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)

2021
Annual Report

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. WANG Yanbo *(Chief Executive Officer)*
Mr. HUANG Bo *(Chief Financial Officer)*
(resigned on 15 February 2022)

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Yong *(Chairman of the Board)*
Ms. YANG Yuyan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LUO Ji
Mr. LI Yifan
Mr. WANG Peng *(resigned on 13 April 2021)*
Mr. FU Shaojun *(appointed on 27 July 2021 and resigned on 13 April 2022)*
Mr. SHEN Yuan-Ching *(appointed on 13 April 2022)*

AUDIT COMMITTEE

Mr. LI Yifan *(Chairman)*
Mr. LUO Ji
Mr. WANG Peng *(resigned on 13 April 2021)*
Mr. FU Shaojun *(appointed on 27 July 2021 and resigned on 13 April 2022)*
Mr. SHEN Yuan-Ching *(appointed on 13 April 2022)*

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 *(resigned on 20 May 2021)*
Mr. TSO Ping Cheong Brian
FCPA, FCCA, FCG (CS, CGP), HKFCG (CS, CGP)

AUTHORIZED REPRESENTATIVES

Mr. ZHANG Yong
Mr. TSO Ping Cheong Brian
FCPA, FCCA, FCG (CS, CGP), HKFCG (CS, CGP)

AUDITOR

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Cayman Islands

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CORPORATE HEADQUARTER

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Jinshui District
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Henan Province, PRC

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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Second Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
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Hong Kong

PRINCIPAL BANKERS

China Everbright Bank
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Zhengzhou City
Henan Province, PRC

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

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

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

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

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

OVERSEAS BANKER

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

LEGAL ADVISERS

As to Hong Kong law:

Li & Partners
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Hong Kong

STOCK CODE

1895

COMPANY WEBSITE ADDRESS

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HONOURS AND AWARDS

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to express appreciation for all the continued trust and support to Xinyuan Service, and apologize to all shareholders for the impact on stock trading caused by the irregular internal control mechanism of the Group in the past year. In 2021, the Audit Committee of the Group, together with independent audit institution and compliance consultants, has conducted a comprehensive review and optimization of our internal control and management, continuously improved the Group's internal control mechanism and made our internal management more standardized and transparent. While our internal control capability continued to improve, the Group's business achieved a solid growth in 2021.

On behalf of the Board, I am pleased to present the audited consolidated annual results of Xinyuan Property Management Service (Cayman) Ltd. and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Year**"), and share with you our plans for future development.

2021 marks a challenging year and a year of rapid differentiation in the value of the industry. In the face of the pressure of macro-control of the real estate industry and the impact of public health and natural disasters such as pandemic recurrence and flood attack, the Group's internal and external increments have also been greatly affected. The Group adhered to the principle of long-term vision and sound development, tapped the internal potential in depth, enhanced the operating effectiveness of existing projects, made breakthroughs in external innovation, formed a new growth highlight, and responded to the uncertainty of the external environment with the certainty of our own development.

In 2021, the Group's revenue increased by 17.8% to RMB770 million and profits amounted to RMB124 million. The internal operating capability and potential tapping capability continued to improve, and the saturated rate of property fees increased by 2.55 percentage point compared with the same period of last year. Meanwhile, on the basis of the strengths of internal and external resources and capabilities, we mainly focused on developing stock asset agency segment and external work construction segment. In 2021, the accumulated sales of asset underwriting segment were RMB39.8 million, and the premium was RMB15.6 million, with premium rate of 39%. The operating revenue of stock transformation business such as renewal project and construction amounted to RMB69.5 million.

In 2021, facing with changes in the external environment of the market, the Group's traditional model of relying on the comprehensive engagement with developers has been challenged to a certain extent. Under such circumstances, we have further optimized the business expansion model: first, we have realized the extension from residential operation type to non-residential operation type. In 2021, non-residential operation type accounted for 51% of the Group's newly expanded GFA, and the operation type structure has been further optimized. Secondly, the extension from the incremental market to the stock market was realized, and formed the stock takeover mode of "on-site upgrading, adjustment on property fees, business extension, evident management effectiveness and continuous value improvement" in the stock market. Contracts with Zhengzhou Gude Garden* (鄭州古德佳苑), Zhengzhou Civil Aviation Garden* (鄭州市民航花園), Xinyang Jinding* (信陽金鼎) and other owners' committees were signed during the year, adding 10.03 million square meters of contracted GFA in the whole year. By the end of 2021, the third party accounted for 68% of the Group's contracted GFA, resulting in a more mature market-oriented development trend.

