087)**	(3,092)
	10,608	17,953

Particulars of the Group's joint venture are as follows:

	Paid-up capital	**Place of registration and operation**	**Principal activity**	**Percentage of ownership interest attributable to the Group**
Henan Qingning Apartment Management Co. Ltd. 河南青檸公寓管理有限公司 ("**Qingning**")	RMB10,000,000	PRC	Property leasing	51%

According to the Articles of Association of Qingning, all significant and relevant matters of the entity require approval by two-thirds of shareholders' votes such that the Group is unable to control the relevant activities of Qingning, and Qingning is therefore accounted for as a joint venture of the Group.

As at 31 December 2019, there were no significant contingent liabilities relating to the Group's interest in the joint venture.

15. INVESTMENT IN A JOINT VENTURE (CONTINUED)

The following table illustrates the summarised financial information in respect of Qingning adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	**4**	1,140
Other current assets	**2,784**	3,375
Current assets	**2,788**	4,515
Non-current assets excluding goodwill	**57,294**	16,128
Goodwill	**38,510**	38,510
Non-current assets	**95,804**	54,638
Current liabilities	**(38,076)**	(17,732)
Non-current liabilities	**(27,781)**	(156)
Net assets	**32,735**	41,265
Net (liabilities)/assets, excluding goodwill	**(5,775)**	2,755
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**51%**	51%
Group's share of net (liabilities)/assets of the joint venture, excluding goodwill	**(2,945)**	1,405
Goodwill on acquisition	**19,640**	19,640
Impairment of investment in the joint venture provided during the year	**(6,087)**	(3,092)
Carrying amount of the investment	**10,608**	17,953

15. INVESTMENT IN A JOINT VENTURE (CONTINUED)

In view of indication of impairment arising from opening losses of Qingning, the directors of the Company determined the recoverable amount of investment in Qingning for impairment test purposes. The recoverable amount of the investment in Qingning has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management. The pre-tax discount rate applied to the cash flow projections is 19.3% (2018: 20.3%).

	2019 **RMB'000**	2018 RMB'000
Revenue	**2,345**	7,309
Cost of sales	**(9,597)**	(3,155)
Selling expenses	**(142)**	(6,549)
Administrative expenses	**(825)**	(4,021)
Finance expenses	**(2)**	(282)
Other operating (expense)/revenue	**(309)**	2
Loss and total comprehensive loss for the year	**(8,530)**	(6,696)
Share of loss of a joint venture	**(4,350)**	(3,415)
Dividends received	**–**	–
Share of tax attributable to a joint venture	**–**	–

16. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
– Related parties *(Note 27)*	**116,716**	68,920
– Third parties	**71,049**	59,731
	187,765	128,651
Less: allowance for impairment of trade receivables	**(5,757)**	(3,618)
	182,008	125,033

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:

	2019 RMB'000	2018 RMB'000
Within 1 year	**145,724**	89,958
1 to 2 years	**19,550**	24,598
2 to 3 years	**10,606**	5,818
3 to 4 years	**3,421**	2,435
4 to 5 years	**1,367**	1,135
Over 5 years	**1,340**	1,089
Total	**182,008**	125,033

16. TRADE RECEIVABLES (CONTINUED)

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

	2019 RMB'000	2018 RMB'000
At the beginning of year	**3,618**	3,255
Charge for the year	**4,013**	2,866
Write-off for the year	**(1,874)**	(2,503)
At the end of the year	**5,757**	3,618

As at 31 December 2019 and 2018, 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 2019 and 2018, the loss allowance provision for the remaining balances was determined as follows:

	Third parties							
	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	3 to 4 years RMB'000	4 to 5 years RMB'000	Over 5 years RMB'000	Related parties RMB'000	Total RMB'000
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**
At 31 December 2018								
Expected credit loss rate	2.3%	4.9%	8.6%	16.8%	20.3%	56.4%	–	
Gross carrying amount	37,600	11,260	4,890	2,770	1,374	1,837	68,920	128,651
Expected credit losses	865	552	421	465	279	1,036	–	3,618

17. PREPAYMENTS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Non-current		
Prepayments		
– Related parties *(Note 27)*	**89,073**	89,073
Current		
Prepayments		
– Third parties	**3,039**	2,776
Deposit	**1,466**	678
Other receivables		
– Related parties *(Note 27)*	**2,314**	2,599
– Third parties	**3,222**	9,184
	5,536	11,783
Less: allowance for impairment of other receivables	**(1,067)**	(1,707)
	8,974	13,530

Note: Prepayments to the related party mainly represented the payments in advance to a fellow subsidiary of the Group for the purchase of investment properties in accordance with the underlying contract signed in 2018.

