# 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)

# 2020
# Interim Report

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# CORPORATE INFORMATION

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

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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
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Zhengzhou City
Henan Province, PRC

China Everbright Bank
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Henan Province, PRC

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Huaxia Bank (Zhengzhou Nongye Road Branch)
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Henan Province, PRC

## OVERSEAS BANKER

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## LEGAL ADVISER

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## STOCK CODE

1895

## COMPANY WEBSITE ADDRESS

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# MANAGEMENT DISCUSSION AND ANALYSIS

## GENERAL PERFORMANCE

Total revenue for the six months ended 30 June 2020 increased by 10.5% from approximately RMB236.0 million for the six months ended 30 June 2019 to approximately RMB260.8 million.

Net profit for the six months ended 30 June 2020 was approximately RMB55.7 million representing an increase of 165.2%, as compared to approximately RMB21.0 million for the six months ended 30 June 2019.

## OVERVIEW

Xinyuan Property Management Service (Cayman) Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") is a fast-growing integrated property management service provider and a leading pan-property industry operator in the PRC. In the first half of 2020, the Group was awarded as the one of the "Top Ten Listed Property Companies with Leading Business Performance 2020" by the China Property Management Institute and the Shanghai E-House Real Estate R&D Institute* (上海易居房地產研究院).

As at 30 June 2020, we provided property management services and value-added services to 45 cities in the PRC, with contracted GFA amounting to approximately 40.2 million sq.m., and GFA under management amounting to approximately 22.1 million sq.m. Our business covers various types of properties, including residential properties, integrated properties, office buildings, industrial park, etc.

During the outbreak of the novel coronavirus (COVID-19) epidemic in early 2020, the contribution and capability of property management companies in implementing virus control and prevention measures in the fight against the epidemic in the community were widely recognised by various sectors of the society. The quasi-public service attribute of the property service industry was re-discovered and explored, and the property service industry's risk resistance, smooth cycles and stability were better reflected. In the fight against the epidemic, through the Group's professional service capabilities, leading technological capabilities and rapid response capabilities towards risk, the Group built a solid line of defense against the virus in the communities it served, and at the same time, fully upheld its social responsibilities in terms of industry support and social services. For instance, we donated epidemic prevention supplies to areas most in need, opened up our technological platform, and granted public access to functions such as the QR code access control system.

## BUSINESS REVIEW

In the first half of 2020, the Group continued to cultivate its regional presence and expand its business scope on a national scale with the core covering Central China, the Bohai Rim, the Yangtze River Delta, the Pearl River Delta and Southwest China.

In relation to scale expansion, on the basis of the ongoing effort of leveraging the strengths of comprehensive engagement, a multi factor-driven strategy called "Comprehensive Engagement + Urban Renewal + Utilities-Property Management + State-Owned Enterprise Reform" was preliminarily established in the first half of 2020. We commenced the business of urban renewal-construction-management of cities in Zhengzhou, carried out the reform and cooperation of utilities-property management with Handan Iron and Steel (Group) Co., Ltd.* (邯鄲鋼鐵集團有限責任公司) ("**Hansteel**") and cooperated with Henan Yicheng Holdings Co., Ltd.* (河南頤城控股有限公司) ("**Henan Yicheng**"), a state-owned enterprise, to realise small stock trading, to enhance our market expansion capabilities.

In relation to business expansion, a business layout in relation to the up and down streams of the industry chain was established, an all-in-one (construction, management, operation and financing) cooperation model with the Zhengzhou Direct Branch of China Construction Bank Corporation* (中國建設銀行股份有限公司鄭州直屬支行) ("**CCBC Zhengzhou**") was realised, the business of revitalising developers' assets in stock was commenced, and at the same time, we continue to strategically position ourselves in business areas such as intelligent construction, intelligent maintenance, intelligent charging, intelligent parking and intelligent elevators in relation to our property service professional capabilities and our professional strengths.

In relation to online platform development, the Conbow Cloud Housekeeper Platform has reached 1.5 million registered users and continues to enhance its depth and breadth of community promotion through its online community system and building representatives.

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

On the basis of the expansion of comprehensive engagement, the Group continues to establish diversified cooperation strategies and continues to enhance its market expansion capabilities. In the first half of 2020, the Group achieved a sustainable and steady growth of scale by leveraging on the "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.

In relation to the expansion of comprehensive engagement, on the basis of the continuous expansion of residential properties, we are actively expanding into the non-residential property fields and optimising the industry structure. In the first half of the year, public construction contracts were renewed with respect to the office building and business hall of Sanmenxia Branch of China Mobile Communications Group Henan Co., Ltd.* (中國移動通信集團河南有限公司三門峽分公司), and the manufacturing center and technology park of Zhengzhou Golden Leaf* (鄭州黃金葉).

In relation to other cooperation opportunities, we realised an equity cooperation with Henan Yicheng, jointly developed the property business of Henan Yicheng and Henan Investment Group Co., Ltd.* (河南投資集團有限公司) ("**Henan Investment Group**"); achieved cooperation of utilities-property management with Hansteel, entered into Phase I of cooperation of managing 13 residential areas, industrial areas and hospitals of Hansteel; entered into agreement of intent of providing property management services in relation to 46 urban renewal projects with Zhengzhou Weilai Road Sub-District Office* (鄭州未來路辦事處), and we continue to pursue the urban renewal business model of integrated construction and management.

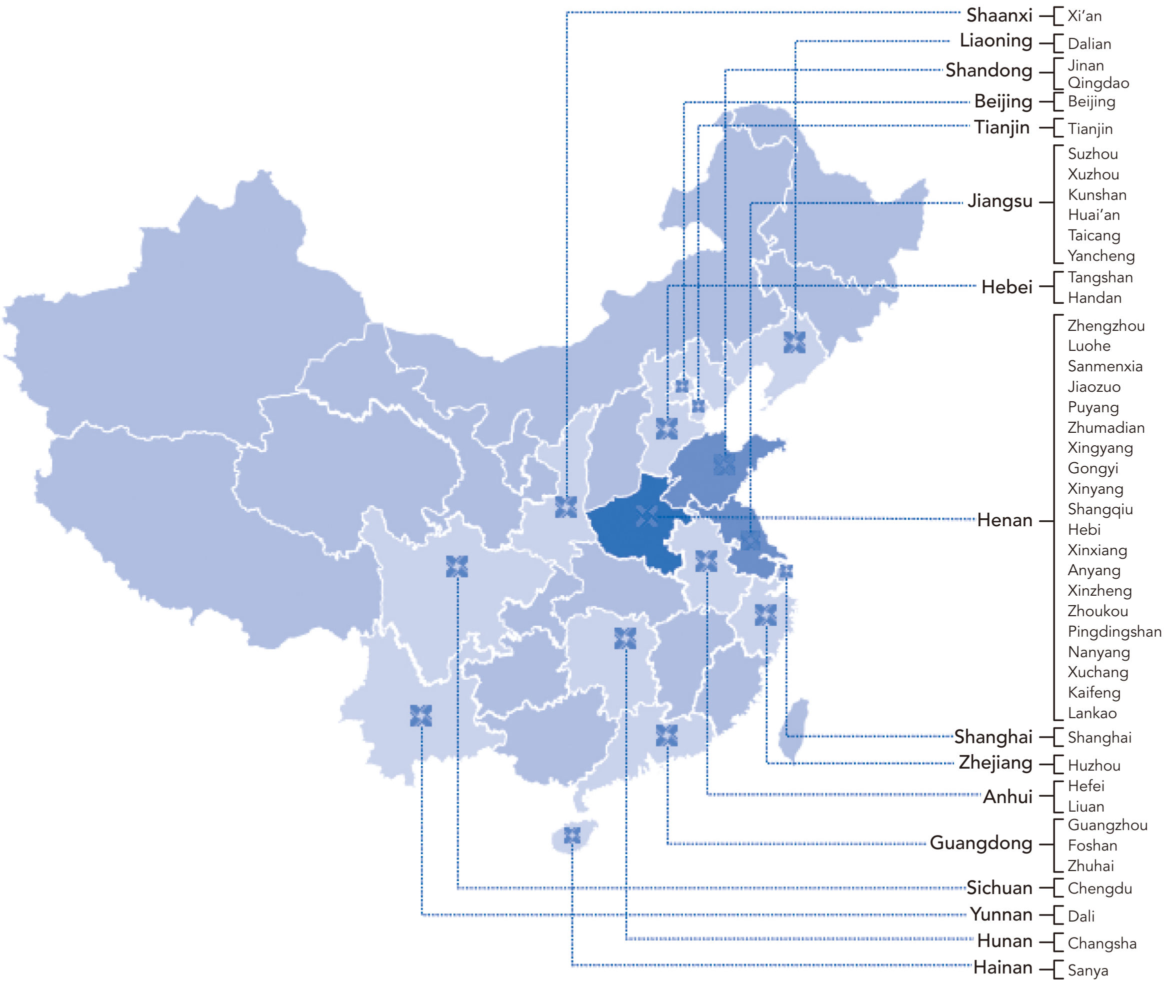
As at 30 June 2020, our contracted GFA was approximately 40.2 million sq.m., with a total of 200 contracted properties, representing a year-on-year growth of 24.8% and 27.4% respectively; GFA under management amounted to approximately 22.1 million sq.m., with a total of 135 managed properties, representing a year-on-year growth of 34.7% and 32.4% respectively.