In terms of the improvement of basic services, by focusing on the owners' experience to continuously improve the systematic construction of services, and enhancing the owners' experience and property services leveraging service scenarios design and digital applications, the Group's surveyed property service satisfaction by China Index Academy reached to 92.4 in 2021, representing a year-on-year increase of 2.2 percentage points, and the continuous improvement of service satisfaction was also an important manifestation of our service capability.

In 2021, the Group's digital construction capacity has also been further enhanced, with smart community construction and internal business-financial platform building as the core, continuously empowering internal management and owner services. The smart community, together with Hikvision, has carried out the construction and upgrading of the smart community, and has completed the smart community 1.0–4.0 scenario of 59 projects. By focusing on core system construction, such as internal business-financial integration and energy consumption platform, we continued to improve the internal digital management capability. Meanwhile, we continued to build our own core scientific and technological capabilities, so far the property company has a total of 11 soft copyrights. Through the integration of new tools, intelligent products and platform applications as well as multi-resources, we comprehensively improved the efficiency of on-site operation and management, and achieved an increase in per capita output by 12%, per square meter revenue by 10%, and per capita GFA under management by 8% in 2021.

The year 2021 was also a year in which the Group's social responsibility was fully demonstrated, especially in the 720 flood rescue in Zhengzhou and the fight against pandemic in various places. The Group's fully-prepared plan and the quick responses, together with professional and humanized response, effectively reduced the losses caused by natural disasters and public health to customers. The Company played a key role in the process of community governance, and the value of quasi-public service has been further demonstrated. We received more than 50 reports from Henan Daily, Dahe Daily and other mainstream media, among which the number of page views of Zhengzhou Central Garden flood relief report has exceeded 15 million.

In terms of enhancing industry influence, we won 15 honors, such as TOP15 of 2021 Top 100 Property Management Companies in China, 2021 Leading Listed Company in China Property Management Service in Asset Growth, 2021 Top 100 of Most Valuable Brand of China Property Management Services and leading enterprise in market operation, which has continued to improve its industry influence.

While the business growing steadily, the Group has further strengthened its planning and upgrading of its own development model. In 2021, the Group carried out internal management upgrading and improving of the system around three dimensions, namely strategic upgrading, organizational upgrading and service upgrading.

In terms of strategic upgrading, based on the new strategic positioning as a "pan-property, pan industry smart operator", the Group made its overall arrangement by focusing on the six main directions of scale expansion, quality and efficiency improvement, data and intelligence empowerment, industry cultivation, value addition and potential exploration as well as talent development. We defined three major development tracks, namely Xin-properties, Xin-industries and Xin-technology. Xin-properties put forward the strategic expansion pattern of "1+4+N", constructed the development pattern of comprehensive operation portfolio, and continuously optimized the operation type structure; Xin-industries constructed the in-depth industry layout around the three dimensions of life service, asset operation and professional service; Xin-technology gradually cultivated the professional service capability for small and medium-sized enterprises on the basis of its own scientific and technological upgrading.

Organizational upgrading focused on the principle of specialized headquarters, stronger regions and practical industry, so as to enhance group control capability, improve organizational efficiency, implement agile management, and form supporting mechanisms such as departmental responsibilities, post responsibilities, power and responsibility system, and system plans. We established large central system at headquarters, strengthened the horizontal coordination of business, set up regional business sharing center among business departments so as to implement agile organizational management, reduce the middle level, and focus on customers and business. Operation mechanism of the business department was gradually established in the industry, which enhanced the market-oriented competitiveness, and grew bigger and stronger.

In terms of service upgrading, the Group completed the upgrading of 4.0 service system of Xin-service, set up eight differentiated service systems around three major spaces, formed a diversified service system brand matrix, and strengthened the service capabilities of multi-operation types, multi-dimension and full scenarios, laying a foundation for brand upgrading and market-oriented diversified expansion. The upgrading work of the three dimensions will further clarify the direction and lay the foundation for the Group's development in the next three to five years.

In the course of future development, the Group will persist in creating distinctive features and converging advantages, with its own sound development capability to respond to the uncertainty of the external environment. By focusing on the three major development directions of Xin-properties, Xin-industries and Xin-technology in the three-year strategic plan to make the innovative layout of business model, we continue to optimize the three-wheel drive model of property + industry + technology.

On the basis of focusing on service, tamping the foundation, ensuring the quality of service and business development, Xin-properties innovates diversified cooperation models, extends continuously from increment to stock, ensures the expansion quality, brings forth new ideas to development path, and further optimizes the operation type structure.

Xin-industry transforms from resource-based development to capability-based development, and makes rapid layout by virtue of the professional ability strengths. Xin-industry rapidly expands business scale through extends from endogenous growth to exogenous growth.