As at 31 December 2019 and 2018, prepayments and other receivables were denominated in RMB.

17. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

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

	2019 **RMB'000**	2018 RMB'000
At the beginning of the year	**1,707**	1,208
Charge for the year	**(640)**	499
At the end of the year	**1,067**	1,707

The Group estimated expected credit losses by applying a loss rate approach with reference to the historical loss record of Group. The loss rate is adjusted to reflect to the current conditions and forecasts of future economic conditions, as appropriate. Set out below is the information about the credit risk exposure on the Group's other receivables:

	Third parties RMB'000	**Related parties** RMB'000	**Total** RMB'000
At 31 December 2019			
Expected credit loss rate	**33.1%**	**–**	
Gross carrying amount	**3,222**	**2,314**	**5,536**
Expected credit losses	**1,067**	**–**	**1,067**
At 31 December 2018			
Expected credit loss rate	18.6%	–	
Gross carrying amount	9,184	2,599	11,783
Expected credit losses	1,707	–	1,707

18. CASH AND CASH EQUIVALENTS

	2019 **RMB'000**	2018 RMB'000
Time deposits	**350,000**	–
Cash and bank balances	**256,552**	354,275
Total	**606,552**	354,275

At the end of the reporting period, the time deposits and cash and bank balances of the Group denominated in RMB amounted to RMB586,108,000 (2018: RMB354,275,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables		
– Related parties *(Note 27)*	**685**	2,872
– Third parties	**36,382**	26,584
	37,067	29,456

As at 31 December 2019 and 2018, 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:

	2019 RMB'000	2018 RMB'000
Within 1 year	**32,689**	28,149
1 to 2 years	**3,821**	668
2 to 3 years	**26**	482
Over 3 years	**531**	157
	37,067	29,456

20. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Other payables		
– Related parties *(Note 27)*	**10,524**	58,978
– Deposits and temporary receipts from property owners	**94,874**	112,078
– Others	**11,511**	12,439
	116,909	183,495
Payroll payables	**30,287**	26,575
Other taxes payable	**11,836**	7,040
	159,032	217,110

Other payables are unsecured, non-interest-bearing and are repayable on demand.

21. DEFERRED TAX ASSETS/LIABILITIES

The analysis of deferred tax assets and liabilities in the consolidated statement of financial position was as follows:

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred tax assets:

	Allowance for impairment of receivables RMB'000
At 1 January 2018	1,116
Recognised in profit or loss	215
At 31 December 2018	1,331
At 1 January 2019	**1,331**
Recognised in profit or loss	**369**
At 31 December 2019	**1,700**

21. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Deferred tax liabilities:

	PRC withholding taxes RMB'000	Differences on recognition of depreciation RMB'000	Change in fair value of financial assets at fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2018	–	–	192	192
Recognised in profit or loss	–	–	(192)	(192)
At 31 December 2018	–	–	–	–
At 1 January 2019	**–**	**–**	**–**	**–**
Recognised in profit or loss	**2,866**	**332**	**–**	**3,198**
At 31 December 2019	**2,866**	**332**	**–**	**3,198**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors.

For the Group, the applicable rate is 10%. The above PRC withholding tax has been provided based on the net profits of the year planned to be distributed by the Company's Mainland China subsidiaries and the applicable tax rate of 10%.

Deferred tax liabilities of RMB21,907,000 and RMB15,433,000 as at 31 December 2019 and 2018 respectively, have not been provided in respect of withholding tax that would be payable on the distribution of retained earnings of the Mainland China subsidiaries, which was determined based on the extent of retained earnings of such subsidiaries unlikely to be distributed of RMB219,069,000 and RMB154,330,000 as at 31 December 2019 and 2018. This is because the Company controls the dividend policy of the Mainland China subsidiaries and the directors determined that such retained earnings are not likely to be distributed in the foreseeable future.

22. SHARE CAPITAL

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

	2019	2018
	HK$'000	HK$'000
Authorised:		
38,000,000,000 shares of a par value of HK$0.00001 each (2018: 38,000,000 shares of a par value of HK$0.01 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 *(Note 23(b))*	56,250	–**
Subdivision of shares*	374,625,000	–
Fully paid up all the nil-paid shares issued pursuant to the capitalisation of shareholders' loans *(Note 23(d))*	–	3
Shares issued pursuant to the Global Offering *(Note 23(e))*	125,000,000	1
At 31 December 2019	500,000,000	4

Notes:

* On 20 August 2019, each issued and unissued share of a par value of HK$0.01 in the authorised share capital of the Company was subdivided into 1,000 shares of a par value of HK$0.00001 each, such that the authorised share capital of the Company is HK$380,000 divided into 38,000,000,000 shares of a par value of HK$0.00001 each.