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

| | As at 30 June | |
|---|---|---|
| | **2020** | 2019 |
| GFA under contract (sq.m. '000) | **40,145** | 32,168 |
| No. of contracted properties | **200** | 157 |
| GFA under management (sq.m. '000) | **22,057** | 16,381 |
| No. of managed properties | **135** | 102 |

Our geographical coverage:

At 30 June 2020, our geographical coverage of contracted properties has expanded to 45 cities spanning 16 provinces and direct-controlled municipalities across China. The following diagram illustrates our geographical coverage of contracted properties as at 30 June 2020:



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 30 June | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | **GFA (sq.m. '000)** | **No. of managed properties** | GFA (sq.m. '000) | No. of managed properties |
| Central China[1] | **13,128** | **90** | 10,132 | 73 |
| Eastern China[2] | **5,977** | **31** | 4,560 | 22 |
| Western China[3] | **1,336** | **4** | 1,336 | 4 |
| Northern China[4] | **1,505** | **9** | 242 | 2 |
| Southern China[5] | **111** | **1** | 111 | 1 |
| Total | **22,057** | **135** | 16,381 | 102 |

*Notes:*

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

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

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

(4) Includes cities located in Liaoning and Hebei provinces, and 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, GFA under management and number of managed properties under management for the periods/as at the dates indicated:

| | For the six months ended 30 June/As at 30 June | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | | 2019 | | | | |
| | Revenue RMB'000 | % | GFA under management (sq.m. '000) | % | No. of managed properties | Revenue RMB'000 | % | GFA under management (sq.m. '000) | % | No. of managed properties |
| Residential complexes | **110,339** | **65.3** | **13,864** | **62.9** | **84** | 95,243 | 64.1 | 10,838 | 66.2 | 68 |
| Non-residential complexes | **6,354** | **3.8** | **779** | **3.5** | **7** | 6,081 | 4.1 | 779 | 4.8 | 7 |
| Residential properties | **42,098** | **24.9** | **6,646** | **30.1** | **37** | 38,703 | 26.0 | 3,996 | 24.4 | 20 |
| Office buildings | **8,930** | **5.3** | **606** | **2.8** | **5** | 7,302 | 4.9 | 606 | 3.7 | 5 |
| Others[(1)] | **1,324** | **0.7** | **162** | **0.7** | **2** | 1,297 | 0.9 | 162 | 0.9 | 2 |
| Total | **169,045** | **100.0** | **22,057** | **100.0** | **135** | 148,626 | 100.0 | 16,381 | 100.0 | 102 |

*Note:*

(1) Includes industrial parks and service halls.

## BUSINESS EXPANSION STRATEGY

While undertaking the real estate development business of Xinyuan Real Estate Co., Ltd and its subsidiaries (collectively, "**Xinyuan Real Estate Group**"), the Group is also actively expanding 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 to cultivate our regional presence.

In relation to the expansion strategy, using the expansion of comprehensive engagement as a basis, and leveraging on urban renewal, the reform of receptions, office cars and overseas trips of state-owned enterprises and the cooperation of state-owned enterprises and other assets in stock market as new growth poles, the Group actively pursues equity merger and acquisition opportunities of quality projects in the market, and constructs and expands a multi factor-driven strategy, to ensure having a steady and rapid growth of business scale.

In relation to the selection of business types, in relation to the Group's service characteristics of "good value for money, high satisfaction, quality experience", with mid-range residential properties as the core, we continue to proactively expand into the business of commercial offices, public properties, industrial parks and complexes, optimize the industry structure, and at the same time, actively utilize our front-end advantages to continue to carry out the business expansion of high-end property sales venues services, high-end property sales venues services and other professional service areas.

As at 30 June 2020, GFA under management for properties developed by third party developers and managed by the Group amounted to approximately 9.2 million sq.m., representing an increase of approximately 114.6% as compared to approximately 4.3 million sq.m. as at 30 June 2019; while the number of third party developed properties also increased from 41 as at 30 June 2019 to 69 as at 30 June 2020.

The following table sets out by property developer type of GFA under management and revenue from property management services for the periods/as at the dates indicated:

| | For the six months ended 30 June/As at 30 June | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | | 2019 | | | | |
| | **Revenue RMB'000** | **%** | **GFA under management (sq.m. '000)** | **%** | **No. of managed properties** | Revenue RMB'000 | % | GFA under management (sq.m. '000) | % | No. of managed properties |
| Xinyuan Real Estate Group[(1)] | **133,919** | **79.2** | **12,830** | **58.2** | **66** | 123,869 | 83.3 | 12,082 | 73.8 | 61 |
| Independent third parties[(2)] | **35,126** | **20.8** | **9,227** | **41.8** | **69** | 24,757 | 16.7 | 4,299 | 26.2 | 41 |
| Total | **169,045** | **100.0** | **22,057** | **100.0** | **135** | 148,626 | 100.0 | 16,381 | 100.0 | 102 |

*Notes:*

(1) Includes properties developed by Xinyuan Real Estate Group.

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

## 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 and continuous development in the first half of 2020.

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 2020, the Group continues to establish a new online-merge-offline (OMO) community commercial landscape, and continues to expand its community services, and at the same time, focus on its core businesses.

The outbreak of the epidemic in the first half of 2020 gave full play to the last critical step of the business service, where it further increased owners' reliance and adhesion to our property value-added services. Throughout the epidemic, our Xiaoxin Best Choice Mall* (小鑫優選商城) offered a full range of supplies, ranging from vegetable packs to daily necessities, to owners in the community, thus became the most important channel in safeguarding their livelihoods. This effectively enhances the trust that owners have for our platform and their adhesion to it. As the outbreak is under control, we continue to increase the influence of the property online platform by organising communities and live streaming, etc.

Meanwhile, the Conbow Cloud Housekeeper* (慷寶雲管家) Platform increased its cooperation effort with the Vertical Housing Platform. In the first half of the year, its cooperation with 58, Pinduoduo and JD.com, etc. was completed. Linked by Kangkangfen* (慷慷分), an app developed based on blockchain technology, the Conbow Cloud Housekeeper Platform activated an online business landscape. During the outbreak of the epidemic, it was the first platform to implement a QR code access control system in the industry. It also opened up its interface to the industry for free, implemented functions such as a free online medical and psychological consultation service, and formed an ecosystem consisting of online community services. In the first half of the year, the Group recorded a year-on-year growth of 67% for its income arising from its online platform.

In relation to home living services business, we cater to the enhancement of living experience of owners. By combining the professional strengths of our property services, we zoomed into our business targets, and are now focusing on business lines such as the renovation of housing facilities, professional maintenance of indoor equipment, and green energy services, so as to continuously increase the coverage and scale of our business.

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 services (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.

Meanwhile, we have in-depth plans for the assets in stock removal service in the community. In relation to the car parking spaces and basements in stock of internal and external developers, we commenced the assets sales business, and established a management system for the removal of assets in stock with the integration of the following functions: pre-planning, marketing and promotion, sales agent, and post-management services.

The Group is actively expanding and planning for its business around its core capabilities. In the first half of 2020, the Group focused on the development of businesses such as leased properties, urban renewal and smart construction for developers, and expanded the new "blue ocean" of its businesses.

In relation to leased properties, we entered into strategic cooperation agreements with the CCBC Zhengzhou, pursuant to which, through the cooperation, development and operation of business, and the full-scale cooperation under an entrusted operation model, and on the basis of operating long-term rental apartments, we once again stepped up our leased properties operation business to the next level.

In relation to urban renewal, we established a unique construction-management model. In the first half of 2020, the Group undertook a construction business in connection with the remodelling of the Jinshui area in Zhengzhou, and also undertook an urban renewal construction project from Zhongyuan Pharmaceutical Company* (中原製藥廠), a subsidiary of Henan Investment Group. In relation to smart construction, we commenced a full-scale cooperation for smart construction with developers, continuing to expand the Group's industry and business model.