Xin-technology extends from internal empowerment to external empowerment, and supports scale increment through technology. Xin-technology will progressively transform from internal construction to an internet of industries, and change its role from internal solution provider to industrial solution provider.

APPRECIATION

On behalf of the Board, I would like to extend my gratitude to our shareholders, business partners and customers for their trust and support, and to all staff members and the management team of the Company for their hard work.

When a fresh wind blows, it's time to raise our sails. In 2022, capability upgrading is the core orientation of the Group's development. We will focus on scale improving, service upgrading, business innovation, industrial layout and technology empowerment based on the three dimensions: Xin-property, Xin-industry and Xin-technology. We will keep thinking while developing, and take action to turn our dreams into reality. With a more focused and pragmatic style, we will renovate the service portfolio, enhance capacity, adapt to change, make innovation and development as well as walk steadily over great distances, striving to reciprocate all shareholders for their trust with more sound development and better results.

ZHANG Yong
Chairman and non-executive Director

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is a comprehensive property management service provider with widespread influence and robust growth. We strive to be an intelligent leading pan-property, pan-industry operator. In 2021, we were recognised by Shanghai E-House China R&D Institute and China Real Estate Appraisal Centre as a 2021 Top 100 of Most Valuable Brand of China Property Management Service, 2021 Top 20 Branded Property Management Company in Central China, and 2021 Featured Brand of China Property Management Service-Xin-services. We also awarded as 2021 Top 100 Property Management Companies in China by China Index Academy and 2021 Leading Listed Company in China Property Management Service in Asset Growth by Shanghai E-House China R&D Institute and China Real Estate Appraisal Centre.

As at 31 December 2021, the Group's property management services spanned 52 cities across China and were provided to over 220,000 households. Contracted gross floor area ("**GFA**") amounted to 63.04 million sq.m., of which GFA under management amounted to 37.41 million sq.m., representing a year-on-year increase of 18.9% and 7.9% respectively.

In 2021, the Group achieved a revenue of RMB770 million, representing a year-on-year increase of 17.8%, with net profit of RMB124 million.

Our business covers various property types, including residential properties and non-residential properties (such as commercial offices, office buildings, business parks, industrial parks, government buildings). We provide comprehensive property services and value-added services by focusing on property life cycle, owner's community living and developer's stock assets.

We adhered to the concept of "creating and sharing smart cities and homes", consistently and focused on core IP of "high cost-performance ratio, high satisfaction, high service experience". We dedicated to provide all-round professional property management services for customer through continuously innovating its service system and service standard. In 2021, the Group established Xin-service 4.0 covering three major spaces and eight major service systems based on residential properties, non-residential properties and city service, striving to provide our users with a more professional and high quality service.

PROPERTY MANAGEMENT SERVICES

Robust growth in scale

The Group maintained a robust growth in scale strategy. In 2021, taking traditional model of comprehensive engagement with developers' properties as its core, the Group continued to optimize its business structure and achieved robust growth in scale, through a proactive development of the stock market and non-residential market, and expansion of owner's committee projects, business parks, complexes and industrial parks.

As of 31 December 2021, we have provided property management service and value-added service in 52 cities in PRC. Contracted GFA was approximately 63.04 million sq.m. from a total of 275 contracted properties, representing a year-on-year growth of 18.93% and 16.03% respectively. GFA under management amounted to approximately 37.41 million sq.m. from a total of 196 properties under management, representing a year-on-year growth of 7.91% and 11.36% respectively.

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

	Year ended 31 December			
	2021		2020	
	Contracted GFA '000 sq.m.	**GFA under Management '000 sq.m.**	Contracted GFA '000 sq.m.	GFA under Management '000 sq.m.
At the beginning of the year	**53,004**	**34,667**	37,034	20,064
Addition				
Internal	**1,847**	**985**	1,162	557
External	**8,428**	**1,937**	15,014	14,148
Termination	**243**	**179**	206	102
At the end of the year	**63,036**	**37,410**	53,004	34,667