** Amount less than RMB1,000.

22. SHARE CAPITAL (CONTINUED)

As at 31 December 2019, the issued share capital of the Company included unvested restricted shares (after subdivision and restricted shares transferred by Zhang Lizhou to Xinyuan Real Estate Co., Ltd. as detailed in Note 24) of 37,500,000 shares of HK$0.00001 per share which totalled to HK$375 (less than RMB1,000) granted to certain directors and senior executives pursuant to a share award scheme as detailed in note 23(b).

23. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statements of changes in equity on page 87 of the financial statements.

(a) Pursuant to the relevant rules and regulations in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries appropriate 10% of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

(b) Pursuant to the share award scheme, the Company newly issued 56,250 restricted ordinary shares to its directors and senior executives, at the consideration of RMB8,400,000, including nil (the amount is less than RMB1,000, Note 22) in share capital and the excess of the consideration over the share capital of RMB8.4 million was recognised in share premium.

(c) On 23 April 2019, as part of the Reorganisation, Xinyuan-HK acquired 100% equity interest in Xinyuan Science from its then shareholders at an aggregate consideration of RMB230,000,000 which was based on the fair value of Xinyuan Science as of 31 December 2018. The above consideration paid by Xinyuan-HK was treated as deemed distribution to then shareholders of Xinyuan Science.

(d) On 23 August 2019, pursuant to the Loan Capitalisation Agreement (as defined in the "**Prospectus**"), the Company credited all the nil-paid 318,749,000 shares as fully-paid in consideration of the capitalisation of shareholders' loans amounting to RMB221,600,000, including RMB3,000 (Note 22) recognised in share capital and the excess of the consideration over the share capital of RMB221,597,000 was recognised in share premium. The above capitalisation of shareholder's loan was a major non-cash transaction of the Group during the year ended 31 December 2019.

23. RESERVES (CONTINUED)

(e) 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 each by way of Global Offering. On the same date, the Company's ordinary shares were listed on the Stock Exchange. The proceeds of HK$1,250 (equivalent to RMB1,000, Note 22), representing the par value of the ordinary shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$259,998,750 (equivalent to RMB234,485,000) and before listing expenses were credited to share premium. Listing expense attributable to the issuance of new shares of RMB15,260,000 was charged to share premium, and listing expense attributable to listing of existing shares of RMB21,998,000 (including portion of audit fee of RMB2,400,000 for listing of existing shares) was charged to profit or loss during the year ended 31 December 2019.

24. SHARE AWARD SCHEME

The Company operates a restricted share award scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants (the "**Participants**") who contribute to the success of the Group's operations. The Participants of the Scheme include the Company's directors and senior executives. The Scheme was adopted by the board on 31 January 2019 (the "**Adoption Date**"). Pursuant to the Scheme, an award of total of 56,250 restricted shares, representing 15% of the share capital of the Company upon the allotment of shares to the then shareholders of Xinyuan Science as part of the Reorganisation on 21 March 2019, was granted to the Participants at the aggregate consideration of RMB8,400,000. Such consideration was fully settled in cash upon the issue of restricted shares and the restricted shares would vest in three tranches of 2%, 18% and 80% of the restricted shares, on 1 January 2020, 1 January 2021 and 1 January 2022, respectively, in accordance with certain vesting conditions.

On 30 June 2019, Mr. Zhang Lizhou (one of the participants) resigned as an executive director. Pursuant to the Scheme, upon the resignation of Mr. Zhang Lizhou, his 5% share (i.e. 18,750 Shares) was transferred to Xinyuan Real Estate Co., Ltd. in consideration of the refund of RMB2,800,000 paid by Mr. Zhang Lizhou pursuant to the Scheme. Therefore, an award of 10% of the share capital of the Group was granted to the remaining directors and senior executives at the aggregate consideration of RMB5,600,000 according to the final Scheme.

The Group recognised share-based payments expense relating to the restricted shares granted pursuant to the Scheme of approximately RMB12,299,000 (2018: Nil) in profit or loss during the year, which included share based payment expense recognised in directors' and chief executive's renumeration and other employees' renumeration of RMB5,535,000 (Note 8) and RMB6,764,000 (Note 7) ,respectively.

25. BUSINESS COMBINATION

On 9 February 2018, the Group acquired a 60% equity interest in Qingdao Xinyuan Jinguang Property Development Co., Ltd. ("**Xinyuan Jinguang**") from Qingdao City Construction Investment Industrial Co., Ltd. Xinyuan Jinguang is engaged in providing property management and related services to customers.