## PRE-DELIVERY AND CONSULTING SERVICES

Leveraging on the Group's professional property management 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 increased by approximately 6.6% from approximately RMB39.4 million for the six months ended 30 June 2019 to approximately RMB42.0 million in the corresponding period in 2020, 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 property developer type of revenue from pre-delivery and consulting services for the periods indicated:

| | For the six months ended 30 June | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | **Revenue RMB'000** | **%** | Revenue RMB'000 | % |
| Xinyuan Real Estate Group | **36,229** | **86.2** | 31,636 | 80.3 |
| Independent third parties | **5,809** | **13.8** | 7,779 | 19.7 |
| Total | **42,038** | **100.0** | 39,415 | 100.0 |

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2020, the Group recorded revenue of approximately RMB260.8 million (the corresponding period in 2019: approximately RMB236.0 million), representing an increase of approximately 10.5% as compared to the corresponding period in 2019.

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 each of the Group's business sectors for the periods indicated:

| | For the six months ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | 2019 | | **Change** | |
| | **RMB'000** | **%** | RMB'000 | % | RMB'000 | % |
| Property management services | **169,045** | **64.8** | 148,626 | 63.0 | 20,419 | 13.7 |
| Value-added services | **49,765** | **19.1** | 48,002 | 20.3 | 1,763 | 3.7 |
| Pre-delivery and consulting services | **42,038** | **16.1** | 39,415 | 16.7 | 2,623 | 6.7 |
| Total | **260,848** | **100.0** | 236,043 | 100.0 | 24,805 | 10.5 |

Property management services remained the Group's largest source of revenue. In the first half of 2020, revenue from property management services amounted to approximately RMB169.0 million, representing approximately 64.8% of the Group's total revenue. The growth in revenue was mainly due to the rapid growth of GFA under management, due to our commitment in expanding our third party customer base. The Group's GFA under management increased from approximately 16.4 million sq.m. as at 30 June 2019 to approximately 22.1 million sq.m. as at 30 June 2020.

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 six months ended 30 June 2020, the Group's cost of sales was approximately RMB157.3 million (for the six months ended 30 June 2019: approximately RMB159.4 million), representing a decrease of approximately 1.3% as compared to the corresponding period in 2019. 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 decrease in staff costs was mainly due to the full-scale promotion of centralised procurement in the Company to reduce procurement costs, the application of information technology tools and the promotion of new technological products to reduce labour and management costs, and the decrease in labour costs as a result of the social insurance waiver policy implemented by the PRC government due to the epidemic.

## 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:

| | For the six months ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | 2019 | | **Change** | |
| | **Gross profit RMB'000** | **Gross profit margin %** | Gross profit RMB'000 | Gross profit margin % | **Amount** RMB'000 | % |
| Property management services | **47,639** | **28.2** | 30,371 | 20.4 | 17,268 | 56.9 |
| Value-added services | **32,806** | **65.9** | 28,347 | 59.1 | 4,459 | 15.7 |
| Pre-delivery and consulting services | **23,131** | **55.0** | 17,884 | 45.4 | 5,247 | 29.3 |
| Total | **103,576** | **39.7** | 76,602 | 32.5 | 26,974 | 35.2 |

For the six months ended 30 June 2020, the Group's overall gross profit was approximately RMB103.6 million, representing a growth of approximately 35.2% as compared to approximately RMB76.6 million for the six months ended 30 June 2019. The Group's overall gross profit margin for the six months ended 30 June 2020 increased to approximately 39.7% from approximately 32.5% for the six months ended 30 June 2019.

Gross profit margin of property management services was approximately 28.2%, representing an increase of approximately 7.8% as compared to approximately 20.4% for the six months ended 30 June 2019. 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 65.9%, representing an increase of approximately 6.8% as compared to approximately 59.1% for the six months ended 30 June 2019. The increase in gross profit margin for value-added services was mainly due to a significant increase in gross profit margin from common area resource management services. Such services experienced a relatively smaller increase in cost of sales due to economies of scale.

Gross profit margin for pre-delivery and consulting services was approximately 55.0%, representing an increase of approximately 9.6% as compared to approximately 45.4% for the six months ended 30 June 2019. The increase in gross profit margin for pre-delivery and consulting services was mainly due to the increase in service businesses after the epidemic is under control, and the decrease in labour costs as a result of the social insurance waiver policy implemented by the PRC government due to the epidemic.

The fact that higher gross profit margins of value-added services and pre-delivery and consulting services were recorded as compared to the Group's 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 six months ended 30 June 2020, the Group's other income and gains was approximately RMB5.2 million, representing an increase of approximately RMB2.6 million as compared to approximately RMB2.6 million for the six months ended 30 June 2019. The increase was mainly attributable to: (i) other gains for the six months ended 30 June 2020 increased by RMB1.0 million as compared to the corresponding period in 2019; and (ii) exchange gains for the six months ended 30 June 2020 increased by RMB1.9 million as compared to the corresponding period in 2019.

### Administrative expenses

For the six months ended 30 June 2020, the Group's administrative expenses was approximately RMB23.1 million, representing a decrease of approximately 36.7% as compared to approximately RMB36.5 million for the six months ended 30 June 2019, also representing approximately 8.9% of the Group's revenue (representing approximately 15.5% of the Group's revenue the corresponding period in 2019). The decrease was mainly due to the listing expense of the Group for the six months ended 30 June 2019 and the decrease in staff cost as a result of the epidemic in the first half of 2020. The Company's shares were successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 October 2019, and the Group incurred listing expense of approximately RMB13.9 million.

Decrease in staff cost was mainly due to the reduction in corporate social insurance under the PRC government policy during the novel coronavirus epidemic, resulting in the decrease in corresponding expenses.

### Impairment of investment in a joint venture

For the six months ended 30 June 2020, 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 RMB1.9 million as a result of the annual impairment testing. 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 2020.

### Share of loss of a joint venture

Henan Qingning had recorded a loss for the six months ended 30 June 2020, which was mainly due to the higher costs incurred in its early stage of development and for marking training. As a result, the Group recorded a share of loss of a joint venture of approximately RMB0.8 million for the six months ended 30 June 2020, representing an decrease of approximately 20.0% as compared to the share of loss of a joint venture of approximately RMB1.0 million recorded for the six months ended 30 June 2019.

### Impairment losses on financial assets

For the six months ended 30 June 2020, the Group's impairment losses on financial assets was approximately RMB4.7 million, representing an increase of 11.9% as compared to approximately RMB4.2 million recorded for the six months ended 30 June 2019. Impairment losses on financial assets primarily consisted of impairment of trade receivables and other receivables.

### Other expenses

For the six months ended 30 June 2020, the Group recorded other expenses of approximately RMB68,000, representing an increase of approximately 83.8% as compared to approximately RMB37,000 for the six months ended 30 June 2019. The increase in other expenses during the first half of the year was mainly due to the disposal of unusable electronic equipment assets.

### Profit before tax

For the six months ended 30 June 2020, the profit before income tax was approximately RMB78.1 million, representing an increase of approximately 108.3% as compared to approximately RMB37.5 million for the six months ended 30 June 2019.

### Income tax expense

For the six months ended 30 June 2020, the Group's income tax expense was approximately RMB22.4 million, representing an increase of 35.8% as compared to RMB16.5 million for the six months ended 30 June 2019. The increase in income tax expense was attributable to the increase in the Group's profit before tax.

### Profit and total comprehensive income for the period

The Group's profit and total comprehensive income for the six months ended 30 June 2020 was approximately RMB55.7 million, representing an increase of approximately 165.2% as compared to RMB21.0 million for the corresponding period last year, benefitting mainly from (i) 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; and (ii) the listing expense of RMB13.9 million for the six months ended 30 June 2019.

Profit attributable to owners of the parent for the six months ended 30 June 2020 was approximately RMB55.3 million, representing an increase of 168.4% as compared to approximately RMB20.6 million for the six months ended 30 June 2019.

### Capital Structure

The Group maintained a healthy financial position during the six months ended 30 June 2020. As at 30 June 2020, the Group's net current assets amounted to approximately RMB493.9 million, representing an increase of approximately RMB34.4 million or an increase of approximately 7.5% as compared to approximately RMB459.5 million as at 31 December 2019.

As at 30 June 2020, the Group's total equity was approximately RMB600.4 million, representing an increase of approximately RMB37.3 million or approximately 6.6% as compared to approximately RMB563.1 million as at 31 December 2019. This was mainly due to the increase in economic gains.