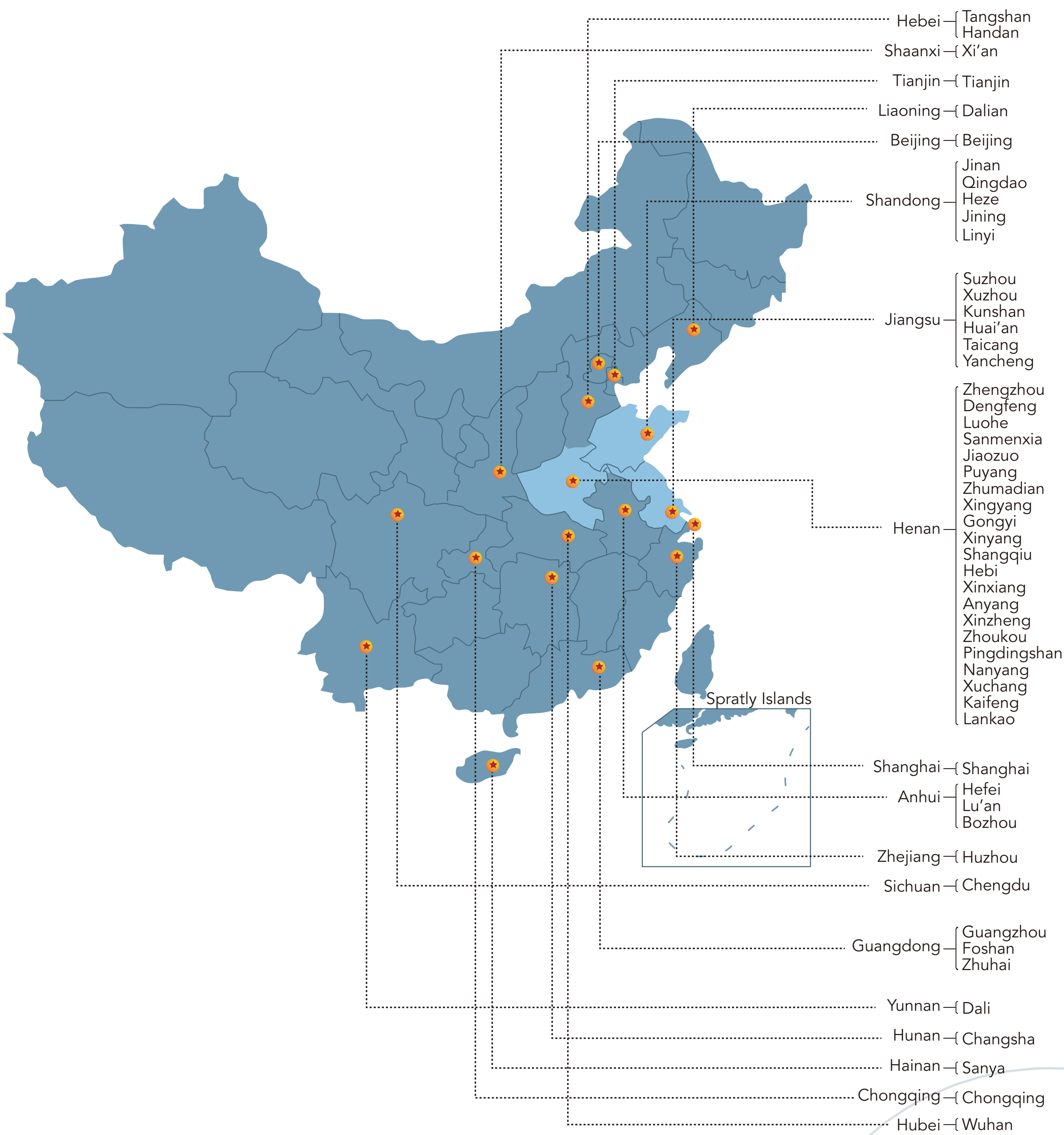
Notes:

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

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

Our geographical coverage

In 2021, we conducted a plan on nationwide presence of "1+4+N". Geographically, the Group focused on Central China while developing its presence in the Bohai Economic Rim, Yangtze River Delta, Pearl River Delta and Greater Southwest, so as to increasing regional presence. The Group achieved a breakthrough on areas covering Wuhan, Linyi, Jining, Heze, Bozhou and others. As of 31 December 2021, our geographical coverage expanded from Zhengzhou to 52 cities in PRC.



The following table sets out GFA under management as at the dates indicated, and a breakdown of total revenue from property management service by geographical region for the years ended 31 December 2021 and 2020:

	Year ended 31 December					
	2021			2020		
	GFA '000 sq.m.	**Revenue RMB'000**	**Percentage share**	GFA '000 sq.m.	Revenue RMB'000	Percentage share
Central China	**16,867**	**437,802**	**56.9**	15,049	392,759	60.1
Eastern China	**6,420**	**167,412**	**21.7**	6,112	167,983	25.7
Western China	**12,262**	**28,679**	**3.7**	11,889	24,532	3.7
Northern China	**1,638**	**29,274**	**3.8**	1,506	18,740	2.9
Southern China	**223**	**107,009**	**13.9**	111	49,688	7.6
Total	**37,410**	**770,176**	**100.0**	34,667	653,702	100.0

Notes:

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

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

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

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

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

Robust and high quality growth of scale

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

Previously, the Group mainly cooperated with third party developers who engage the Group during the project planning and marketing stages to provide support for marketing and property branding, as well as operations and management of the property projects in the later stages. On such basis, in 2021, we further extended the model and cooperated with the owners' committees, government, enterprises and institutions of the existing project to realize the expansion of the comprehensive engagement from increment to stock and from residential operation type to non-residential operation type.