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

	Fair value recognised on acquisition RMB'000
Cash and cash equivalents	4,509
Prepayments, other receivables and other assets	379
Property, plant and equipment	15
Trade payables	(229)
Tax payable	(17)
Customers' deposits, other payables and accruals	(692)
Total identifiable net assets at fair value	3,965
Non-controlling interests	(1,586)
	2,379
Bargain purchase gain on acquisition	(202)
Satisfied by cash	2,177

The Group incurred transaction costs of RMB23,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in profit or loss.

25. BUSINESS COMBINATION (CONTINUED)

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

	RMB'000
Cash consideration	(2,177)
Cash and bank balances acquired	4,509
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,332

Since the acquisition, Xinyuan Jinguang contributed RMB2,499,000 to the Group's revenue and RMB114,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place from 1 January 2018, the revenue of the Group and the profit of the Group for the year ended 31 December 2018 would have been RMB393,733,000 and RMB76,143,000, respectively.

26. DISPOSAL OF A SUBSIDIARY

On 13 March 2019, the Group transferred its entire 51% interest in Henan Xinyuan Education Technology Co., Ltd. to a fellow subsidiary for a nominal cash consideration of RMB1.

	2019 RMB'000
Net assets disposed of:	
Cash and bank balances	546
Prepayments, other receivables and other assets	30
Property, plant and equipment	916
Contract liabilities	(376)
Customers' deposits, other payables and accruals	(1,299)
Non-controlling interests	90
	(93)
Gain on disposal of a subsidiary	93
	–
Satisfied by cash	–*

* Amounts less than RMB1,000

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2019 RMB'000
Cash consideration	–*
Cash and bank balances disposed of	(546)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(546)

* Amounts less than RMB1,000

27. RELATED PARTY TRANSACTIONS

(a) Name and relationship with a related party

The Ultimate Holding Company is Xinyuan Real Estate Co., Ltd.

(b) Transactions with related parties

	2019 RMB'000	2018 RMB'000
Property management service fee*		
– Entities controlled by the Ultimate Holding Company	**16,954**	12,362
Value-added service fee*		
– Entities controlled by the Ultimate Holding Company	**20,982**	12,446
Pre-delivery and consulting service fee*		
– Entities controlled by the Ultimate Holding Company	**67,227**	45,532
– A joint venture of the Ultimate Holding Company	**1,921**	–
Outsourcing service cost		
– Entities controlled by the Ultimate Holding Company	**(10,619)**	(36,704)
Other costs		
– Entities controlled by the Ultimate Holding Company	**(203)**	(94)
– Entities controlled by the close relatives of the Ultimate Holding Company	**–**	(26)

* The related party transactions listed above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing of the Listing of Securities on the Stock Exchange.

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Compensation for key management other than those for directors as disclosed in Note 8 is set out below:

	2019 **RMB'000**	2018 RMB'000
Salaries, allowances and benefits in kind	**1,924**	3,795
Discretionary bonuses	**1,741**	3,126
Share-based payments expense	**4,304**	–
Pension scheme contributions	**79**	264
	8,048	7,185

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties

	2019 **RMB'000**	2018 RMB'000
Receivables from related parties		
Trade receivables (trade nature)		
– Entities controlled by the Ultimate Holding Company	**115,952**	68,920
– A joint venture of the Ultimate Holding Company	**764**	–
Other receivables (non-trade nature) *(Note (i))*		
– Entities controlled by the Ultimate Holding Company	**2,314**	2,599
Prepayments (trade nature)		
– Entities controlled by the Ultimate Holding Company	**89,073**	89,073
Total receivables from related parties	**208,103**	160,592
Payables to related parties		
Trade payables (trade nature)		
– Entities controlled by the Ultimate Holding Company	**685**	2,872
Other payables (non-trade nature) *(Note (ii))*		
– Entities controlled by the Ultimate Holding Company	**10,524**	58,978
Contract liabilities (trade nature)		
– Entities controlled by the Ultimate Holding Company	**36**	167
Total payables to related parties	**11,245**	62,017

Notes:

(i) Other receivables due from entities controlled by the Ultimate Holding Company were unsecured, interest-free.

(ii) Other payables due to entities controlled by the Ultimate Holding Company were unsecured, interest-free and repayable on demand.