### Cash and Cash Equivalents

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately RMB712.8 million, representing an increase of approximately 17.5% as compared to approximately RMB606.6 million as at 31 December 2019. It was mainly due to the Group's sustained increase in operating cash inflow.

As at 30 June 2020, the Group's cash and bank balance were mainly held in RMB and Hong Kong dollar.

### Property, Plant and Equipment

The Group's property, plant and equipment mainly comprised motor vehicles and office equipment. As at 30 June 2020, the Group's net carrying amount of property, plant and equipment was approximately RMB4.5 million, which remained constant as compared to approximately RMB4.5 million as at 31 December 2019.

### Intangible Assets

As at 30 June 2020, the carrying value of the Group's intangible assets was approximately RMB0.9 million, which remained constant as compared to approximately RMB0.9 million as at 31 December 2019. The Group's intangible assets mainly comprised of (i) the Xinyuan property integrated management platform system; (ii) the Xinyuan property 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 30 June 2020, the Group's trade receivables (net of allowance for impairment) was approximately RMB140.9 million, representing a decrease of approximately RMB41.1 million as compared to approximately RMB182.0 million as at 31 December 2019, which was mainly due to the recovery of trade receivables from related parties.

### 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 30 June 2020, the Group's prepayments and other receivables was approximately RMB109.6 million, representing an increase of approximately RMB11.6 million as compared to approximately RMB98.0 million as at 31 December 2019. The increase was mainly due to an increase in prepayments to third parties.

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

Our prepayments to third parties mainly comprised prepayments made to utility suppliers and subcontractors. Our prepayments to third parties increased from approximately RMB3.0 million as at 31 December 2019 to approximately RMB10.0 million as at 30 June 2020. 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, which also corresponds to the expansion in business scale.

Our other receivables mainly represent deposits, prepayments on behalf of property residents and amount due from third parties. Our other receivables increased from approximately RMB5.9 million as at 31 December 2019 to approximately RMB10.4 million as at 30 June 2020. The increase was mainly attributable to the increase in scale corresponding to the expansion in business scale, and the payment of tender deposit for the participation in tenders by our expanded business.

### Trade Payables

The Group's trade payables mainly comprised payables to its suppliers and subcontractors. As at 30 June 2020, the Group's trade payables amounted to approximately RMB31.8 million, representing a decrease of approximately 14.3% as compared to approximately RMB37.1 million as at 31 December 2019. The decrease was mainly attributable to the payment of trade payables during the period.

### Other Payables and Accruals

The Group's other payables and accruals mainly comprised (i) payables to related parties; (ii) deposits and temporary receipts from third parties; and (iii) payroll payables and other taxes payable. As at 30 June 2020, the Group's other payables amounted to approximately RMB160.4 million, representing an increase of approximately 0.9% as compared to RMB159.0 million as at 31 December 2019, which remained constant.

### 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 30 June 2020, our contract liabilities was approximately RMB143.5 million, representing an increase of 38.8% from approximately RMB103.4 million as at 31 December 2019. The increase was mainly due to (i) the increase in the Group's GFA under management and the number of customers during the first half of 2020; and (ii) the increase of annual property fee the Group received in advance at the beginning of the year.

### Gearing Ratio and Basis of Calculation

Gearing ratio is calculated by dividing total borrowings by total equity, based on the sum of long-term and short-term interest-bearing bank loans and other borrowings as at the corresponding date divided by the total equity on the same date. As at 30 June 2020, we had no interest-bearing borrowings, thus our gearing ratio is zero.

### Liquidity and Financial Resources

As at 30 June 2020, 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 30 June 2020, the Group did not have any material financing plan, nor was there any material covenant or undertaking which may affect the Group's ability to undertake additional debt or equity financing.

## Pledged Assets

As at 30 June 2020, the Group had no pledged assets.

## Material Acquisition and Disposal of Assets

During the six months ended 30 June 2020, the Group had no material acquisition or disposal of assets.

## Significant Investment

During the six months ended 30 June 2020, the Group did not hold any significant investment.

## Contingent Liabilities

As at 30 June 2020, the Group had no significant contingent liabilities.

## Interest Rate Risk

As the Group had no significant interest-bearing 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, the Group was not exposed to material risk directly related to foreign exchange rate fluctuation. Currently, the Group has not entered into any forward 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

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.

As at 30 June 2020, the Group had approximately 1,336 employees (31 December 2019: approximately 1,343 employees).

## Proceeds from the Listing

On 11 October 2019, the shares of the Company were successfully listed (the "**Listing**") on the Main Board of the Stock Exchange. After deducting underwriting fees and related expenses, net proceeds from the Listing was approximately RMB197.2 million (the "**Net Proceeds**"). As at the date of this interim report, the Group has utilised approximately RMB24.5 million of the Net Proceeds. Details of the use of the Net Proceeds are as follows:

| Planned use of Net Proceeds | Planned amount of Net Proceeds to be used RMB million | Actual use of Net Proceeds from the Listing Date to 31 December 2019 RMB million | Unutilised amount of Net Proceeds up to 31 December 2019 RMB million | Actual use of Net Proceeds from 1 January 2020 to 30 June 2020 RMB million | Unutilised amount of Net Proceeds up to 30 June 2020 RMB million | Expected timetable for the use of the unutilised Net Proceeds[5] |
|---|---|---|---|---|---|---|
| To expand our property management services, seek strategic acquisition and investment opportunities | 118.3 | – | 118.3 | 4.4[1] | 113.9[1] | Expected to be fully utilised on or before 30 September 2023 |
| To expand the types of services offered in our value-added services business line | 29.6 | – | 29.6 | –[2] | 29.6[2] | Expected to be fully utilised on or before 30 September 2022 |
| To upgrade and develop our own information technology and smart systems | 29.6 | – | 29.6 | 0.4[3] | 29.2[3] | Expected to be fully utilised on or before 30 September 2022 |
| Funding our working capital needs and other general corporate purposes | 19.7 | 19.7[4] | – | – | – | – |
| Total | 197.2 | 19.7 | 177.5 | 4.8 | 172.7 | |

*Notes:*

1. Approximately RMB3.0 million and RMB1.4 million were used, respectively, for the payment for (i) the fees in relation to the development of the scale of our property management services and marketing and promotion of our property management services; and (ii) the consideration for the capital contribution to Handan Gangcheng Property Service Co., Ltd.* (邯鄲市鋼城物業有限公司). As disclosed in the Prospectus (as defined below), the Group intends to actively expand our property management services by strategically acquiring or investing in quality property management companies who have a regional scale of business operations. Due to the impact of the epidemic since early 2020, the Group is still on the lookout for property management service providers that are suitable for acquisition or investment on a prudent basis, in order to maximise the returns for the Company and its Shareholders.

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

3. Approximately RMB0.4 million was used for the construction of our hardware end (i.e. servers, real time monitoring equipment and management center). The Group has completed the planning and validation of the digitalised enterprise management system, and coordinated with the relevant equipment manufacturers and software providers, to jointly build a digitalised management platform for our smart community. The development plan will be launched gradually in the second half of 2020. The selection of eligible suppliers has entered the tender preparation stage.

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

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

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

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

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

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

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

As at 30 June 2020, the unutilised Net Proceeds are placed at a licensed bank in the PRC. The Directors are not aware of, and do not anticipate any material delay or change in the use of proceeds, and will continue to assess the plans in relation to the planned allocation of the Net Proceeds as set out in the Prospectus, the annual report and the interim report of the Company. The Directors may modify or amend the relevant plans as necessary in order to address the changing market conditions, and strive for the Group to achieve better business performance.

## PROSPECTS

### 1. Further expansion of our management and business scales

The Group continues to implement a dual-driven strategy called "Offline Business Scale Expansion + Online User Base Fission", continues to expand our management, business and user scales, and on the basis of the continuous growth of our business scale, it continues to optimize its own commercial and business models.

(1) **"Offline Business Scale Expansion"**

"Offline Business Scale Expansion": with comprehensive engagement cooperation as the basis, we continue to maintain a steady growth of comprehensive engagement while also increasing our efforts on equity cooperation (i.e. acquisition, joint venture, investment, etc.), and actively pursue quality targets for cooperation, so as to achieve rapid growth of business scale via equity cooperation.

Meanwhile, the Group further increases its efforts on urban renewal, state-owned enterprise reform, utilities-property management and other businesses to strategically position itself in the assets in stock market through joint ventures, small stock trading, undertaking comprehensive engagements and other methods, and establish unique operation and management models of the assets in stock market. While the new focus on scale expansion is being formed, the Group continues to increase its scale of profit; in relation to the industry layout, the Group continues to expand, centering around mid to high-end residential buildings, towards business types such as commercial offices, industrial parks and commercial complexes in order to optimize the industrial structure.