In 2021, for comprehensive engagement, we made efforts to deepen our business in the Henan market, and we achieved the expansion of regional projects such as Heze Huajing Ming City* (菏澤華景銘城), Ziwei Mansion* (紫薇公館), Zijin City* (紫金城), and Xuzhou Shengshi Mingmen* (徐州盛世名門). Meanwhile, in terms of the expansion of the existing project, we renewed the contract with Zhengzhou Gude jiayuan* (古德佳苑) owner's committee, and signed contracts with Zhengzhou Civil Aviation Garden* (鄭州民航花園) and Xinyang Jinding* (信陽金鼎) owner's committee.

In terms of stock expansion, we have formed a model for stock expansion covering "on-site upgrading, adjustment on property fees, business extension, evident management effectiveness, and continuous value improvement". Taking Zhengzhou Civil Aviation Garden as an example, we entered into a contract with owners' committees in relation to the increase of property fees through improving on-site service quality and its effectiveness, took over heating operation and carried out various businesses based on fundamental property services. In the process of fighting against the flood in Zhengzhou and the pandemic, our service was highly recognized by owners and government departments, achieving continuous improvement on owners' satisfaction and charge rate. Meanwhile, we were awarded RMB50,000 by the government due to excellent on site management and control effectiveness.

In 2021, the Group's third party GFA under management and percentage share of property management service revenue is as follows:

	Year ended 31 December					
	2021			2020		
	GFA '000 sq.m.	**Revenue RMB'000**	**Percentage share**	GFA '000 sq.m.	Revenue RMB'000	Percentage share
Xinyuan Real Estate Group	**14,278**	**294,165**	**66.0**	13,294	279,178	73.5
Independent third parties	**23,132**	**151,866**	**34.0**	21,373	100,682	26.5
Total	**37,410**	**446,031**	**100.0**	34,667	379,860	100.0

Notes:

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

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

Property management portfolio with diverse operation types

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

In 2021, we achieved expansion on Non-residential operation type such as Yellow River Nursing Vocational College and Henan Museum and other schools, as well as expansion on public building services. We achieved expansion on industrial park operation type of Jining Zhongke Food* (濟寧眾客食品), Chongqing Sanfeng Environmental Power Generation Limited* (重慶三峰環保發電有限公司), Shandong Linyi Baiyan Technology Ecological Agriculture Comprehensive Demonstration Park* (山東臨沂白彥科技生態農業綜合示範園) and other projects.

A breakdown of property management service revenue from developed properties by property types for the years ended 31 December 2021 and 2020:

	Year ended 31 December					
	2021			2020		
	GFA '000 sq.m.	Revenue RMB'000	Percentage share	GFA '000 sq.m	Revenue RMB'000	Percentage share
Residential	**24,074**	**357,247**	**80.1**	22,334	327,706	86.3
Non-residential	**13,336**	**88,784**	**19.9**	12,333	52,154	13.7
Total	**37,410**	**446,031**	**100.0**	34,667	379,860	100.0

Value-added services

In 2021, based on the upstream and downstream of the property and surrounding industrial chain, we continued to deepen the business layout and improve the service capacity of the diverse operation types and the whole industrial chain. The operation mode of the pan-property and pan-industry was gradually clear and mature. By virtue of the strengths of internal and external resources and capabilities of the property company, we lay emphasis on innovative breakthroughs in the three major areas covering owners' home living services, assets revitalization services and life-cycle services for properties. Value-added services achieved sound development in 2021, with annual revenue of RMB148.4 million and growth rate of 12.4%.

In terms of life services for owners, based on the needs of owners, we provided differentiated service products according to the owner's common needs and individual needs, focusing on improving users' activity and stickiness. Relying on "Xiaoxin U-Pick" platform, we focused on creating a series of competitive products, providing owners with high-quality daily necessities, and providing owners with a variety of housekeeping services through Xinyi Better Life* (鑫怡美好生活). The revenue of competitive products such as water, eggs, and milk doubled throughout the year. The revenue of "Xiaoxin U-Pick" Mall increased by 45.2% year-on-year, and housekeeping services increased by 1,000% year-on-year.