28. FINANCIAL INSTRUMENTS BY CATEGORY

	2019 RMB'000	2018 RMB'000
Financial assets at amortised cost:		
Trade receivables	**182,008**	125,033
Financial assets included in prepayments and other receivables	**4,469**	10,076
Cash and cash equivalents	**606,552**	354,275
	793,029	489,384
Financial liabilities at amortised cost:		
Trade payables	**37,067**	29,456
Financial liabilities included in other payables and accruals	**116,909**	183,495
	153,976	212,951

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments and other receivables, trade receivables, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise cash and cash equivalents. The main purpose of this financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, financial assets included in prepayments and other receivables, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group is exposed to credit risk in relation to its trade receivables and other receivables, and cash and cash equivalents.

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

The Group expects that the credit risk associated with trade receivables and other receivables due from related parties is considered to be low, since the related parties have a strong capacity to meet contractual cash flow obligation in the near term. Thus, the impairment provision recognized was nil for the trade receivables and other receivables due from related parties.

The Group trades only with recognised and creditworthy third parties. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables and other receivables are widely dispersed. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amounts as disclosed in Note 16 and Note 17 to the consolidated financial statements.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligation due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure in respect of its development projects, and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Group's financial liabilities as at the end of the year, which is based on contractual undiscounted payments.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	2019 RMB'000	2018 RMB'000
Amounts were due on demand or within one year		
Trade payables	**37,067**	29,456
Financial liabilities included in other payables and accruals	**116,909**	183,495
	153,976	212,951

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for capital management during the year ended 31 December 2019 and 31 December 2018.

The Group monitors capital using the gearing ratio. Gearing ratio is defined as net debt divided by capital. Net debt represents trade payables, other payables and accruals, less cash and cash equivalents, The Group did not have net debt as at 31 December 2019 and 2018. Capital represents total equity.

Foreign currency risk

The Group mainly operated in the PRC with most of the transactions settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

31. EVENTS AFTER THE REPORTING PERIOD

The wide spread of the novel coronavirus (COVID-19) in the PRC since January 2020 is a fluid and challenging situation facing all industries. The Group has taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future. In view of the uncertainty relating to the situation, the duration of the business disruption and related financial impact cannot be reasonably estimated by the directors of the Company.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 RMB'000	2018 RMB'000
CURRENT ASSETS			
Cash and cash equivalents		**16,087**	–*
Prepayments and other receivables		**438,885**	–
Total current assets		**454,972**	–*
NON-CURRENT ASSETS			
Investment in subsidiaries		**2,460**	–
Total non-current assets		**2,460**	–
TOTAL ASSETS		**457,432**	–*
CURRENT LIABILITIES			
Other payables and accruals		**382**	–
Total current liabilities		**382**	–
Net assets		**457,050**	–
EQUITY			
Share capital	*22*	**4**	–*
Reserves *(note)*		**457,046**	–
Total equity		**457,050**	–*

* Amount less than RMB1,000

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

Note:

A summary of the Company's reserve is as follows:

	Share premium RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019	–	–	–	–
Profit and total comprehensive income for the year	–	–	(4,475)	(4,475)
Issue of restricted shares *(Note 23 (b))*	8,400	–	–	8,400
Equity-settled share-based payments *(Note 24)*	–	12,299	–	12,299
Fully paid up all the nil-paid shares issued pursuant to the capitalisation of shareholder's loans *(Note 23(d))*	221,597	–	–	221,597
Shares issued pursuant to the Global Offering *(Note 23(e))*	234,485	–	–	234,485
Listing expense attributable to issuance of new shares *(Note 23(e))*	(15,260)	–	–	(15,260)
At 31 December 2019	449,222	12,299	(4,475)	457,046

33. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 27 March 2020.

FINANCIAL SUMMARY

Below are the Group's financial information extracted from the Company's published consolidated financial statements:

GROUP OPERATING RESULT

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**533,954**	393,329	296,719	227,951
Gross profit	**201,789**	133,572	101,166	61,601
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**81,319**	76,100	69,430	25,953

GROUP ASSETS, LIABILITIES AND EQUITY

	As at 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current assets	**106,792**	113,522	5,652	5,472
Current assets	**797,534**	492,838	433,831	283,463
Total assets	**904,326**	606,360	439,483	288,935
Current liabilities	**338,041**	355,693	266,299	185,370
Net current assets	**459,493**	137,145	167,532	98,093
Total assets less current liabilities	**566,285**	250,667	173,184	103,565
Net assets	**563,087**	250,667	172,992	103,562
Capital and reserves				
Share capital	**4**	–	–	–
Reserves	**561,932**	249,092	172,992	103,562
	561,936	249,092	172,992	103,562
Non-controlling interests	**1,151**	1,575	–	–
Total equity	**563,087**	250,667	172,992	103,562

The above financial information for the year ended 31 December 2016, 2017 and 2018 are based on accountants' report contained in the Company's prospectus dated 25 September 2019.