In relation to business expansion, the Group strategically deploys a vertical and horizontal business layout in connection with the up and down streams of the industry chain of property services and the needs of community services, thus formulating two major development strategies: the expansion of product line breadth and product line depth. It primarily focuses on the emerging market of professionalised services, the asset management market, the properties in stock and leased properties markets, thus forming multiple areas of rapid business growth.

(2) "Online User Base Fission"

We continue to optimize our 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, in order to procure a "fission" of our online user base and number, constantly stretching the boundaries of online services and building an ecosystem of online services.

In addition to providing online services to the Group, we also strive to develop Conbow Cloud Platform as a provider of a community service platform for the industry, and to build an industry-level Sass service platform.

## 2. Strengthening our core competitiveness through optimisation of business models

**(1) Continuously enhancing our service capabilities by focusing on our customers' needs**

Focusing on our customers' major needs, we continue to optimise the design of our on-site services driven by big data. Through the application of smart products, we also continue to enhance the quality of our on-site services to bring better service experience to our customers.

By upholding our principles of standardisation and streamlining, we are highlighting our characteristics as a brand that provides "good value for money, high satisfaction, and quality experience". We are also enhancing our customers' personalised service experiences by combining project characteristics with customer characteristics.

We continue to optimise the service systems of each business sector and enhance the influence of the brands of each sector, and continue to increase the scale of our management through the betterment of our brands.

**(2) Continuously enhancing our core competitiveness by creating new business models**

In relation to the expansion of the traditional market, we continue to enhance our management skills in connection with comprehensive engagement, and continue to enhance our professional service capabilities in connection with the management of the whole value chain through the early intervention of developers, marketing support, brand support, asset management, and customer loyalty, so as to empower developers with the professional skills of the value chain.

In relation to the expansion of the assets in stock market, we are building a core business model around urban renewal, utilities-property management, the cooperation of state-owned enterprises and other business models, to enhance the profitability of the assets in stock market through the integration of professional resources, the implementation of leased properties and the sharing of urban management resources. Through the creation of business models such as small stock trading, we also focus on the enhancement of operation profits to ensure our own operating efficiency and to continue to provide good investment returns to our investors.

Meanwhile, we are also actively expanding business areas where we have demonstrated exceptional strengths in resources, policies and capabilities, such as asset management, leased properties and professional services, to increase both our management and business scales.

### 3. Ongoing digitalisation, transformation and upgrading

We have planned a three-step development strategy of defining, developing and leading digitisation of community landscapes, built a technology-driven MSP model upon operation visualisation, service digitisation, and landscape digitization, and created 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.

We have fully kickstarted a project on data management to create "unified standards, unified processes and unified terms and expressions". Through the standardised construction, establishment and formation of an information infrastructure system that suits our development needs (which includes data element standards, information classification and coding standards, user graphics standards, database standards, app design standards, information management, development and utilisation systems etc.), our Company is provided with a solid data foundation for engaging in digitalised operation and digitalised services via the establishment and implementation of standards.

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.

## EVENTS AFTER THE REPORTING PERIOD

On 15 July 2020, the Company completed the placing (the "**Placing**") of 50,000,000 ordinary shares (the "**Placing Shares**") under the general mandate to not less than six placees, who are independent third parties, at the placing price of HK$2.60 per share pursuant to the terms and conditions of the placing agreement dated 3 July 2020, entered between the Company and the placing agents, Guotai Junan Securities (Hong Kong) Limited and Valuable Capital Limited (each on a several but not joint nor joint and several basis). The Placing Shares represent approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issuance of the Placing Shares upon completion of the Placing. The net proceeds from the Placing (after deducting all applicable costs and expenses) amounted to approximately HK$127.2 million, which are intended to be applied as to (i) approximately 60% for business development, which mainly relates to (a) diversifying the types of services offered to the customers and (b) upgrading and developing the Group's smart systems; (ii) approximately 30% for strategic investment in businesses or targets that are related to the Group's principal businesses; and (iii) approximately 10% for general working capital of the Group. For further details of the Placing, please refer to the announcements of the Company dated 3 July 2020 and 15 July 2020. As at the date of this interim report, the net proceeds from the Placing remain unutilized, the Company has not identified any specific investment target and no agreement has been entered by the Group in respect of any such investment. In light of the impacts of the COVID-19 on the global economy and trade environment, the Company will continue be on the lookout for suitable targets for investment or cooperation, it will adopt a prudent and flexible approach for utilizing the net proceeds from the Placing effectively and efficiently for the long term benefit and development of the Group. The Company will make announcement(s) in respect of any such investment in compliance with the requirement of the Rules Governing the Listing of Securities on the Stock Exchange where appropriate.

As at the date of this interim report, the net proceeds from the Placing are placed at a licensed bank in the PRC.

* *For illustrative purposes only*

# OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the shares (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 of Hong Kong Limited (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 (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), 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 Associated Corporation[4] |
|---|---|---|---|
| Mr. ZHANG Yong | Beneficial owner | 28,400,000 | 26.90% |
| | Interest of controlled corporation[2] | 1,274,442 | |
| Ms. YANG Yuyan | Founder of discretionary trust[3] | 28,400,000 | 25.75% |

*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 1,274,442 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 "**Trustee**"), The Spectacular Stage Trust (the "**Trust**") was established as discretionary trust and the beneficiaries under the Trust include her family members. Pursuant to the terms of the Trust Deed, the Trustee is required to obtain the prior written consent of Ms. Yang Yuyan, as protector, before making any direct or indirect dispositions of any shares in Xinyuan Real Estate Co., Ltd. that constitute the assets of the Trust and to vote the shares held by the Trust and cause any entity owned by the Trust directly or indirectly that holds the shares to vote such shares in accordance with instructions from Ms. Yang Yuyan. Accordingly, pursuant to 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.

4. The percentage is calculated based on the total number of shares in issue as at 30 June 2020 being 110,299,054.

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 interim 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 during the six months ended 30 June 2020.

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

As at 30 June 2020, 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 interest and/or a 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 26.90% by Mr. ZHANG Yong, 25.75% by Spectacular Stage Limited and 47.35% 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 30 June 2020, the Company had not been notified by any other person (other than Directors or chief executives of the Company) who had an interest or a short position in the Shares and the underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, a total of 500,000 ordinary shares of the Company were repurchased by the Company on the Stock Exchange. As at the date of this interim report, all the repurchased shares were cancelled by the Company. The Directors believe that the repurchase was made to reflect the Company's confidence in its long-term business prospects and would ultimately benefit the Company and create value for the shareholders of the Company. Details of the repurchase of shares of the Company were as follows:

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

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company during the six months ended 30 June 2020.

## INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2020.

## 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. 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 of the Shares on the Stock Exchange on 11 October 2019.

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.

## 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 of the Company on 16 September 2019. 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, cancelled, expired or lapsed under the Post-IPO Share Option Scheme during the six months ended 30 June 2020. The Company did not have any outstanding share options, warrants, and convertible instruments into Shares as at 30 June 2020 and up to the date of this interim report.

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. Throughout the period from 1 January 2020 to 30 June 2020, the Company complied with the code provisions as set out in the CG Code, save for the following:

Code provision A.6.7 requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a full and fair understanding of the views of the shareholders of the Company. Ms. YANG Yuyan, a non-executive Director and Mr. WANG Peng, an independent non-executive Director, were unavailable to participate in the annual general meeting of the Company held on 29 May 2020 due to their engagement in business and/or personal matters.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code.

Specific enquires have been made to all Directors and all Directors have confirmed that they have complied with the Model Code throughout the period from 1 January 2020 to 30 June 2020.

## UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

There are no changes in information of Directors since the date of 2019 Annual Report which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## REVIEW OF UNAUDITED FINANCIAL STATEMENTS

The audit committee has reviewed the accounting principles and policies adopted by the Group and the unaudited interim results of the Group for the six months ended 30 June 2020.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Ernst & Young
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## INDEPENDENT REVIEW REPORT

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 39 to 68, which comprises the condensed consolidated statement of financial position of Xinyuan Property Management Service (Cayman) Ltd. (the "**Company**") and its subsidiaries (the "**Group**") as at 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**") issued by the International Accounting Standards Board ("**IASB**"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
21 August 2020

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

For the six months ended 30 June 2020

| | Notes | For the six months ended 30 June 2020 RMB'000 (Unaudited) | 2019 RMB'000 (Unaudited) |
|---|---|---|---|
| REVENUE | 4 | **260,848** | 236,043 |
| Cost of sales | | **(157,272)** | (159,441) |
| Gross profit | | **103,576** | 76,602 |
| Other income and gains | 5 | **5,156** | 2,635 |
| Administrative expenses | | **(23,076)** | (36,478) |
| Impairment losses on financial assets | 6 | **(4,670)** | (4,163) |
| Other expenses | | **(68)** | (37) |
| Finance costs | | **(27)** | – |
| Impairment of investment in a joint venture | 6 | **(1,930)** | – |
| Share of (loss)/profit of: | | | |
| Joint venture | | **(839)** | (1,030) |
| Associate | | **24** | – |
| PROFIT BEFORE TAX | 6 | **78,146** | 37,529 |
| Income tax expense | 7 | **(22,414)** | (16,490) |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | **55,732** | 21,039 |
| Attributable to: | | | |
| Owners of the parent | | **55,299** | 20,626 |
| Non-controlling interests | | **433** | 413 |
| | | **55,732** | 21,039 |
| | | **RMB cents** | RMB cents |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 9 | | |
| Basic | | **11.94** | 6.11 |
| Diluted | | **11.06** | 5.59 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

| | Notes | As of 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **4,485** | 4,505 |
| Right-of-use assets | *10* | **4,464** | – |
| Intangible assets | | **850** | 906 |
| Investment in a joint venture | *11* | **7,839** | 10,608 |
| Investment in an associate | *12* | **1,410** | – |
| Prepayments | *14* | **89,073** | 89,073 |
| Deferred tax assets | | **2,868** | 1,700 |
| Total non-current assets | | **110,989** | 106,792 |
| CURRENT ASSETS | | | |
| Trade receivables | *13* | **140,856** | 182,008 |
| Prepayments and other receivables | *14* | **20,501** | 8,974 |
| Cash and cash equivalents | *15* | **712,767** | 606,552 |
| Total current assets | | **874,124** | 797,534 |
| CURRENT LIABILITIES | | | |
| Trade payables | *16* | **31,783** | 37,067 |
| Other payables and accruals | *17* | **160,412** | 159,032 |
| Contract liabilities | | **143,457** | 103,445 |
| Lease liabilities | *10* | **1,556** | – |
| Tax payable | | **42,968** | 38,497 |
| Total current liabilities | | **380,176** | 338,041 |
| NET CURRENT ASSETS | | **493,948** | 459,493 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **604,937** | 566,285 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

| | Notes | As of 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|---|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **604,937** | 566,285 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | *10* | **3,017** | – |
| Deferred tax liabilities | | **1,505** | 3,198 |
| Total non-current liabilities | | **4,522** | 3,198 |
| Net assets | | **600,415** | 563,087 |
| EQUITY | | | |
| Share capital | *18* | **4** | 4 |
| Reserves | | **598,827** | 561,932 |
| | | **598,831** | 561,936 |
| Non-controlling interests | | **1,584** | 1,151 |
| Total equity | | **600,415** | 563,087 |

**Wang Yanbo**
*Director*

**Huang Bo**
*Director*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 *(Note 18)* | Treasury Shares RMB'000 *(Note 18)* | Share premium RMB'000 | Other reserve RMB'000 | PRC reserve funds RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 31 December 2018 (Audited) | – | – | – | 72,732 | 22,152 | 154,208 | 249,092 | 1,575 | 250,667 |
| Profit and total comprehensive income for the period | – | – | – | – | – | 20,626 | 20,626 | 413 | 21,039 |
| Issue of restricted shares | –** | – | 8,400 | – | – | – | 8,400 | – | 8,400 |
| Disposal of a subsidiary | – | – | – | – | – | – | – | 90 | 90 |
| Equity-settled share-based payments | – | – | – | 5,590 | – | – | 5,590 | – | 5,590 |
| Distribution to then shareholders of subsidiaries | – | – | – | (230,000) | – | – | (230,000) | – | (230,000) |
| At 30 June 2019 (Unaudited) | –** | – | 8,400 | (151,678) | 22,152 | 174,834 | 53,708 | 2,078 | 55,786 |
| **At 31 December 2019 (Audited)** | **4** | **–** | **449,222*** | **(144,969)*** | **25,197*** | **232,482*** | **561,936** | **1,151** | **563,087** |
| Profit and total comprehensive income for the period | **–** | **–** | **–** | **–** | **–** | **55,299** | **55,299** | **433** | **55,732** |
| Equity-settled share-based payment | **–** | **–** | **–** | **6,333** | **–** | **–** | **6,333** | **–** | **6,333** |
| Repurchase of shares *(Note 18)* | **–** | **(951)** | **–** | **–** | **–** | **–** | **(951)** | **–** | **(951)** |
| Dividends *(Note 8)* | **–** | **–** | **–** | **–** | **–** | **(23,786)** | **(23,786)** | **–** | **(23,786)** |
| **At 30 June 2020 (Unaudited)** | **4** | **(951)*** | **449,222*** | **(138,636)*** | **25,197*** | **263,995*** | **598,831** | **1,584** | **600,415** |

* These reserve accounts comprise the consolidated reserves of RMB598,827,000 (31 December 2019: RMB561,932,000) in the consolidated statement of financial position.

** Amount less than RMB1,000.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

| | Notes | 2020<br>RMB'000<br>(Unaudited) | 2019<br>RMB'000<br>(Unaudited) |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | **78,146** | 37,529 |
| | | | |
| Adjustments for: | | | |
| Interest income | | **–** | (607) |
| Share of loss of a joint venture | *11* | **839** | 1,030 |
| Share of profit of an associate | *12* | **(24)** | – |
| Loss on disposal of items of property, plant and equipment | | **14** | – |
| Listing expenses attributed to listing of existing shares | | **–** | 13,850 |
| Depreciation and amortisation | *6* | **894** | 674 |
| Impairment losses on financial assets | *6* | **4,670** | 4,163 |
| Impairment losses on investment in a joint venture | *11* | **1,930** | – |
| Gain on disposal of a subsidiary | | **–** | (93) |
| Finance cost | *10* | **27** | – |
| Equity-settled share-based payments expense | *6* | **6,333** | 5,590 |
| | | | |
| | | **92,829** | 62,136 |
| Decrease/(increase) in trade receivables | | **36,497** | (2,701) |
| Increase in prepayments and other receivables | | **(12,633)** | (16,734) |
| Increase in contract liabilities | | **40,012** | 31,638 |
| (Decrease)/increase in trade payables | | **(5,284)** | 3,555 |
| Increase/(decrease) in other payables and accruals | | **1,380** | (49,290) |
| | | | |
| Cash generated from operations | | **152,801** | 28,604 |
| Income tax paid | | **(20,814)** | (18,270) |
| | | | |
| Net cash flows from operating activities | | **131,987** | 10,334 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

| | Notes | 2020 RMB'000 (Unaudited) | 2019 RMB'000 (Unaudited) |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | – | 607 |
| Purchases of items of property, plant and equipment | | (825) | (788) |
| Purchases of items of intangible assets | | – | (465) |
| Purchase of investments in principal guaranteed deposits | | – | 200,000 |
| Proceeds from disposal of investments in principal guaranteed deposits | | – | (200,000) |
| Purchase of investments in bank time deposits | | (537,800) | – |
| Acquisition of an associate | 12 | (1,386) | – |
| Disposal of a subsidiary | | – | (546) |
| Net cash flows used in investing activities | | (540,011) | (1,192) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issuance of restricted shares | | – | 8,400 |
| Receipt of shareholder's loan from the ultimate holding Company | | – | 230,000 |
| Distribution to the then shareholders of a subsidiary | | – | (230,000) |
| Listing expenses paid | | – | (15,849) |
| Payment for repurchase of shares | 18 | (951) | – |
| Payment of lease liabilities | 10 | (119) | – |
| Dividend paid by the Company | | (23,786) | – |
| Net cash flows used in financing activities | | (24,856) | (7,449) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (432,880) | 1,693 |
| Cash and cash equivalents at beginning of year | | 606,552 | 354,275 |
| Effect of exchange rate changes on cash and cash equivalents | | 1,295 | – |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | 174,967 | 355,968 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents as stated in the statement of financial position | | 712,767 | 355,968 |
| Less: Time deposits with original maturity of over three months | | (537,800) | – |
| Cash and cash equivalents as stated in the statement of cash flows | | 174,967 | 355,968 |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated on 13 December 2018 in the Cayman Islands. The registered office of the Company is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and the Company's subsidiaries were involved in the following principal activities:

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

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

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

## 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

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

Except for the above amendments to IFRS 9 and IAS 39 and IFRS 7, 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:

### Definition of a Business

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 amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020. The Group adopted the amendments from 1 January 2020, which did not have any impact on the Group's financial statements.