The following table sets out the breakdown of the community value-added for the year ended 31 December 2021 and 2020:

Value-added services	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Utilities payment services	**28,576**	**19.3**	31,414	23.8
Public space resource management	**49,306**	**33.2**	60,337	45.7
Household living services	**70,510**	**47.5**	40,239	30.5
Total	**148,392**	**100.0**	131,990	100.0

Notes:

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

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

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

Pre-delivery and consulting services

Leveraging on the Group's professional property management experience of 23 years, we offer tailored pre-delivery and consulting services to property developers to help enhance the competitiveness of the property development.

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

In respect of specialized work construction, we established the EPC+CDI model for smart community construction, and expanded towards transform of stock communities, construction by external developers and other aspects. New business in elevator additions and maintenance construction with funds has been explored, which made a gradual improvement on our business capacity. In 2021, we carried out 42 batches of stock business transformation such as renewal projects and construction, as well as two batches of business such as elevator additions and maintenance construction with funds, achieving the revenue of RMB69.5 million.

Pre-delivery and consulting services revenue in 2021 were RMB175.8 million, representing an increase of 23.9%.

Pre-delivery and consulting services	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Early stage involvement	**13,408**	**7.6**	19,997	14.1
Property sales venue services	**53,619**	**30.5**	41,004	28.9
Venue "warm up" events fees	**9,821**	**5.6**	25,851	18.2
Construction settlement income	**69,548**	**39.6**	34,184	24.1
Parking space management income	**27,900**	**15.9**	19,831	14.0
Others	**1,457**	**0.8**	985	0.7
Total	**175,753**	**100.0**	141,852	100.0

OUTLOOK

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

I. Xin-property

On the basis of focusing on services and consolidating the foundation with the aim to ensure service quality and business development quality, we brought forth new ideas in diversified cooperation model, continuously expanding from increment to stock, innovating development path while ensuring expansion quality, and further optimizing business structure.

In terms of basic services, we took the implementation of Xin Service 4.0 as a starting point, improved service quality, enhanced customer perception and experience by exploring the real needs of customers, focusing on the actual issues of business, stimulating the motivation of employees, giving full play to the real effectiveness of data and building the capability of the team, and continuously enriching the connotation and extension of services. We focused on strengthening the implementation and benchmarking of standards, established a differentiated brand matrix, strengthened refined management and the ability of precise service and consolidate the foundation of property services.

In terms of scale development, based on the development layout of "1+4+N", we focused on the five core regions of Central China, Bohai Economic Rim, Yangtze River Delta, Pearl River Delta and Southwest China to carry out in-depth business layout and cultivate regional presence in depth.

We strengthened the leading position of Central China with focus on the markets of Henan province and Hubei province. Meanwhile, we increased the layout of the other four regions. Bohai Economic Rim region took comprehensive engagement as its core, consolidated the market position and strengthened the management density; Yangtze River Delta focused on comprehensive engagement + merger, the Pearl River Delta took merger as the core to increase the market layout, forming regional characteristics brand. Meanwhile, we took the regions deployed as the core, optimized the quality of the project, and extended to all parts of the country.

In relation to the expansion strategy, we will focus on the principle of "low cost and steady growth", rely on the creation of diversified service capabilities, the construction of a full industry chain service ecology, and the creation of a red property brand, innovate diversified cooperation models on the basis of the existing the expansion of comprehensive engagement , and take the stock property market such as urban renewal, the reform of receptions, office cars and overseas trips of state-owned enterprises and the cooperation of state-owned enterprises as new growth poles. We actively seek acquisition opportunities of quality projects in the market, and formulate and expand a multi factor-driven strategy.

II. Xin-industry

Focusing on industrial chain to expand horizontally and vertically, we transformed from resource-based development to capability-based development, and made rapid layout relying on the strengths of professional capabilities. We rapidly expands business scale through extends from endogenous growth to exogenous growth.

In terms of vertical industry chain extension, we build the front-end and back-end industry chain ecology with focuses on the upstream and downstream industry chain of property through the continuous development of engineering construction, intelligent community construction, specialized services, community stock asset services and other businesses.

In terms of horizontal diversification, Xin-industry focuses on the needs of owners in the full life cycle of community services, with emphasis on community child care, community pension, family services, life services and other areas, constructing community service ecology.