### Definition of Material

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 amendments to IAS 1 and IAS 8 are effective for annual reporting periods beginning on or after 1 January 2020. The Group adopted the amendments from 1 January 2020, which did not have any impact on the Group's financial statements.

## 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 16 | *Covid-19-Related Rent Concessions*[1] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2] |

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

2 No mandatory effective date yet determined but available for adoption

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

### Covid-19-Related Rent Concessions

On 28 May 2020, the International Accounting Standards Board (the IASB or Board) issued Covid-19-Related Rent Concessions – amendment to IFRS 16 Leases (the amendment). The Board amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic.

Many lessors have provided rent concessions to lessees as a result of the covid-19 pandemic. Rent concessions include rent holidays or rent reductions for a period of time, possibly followed by increased rent payments in future periods. Applying the requirements in IFRS 16 for changes to lease payments, particularly assessing whether the rent concessions are lease modifications, and applying the required accounting, could be practically difficult in the current environment. The objective of the amendment is to provide lessees that have been granted covid-19 related rent concessions with practical relief, while still providing useful information about leases to users of the financial statements.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020. The Group expects to adopt the amendments prospectively from 1 January 2021, which will not be expected to have significant impact on the Group's financial statements.

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

### Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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. The amendments are not expected to have any significant impact on the Group's financial statements.

## 3. OPERATING SEGMENT INFORMATION

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

During the period, 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 periods.

As at 30 June 2020, all of the non-current assets were located in the PRC.

## 4. REVENUE

Revenue mainly comprises proceeds from property management services, value-added services and pre-delivery and consulting services to customers. An analysis of the Group's revenue by category for the six months ended 30 June 2020 and 2019 is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Revenue from contract with customers *(Note)*: | | |
| Property management services | **169,045** | 148,626 |
| Value-added services | **49,765** | 48,002 |
| Pre-delivery and consulting services | **42,038** | 39,415 |
| | **260,848** | 236,043 |

*Note:* Revenue from contracts with customers generated from PRC and recognized over the period of providing the services.

For the six months ended 30 June 2020 and 2019, revenue from entities controlled by the Ultimate Holding Company accounted for 17% and 20% of the Group's revenue, respectively. Other than the entities controlled by the Ultimate Holding Company, the Group had a large number of customers and none of whom contributed 10% or more to the Group's revenue for the then periods.

The following table shows the revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Revenue recognised that was included in the contract liability balance at the beginning of the period | **80,609** | 56,457 |

## 4. REVENUE (CONTINUED)

### 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 respective periods.

## 5. OTHER INCOME AND GAINS

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Other income and gains: | | |
| Foreign exchange gain, net | **2,133** | 208 |
| Interest income | **1,885** | 2,124 |
| Government grants | **1,073** | 134 |
| Gain on disposal of a subsidiary | **–** | 93 |
| Others | **65** | 76 |
| | **5,156** | 2,635 |

## 6. PROFIT BEFORE TAX

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

| | *Notes* | **For the six months ended 30 June 2020 RMB'000 (Unaudited)** | For the six months ended 30 June 2019 RMB'000 (Unaudited) |
|---|---|---|---|
| Cost of services rendered | | **157,272** | 159,441 |
| Employee benefit expense (including director's and chief executive's remuneration): | | | |
| Wages and salaries | | **48,518** | 50,368 |
| Equity-settled share-based payment expense | | **6,333** | 5,590 |
| Pension scheme contributions | | **818** | 4,002 |
| Impairment losses on financial assets | | **4,670** | 4,163 |
| Impairment on investment in a joint venture | *11* | **1,930** | – |
| Depreciation of property, plant and equipment | | **637** | 604 |
| Depreciation of right-of-use assets | *10* | **201** | – |
| Amortization of intangible assets | | **56** | 70 |
| Lease payments not included in the measurement of lease liabilities | *10* | **156** | 253 |
| Listing expenses attributed to the listing of existing shares, excluding audit fees | | **–** | 12,250 |
| Auditor's remuneration *(Note (a))* | | **600** | 2,204 |

*Note (a):* Auditor's remuneration for the six months ended 30 June 2019 included a portion of audit fee for the listing of existing shares of the Company of RMB1,600,000.

## 7. INCOME TAX EXPENSE

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Current income tax expense | **25,275** | 16,401 |
| Deferred income tax expense | **(2,861)** | 89 |
| Total tax charge for the year | **22,414** | 16,490 |

(a) Cayman Islands income tax

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

(b) BVI income tax

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

(c) Hong Kong profits tax

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax for the six months ended 30 June 2020 and 2019.

(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 periods on their respective taxable income.

## 8. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Final declared and paid – HK5.2 cents per ordinary share | **23,786** | – |

A final dividend in respect of the year ended 31 December 2019 of HK5.2 cents per ordinary share, amounting to HK$26,000,000 (RMB23,786,000) was approved at the annual general meeting of the Company held on 29 May 2020. As of 30 June 2020, the dividend had been paid. No final dividend for the year ended 31 December 2018 was approved during the six months ended 30 June 2019, and no interim dividend was declared for the six months ended 30 June 2020 and 2019.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2020 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 463,151,000 (2019: 337,500,000) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2020 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 period, 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.

## 9. EARNINGS PER SHARE (CONTINUED)

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation (RMB'000): | **55,299** | 20,626 |
| Adjustment of the proposed dividends for unvested shares under restricted share award scheme (RMB'000): | **–** | – |
| Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000): | **55,299** | 20,626 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (thousands) | **463,151**** | 337,500* |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Restricted share award scheme (thousands) | **36,750** | 31,285 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | **499,901** | 368,785 |
| Basic earnings per share (RMB cents) | **11.94** | 6.11 |
| Diluted earnings per share (RMB cents) | **11.06** | 5.59 |

*Note:*

* Weighted average of 337,500,000 ordinary shares for the six months ended 30 June 2019, being the number of ordinary shares of 375,000,000 in issue upon the completion of the Reorganisation (as defined in the Company's prospectus dated 25 September 2019) in August 2019, excluded the 37,500,000 unvested restricted shares (after subdivision) issued under a restricted share award scheme in January 2019, deemed to have been issued throughout the six months ended 30 June 2019.

** Weighted average of 463,151,000 ordinary shares represented the 500,000,000 ordinary shares in issue for the six months ended 30 June 2020, excluded the 36,750,000 unvested restricted shares and the weighted average of 500,000 ordinary shares repurchased by the Company in May 2020.

## 10. LEASES

The Group has lease contracts for its offices in PRC and Hong Kong used in operations. Lease terms varies between 3 and 5 years and lease payments are paid monthly or yearly. There are other leases for apartments and cleaning machines with lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. No extension or termination options, nor variable lease payments were contained in above lease contracts.

### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

| | **Offices**<br>RMB'000<br>(Unaudited) | **Total**<br>RMB'000<br>(Unaudited) |
|---|---|---|
| As at 1 January 2020 | – | – |
| Additions | 4,665 | 4,665 |
| Depreciation charge | (201) | (201) |
| As at 30 June 2020 | 4,464 | 4,464 |

## 10. LEASES (CONTINUED)

### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the period are as follows:

| | Offices<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|---|---|---|
| Carrying amount at 1 January 2020 | – | – |
| New leases | 4,665 | 4,665 |
| Accretion of interest during the period | 27 | 27 |
| Payments | (119) | (119) |
| Carrying amount at 30 June 2020 | 4,573 | 4,573 |
| Analysed into: | | |
| Current portion | 1,556 | 1,556 |
| Non-current portion | 3,017 | 3,017 |

The maturity analysis of lease liabilities is as follows:

| | As at 30 June 2020 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year<br>RMB'000 | 1 to 2 years<br>RMB'000 | 2 to 5 years<br>RMB'000 | Over 5 years<br>RMB'000 | Total<br>RMB'000 |
| Lease liabilities | 1,614 | 1,614 | 1,552 | – | 4,780 |

## 10. LEASES (CONTINUED)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest on lease liabilities | **27** | – |
| Depreciation charge of right-of-use assets | **201** | – |
| Expense relating to short-term leases or low-value leases (included in cost of sales and administrative expenses) | **156** | 253 |
| Total amount recognised in profit or loss | **384** | 253 |

No right-of-use assets and lease liabilities were recognised at 31 December 2019 because the respective amounts were immaterial.

## 11. INVESTMENT IN A JOINT VENTURE

| | **As at 30 June 2020** | As at 31 December 2019 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Share of net assets | **15,856** | 16,695 |
| Impairment of investment in a joint venture | **(8,017)** | (6,087) |
| | **7,839** | 10,608 |

## 11. INVESTMENT IN A JOINT VENTURE (CONTINUED)

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% |

Qingning is accounted for as a joint venture of the Group because the Group is unable to control the relevant activities of Qingning under the articles of association of Qingning.

In view of indication of impairment arising from operating losses of Qingning, the directors of the Company determined the recoverable amount of investment as of 30 June 2020 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 19.9% (2019: 19.3%).

## 12. INVESTMENT IN AN ASSOCIATE

| | **As at 30 June 2020 RMB'000 (Unaudited)** | As at 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Share of net assets | **1,410** | – |
| Impairment of investment in an associate | **–** | – |
| | **1,410** | – |

## 12. INVESTMENT IN AN ASSOCIATE (CONTINUED)

Particulars of the Group's associate are as follows:

| | Paid-up capital | Place of registration and operation | Principal activity | Percentage of ownership interest attributable to the Group |
|---|---|---|---|---|
| Handan Gangcheng Property Services Co. Ltd. 邯鄲市鋼城物業服務有限公司 ("**Gangcheng**") | RMB3,333,300 | PRC | Property management and related services | 40% |

On 30 April 2020, the Group acquired 40% equity interest of Handan Gangcheng Property Services Co. Ltd. ("**Gangcheng**") for a consideration of RMB1,386,000. The Group has one seat in board of directors of Gangcheng, as well as the 40% equity voting rights, therefore the Group has ability to exercise significant influence over Gangcheng. Thus, Gangcheng was accounted as an associate using equity method.

## 13. TRADE RECEIVABLES

| | **As at 30 June 2020 RMB'000 (Unaudited)** | As at 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| – Related parties *(Note 19)* | **55,277** | 116,716 |
| – Third parties | **95,991** | 71,049 |
| | **151,268** | 187,765 |
| Less: allowance for impairment of trade receivables | **(10,412)** | (5,757) |
| | **140,856** | 182,008 |

## 13. TRADE RECEIVABLES (CONTINUED)

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 is received in accordance with the terms of the relevant agreements, which is due for payment upon the issuance of demand note.

An ageing analysis of the trade receivables as at 30 June 2020 and 31 December 2019, based on the invoice date and net of impairment, is as follows:

| | **As at 30 June 2020 RMB'000 (Unaudited)** | As at 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Within 1 year | **104,030** | 145,724 |
| 1 to 2 years | **18,983** | 19,550 |
| 2 to 3 years | **13,725** | 10,606 |
| 3 to 4 years | **3,185** | 3,421 |
| 4 to 5 years | **475** | 1,367 |
| Over 5 years | **458** | 1,340 |
| Total | **140,856** | 182,008 |

## 14. PREPAYMENTS AND OTHER RECEIVABLES

| | **As at 30 June 2020 RMB'000 (Unaudited)** | As at 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Non-current | | |
| Prepayments | | |
| – Related parties *(Note 19)* | **89,073** | 89,073 |
| Current | | |
| Prepayments | | |
| – Related parties *(Note 19)* | **59** | – |
| – Third parties | **10,064** | 3,039 |
| | **10,123** | 3,039 |
| Deposit | **5,024** | 1,466 |
| Other receivables | | |
| – Related parties *(Note 19)* | **3,684** | 2,314 |
| – Third party | **2,736** | 3,222 |
| | **6,420** | 5,536 |
| Less: allowance for impairment of other receivables | **(1,066)** | (1,067) |
| | **20,501** | 8,974 |

*Note:* Prepayments to the related party mainly represented the payment in advance to a fellow subsidiary of the Group for the purchase of investment properties in accordance with the underlying contract signed in 2019.

## 15. CASH AND CASH EQUIVALENTS

| | **As at 30 June 2020 RMB'000 (Unaudited)** | As at 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Time deposits | **537,800** | 350,000 |
| Cash and bank balances | **174,967** | 256,552 |
| | **712,767** | 606,552 |

At the end of the reporting period, the time deposits and cash and bank balances of the Group denominated in RMB amounted to RMB593,391,000 (31 December 2019: RMB586,108,000). 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 and bank balance 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 one year 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.

## 16. TRADE PAYABLES

| | As at 30 June 2020 RMB'000 (Unaudited) | As at 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Trade payables | | |
| – Related parties *(Note 19)* | **485** | 685 |
| – Third parties | **31,298** | 36,382 |
| | **31,783** | 37,067 |

As at 30 June 2020 and 31 December 2019, the carrying amounts of trade payables approximated their fair values. The trade payables are 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:

| | As at 30 June 2020 RMB'000 (Unaudited) | As at 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Within 1 year | **27,062** | 32,689 |
| 1 to 2 years | **4,268** | 3,821 |
| 2 to 3 years | **–** | 26 |
| Over 3 years | **453** | 531 |
| | **31,783** | 37,067 |

## 17. OTHER PAYABLES AND ACCRUALS

| | **As at 30 June 2020 RMB'000 (Unaudited)** | As at 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Other payables | | |
| – Related parties *(Note 19)* | **10,626** | 10,524 |
| – Deposits and temporary receipts from third parties | **101,820** | 94,874 |
| – Others | **12,454** | 11,511 |
| | **124,900** | 116,909 |
| Payroll payables | **27,044** | 30,287 |
| Other taxes payable | **8,468** | 11,836 |
| | **160,412** | 159,032 |

## 18. SHARE CAPITAL

During the six months ended 30 June 2020, the Company repurchased 500,000 ordinary shares of HK$0.00001 each on The Stock Exchange of Hong Kong Limited for a total consideration of HK$1,040,000 (equivalent to RMB951,000). The repurchased shares were cancelled in July 2020. The repurchased shares were presented as treasury shares with amount of RMB951,000 as at 30 June 2020.

## 19. RELATED PARTY TRANSACTIONS

### (a) Name and relationship with related party

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

### (b) Material transactions with related parties

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Property management service fee | | |
| – Entities controlled by the Ultimate Holding Company | **7,717** | 7,907 |
| Value-added service fee | | |
| – Entities controlled by the Ultimate Holding Company | **8,871** | 8,457 |
| Pre-delivery consulting service fee | | |
| – Entities controlled by the Ultimate Holding Company | **28,734** | 29,781 |
| – Joint ventures of the Ultimate Holding Company | **1,197** | 639 |
| Outsourcing service cost | | |
| – Entities controlled by the Ultimate Holding Company | **–** | (10,619) |

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

## 19. RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Key management compensation

Compensations for key management including directors and chief executive is set out below:

| | For the six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Salaries, allowances and benefits | **2,204** | 1,855 |
| Discretionary bonuses | **480** | 425 |
| Share-based payment | **5,067** | 4,844 |
| Pension scheme contributions | **11** | 62 |
| | **7,762** | 7,186 |

## 19. RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Balances with related parties

| | **30 June 2020 RMB'000 (Unaudited)** | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Receivables from related parties | | |
| Trade receivables *(Note 13)* | | |
| – Entities controlled by the Ultimate Holding Company | **52,541** | 115,952 |
| – Joint ventures of Ultimate Holding Company | **2,736** | 764 |
| Other receivables *(Note 14) (Note (i))* | | |
| – Entities controlled by the Ultimate Holding Company | **3,684** | 2,314 |
| Prepayments *(Note 14)* | | |
| – Entities controlled by the Ultimate Holding Company | **89,132** | 89,073 |
| Total receivables from related parties | **148,093** | 208,103 |
| Payables to related parties | | |
| Trade payables *(Note 16)* | | |
| – Entities controlled by the Ultimate Holding Company | **485** | 685 |
| Other payables *(Note 17) (Note (ii))* | | |
| – Entities controlled by the Ultimate Holding Company | **10,626** | 10,524 |
| Contract liabilities | | |
| – Entities controlled by the Ultimate Holding Company | **456** | 36 |
| Total payables to related parties | **11,567** | 11,245 |

*Notes:*

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

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

## 20. 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.

## 21. EVENTS AFTER THE REPORTING PERIOD

On 3 July 2020, the Company entered into a placing agreement with placing agents for the placing, on a best effort basis, of up to an aggregate of 50,000,000 placing shares at the placing price of HK$2.60 per placing share (the "**Placing**"). The Placing was completed on 15 July 2020. The net proceeds received from the Placing was approximately HK$127.2 million (RMB114.8 million).

## 22. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 21 August 2020.