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

In terms of the layout of Xin-industry, based on the advantages of internal and external resources and capabilities, we cultivate superior business with scale doubled. We will make transition from resource-based development to capability-based development, deeply couple with external industrial chain, innovation chain, supply chain, element chain and policy chain, grow bigger and stronger in a rapid manner, and extend from endogenous development to exogenous development. Currently, the Group has widespread coverage over areas such as preliminary engineering construction, smart community construction, old district redevelopment, long-term apartment rental, housekeeping, professional companies, cultural industries and community elderly care. In the next three to five years, the Group will maximise efforts on developing and expanding the scale of its core industries, and develop market-based expansion capabilities to grow new segments.

III. Xin-technology

Xin-technology extends from internal development to external development, and supports scale increment through science and technology. Xin-technology will progressively transform from internal construction to an internet of industries, and change its role from internal solution provider to industrial solution provider.

Based on internal business empowerment, Xin-technology continues to form external output capacity, industrial service capacity, achieving steady industrialization of its technology business. By virtue of the effective integration of property resources and elements through informatisation, digitalization and intelligence, we will improve the efficiency of the use of property resources and elements, forming a new business model and business model through innovative combination and use of resources and elements, producing greater value, and realizing the digital transformation of the enterprise itself.

With digital transformation of service and management as it objective, internal information construction focuses on the core goals such as owner experience, business empowerment, management promotion and digital transformation, and internal digital platform will be built based on business-financial integration, the data center, and IoT platform. Digitization promotes and empowers fine business management, efficiency of works at all levels and management efficiency, and continues to improve the Company's core competitiveness.

In respect of external growth, on the one hand, we based on the smart community construction project, encapsulating the smart community construction model, and laying a solid foundation for the formation of external expansion capability; on the other hand, by focusing on the new demands of external partners add making breakthrough from a single point, we formed external technology empowerment capability, constantly expanded the scope of services, and built external empowerment capability strength.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group recorded revenue of approximately RMB770.2 million (corresponding period in 2020: approximately RMB653.7 million), representing an increase of approximately 17.8% as compared to corresponding period of previous year.

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

	Year ended 31 December			
	2021		2020	
	Revenue RMB'000	Percentage %	Revenue RMB'000	Percentage %
Property management services	**446,031**	**57.9**	379,860	58.1
Value-added services	**148,392**	**19.3**	131,990	20.2
Pre-delivery and consulting services	**175,753**	**22.8**	141,852	21.7
Total	**770,176**	**100.0**	653,702	100.0

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin by its business lines during the record period:

Segment	2021		2020	
	RMB'000	%	RMB'000	%
Property management services	**104,260**	**23.4**	109,365	28.8
Value-added services	**102,162**	**68.8**	89,317	67.7
Pre-delivery and consulting services	**59,735**	**34.0**	58,990	41.6
	266,157	**34.6**	257,672	39.4

The Group's gross profit for the Year amounted to RMB266.2 million, representing a growth of 3.3% over RMB257.7 million in 2020. Gross profit margin decreased to 34.6% from approximately 39.4% in 2020.

Gross profit margin of property management services was 23.4%, representing a decrease of 5.4 percentage points as compared to 28.8% in 2020. The decrease in gross profit margin for property management services was mainly due to (i) the cancellation of the social insurance exemption policy by the government during the period, resulting a slight increase of labor costs; (ii) relatively lower gross profit margin of property management service business in respect of new industrial park and business park; and (iii) the cost of flood rescue and order restoration of property management projects increased during the "July 20" flood in Zhengzhou.

Gross profit margin of value-added services was 68.8%, representing an increase of approximately 1.1 percentage points as compared to 67.7% in 2020, mainly due to the increase in income from living services of owners such as cleaning and housekeeping, while the increase in the cost of sales of related services was relatively small due to economies of scale.

Gross profit margin for pre-delivery and consulting services was 34.0%, representing a decrease of approximately 7.6 percentage points as compared to 41.6% in 2020. Such decrease in gross profit margin for pre-delivery and consulting services was due to initial funding and higher costs arising from expansion of our product and service product (in particular repairs and smart engineering services) portfolio and scale, which led to an increase in staff costs and expenses paid to third parties and subcontracts for subcontracting works arising from provision of such services, in turn causing an adverse impact to our gross profit margin.

Administrative expenses

The Group's administrative expenses for the Year amounted to RMB73.0 million, representing an increase of 29.0% as compared to RMB56.6 million in 2020, also representing 9.5% of revenue (2020: representing 8.7% of revenue). The increase was mainly due to (i) the cancellation of the preferential policy of reduction and wavier of social insurance by the state leading to the increase in cost of social insurance; and (ii) professional service expenses such as lawyers' fees for the resumption of listing of the Company increased.

Other income

The Group's other income for the Year amounted to RMB26.1 million, representing an increase of 118% as compared to RMB12.0 million in the previous year. Such increase was mainly attributable to several factors, such as (i) interest compensation of capital occupancy of RMB4.1 million received within the Group; and (ii) interest income received increased by approximately RMB10.4 million in 2021.

Income tax

The Group's income tax expenses for the Year amounted to RMB51.4 million. The income tax rate was 29.3% (corresponding period in 2020: 31.4%). The decrease in income tax rate for the Year was mainly attributable to the increase of the deferred income tax assets recognised in the current period.

Profit

The Group's net profit for the Year amounted to RMB124.1 million, representing a decrease of 5.9% as compared to RMB131.9 million in the corresponding period last year. Net profit margin was 16.1%, representing a decrease of 4.1 percentage points as compared to 20.2% in the corresponding period last year, primarily owing to (i) increased provision ratio of impairment of financial and contractual assets; (ii) increased professional service fees including legal fees related to resumption work of the Company.

Profit attributable to the Company's shareholders for the Year amounted to RMB122.6 million, representing a decrease of 6.5% as compared to RMB131.2 million in the corresponding period last year. Basic earnings per share was RMB22.21 cents.

Current assets, reserves and capital structure

The Group maintained a sound financial position during the Year. As at 31 December 2021, current assets amounted to RMB1,141.8 million, representing a growth of 0.6% as compared to RMB1,134.8 million as at 31 December 2020.

As at 31 December 2021, the Group's total equity was RMB914.9 million, representing an increase of RMB117 million or 14.7% as compared to RMB797.9 million as at 31 December 2020, mainly due to the increase in economic income.

Property, plant and equipment

As at 31 December 2021, the Group's net property, plant and equipment amounted to RMB9.6 million, representing a growth of 7.9% as compared to RMB8.9 million as at 31 December 2020, mainly due to additions of office equipment machinery equipment to cope with the Group's expansion of scale in 2021.

Other intangible assets

As at 31 December 2021, the book value of the Group's other intangible assets was RMB2.2 million, representing a growth of 123.7% as compared to RMB1.0 million as at 31 December 2020. The Group's intangible assets mainly comprise (i) the Xinyuan Property Integrated Management Platform System; (ii) the Xinyuan Property Call Centre System; (iii) the electronic invoice tax control invoicing system; (iv) FineReport software and (v) cost management system.

Trade receivables

As at 31 December 2021, trade receivables amounted to RMB258.2 million, representing a growth of 8.1% as compared to RMB238.8 million as at 31 December 2020, mainly due to the growth in the Group's GFA under management driving the growth of the respective business.

Prepayments and other receivables

Our prepayments and other receivables mainly comprised (i) prepayments to a related party; (ii) prepayments to third parties; and (iii) other receivables. As of 31 December 2021, the Group's prepayments and other receivables was approximately RMB342.1 million, representing an increase of approximately RMB230.2 million as compared to approximately RMB111.9 million as at 31 December 2020. The increase was mainly due to the payment of earnest money by the Group to Xinyuan Group for the exclusive sales of car parking space.

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

Our prepayments to third parties mainly comprised prepayments made to utility suppliers and subcontractors. Our prepayments increased from approximately RMB7.5 million as at 31 December 2020 to approximately RMB12.0 million as at 31 December 2021. Such increase was mainly attributable to the increase in prepayments made to our suppliers and subcontractors as a result of the increase in the Group's GFA under management leading to the increase in engagements with them.

Our other receivables mainly represent deposits, prepayments on behalf of property residents and amount due from third parties. Our other receivables increased from approximately RMB15.3 million as at 31 December 2020 to approximately RMB222.4 million as at 31 December 2021. Such increase was mainly attributable to the increase in the Group's GFA under management and business growth during the Year.

Trade payables

As at 31 December 2021, trade and other payables amounted to RMB102.9 million, representing a growth of 133.7% as compared to RMB44.0 million as at 31 December 2020. The increase was mainly attributable to the increase in the amount of outstanding payables for goods during the current period.

Other payables and accruals

The Group's other payables and accruals mainly comprised (i) non-trade payables to related parties; (ii) deposits and temporary receipts from property owners; and (iii) payroll payables and other taxes payable. As of 31 December 2021, the Group's other payables and accruals (other than contract liabilities) amounted to approximately RMB249.9 million, representing an increase of approximately 17.0% as compared to approximately RMB213.5 million as at 31 December 2020. Such increase was mainly attributable to the increase in the Group's GFA under management and business growth during the Year.

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 of 31 December 2021, our contract liabilities was approximately RMB138.8 million, representing an increase of 11.8% as compared to approximately RMB124.1 million as at 31 December 2020, mainly due to the increase in the Group's GFA under management and the number of customers during the Year.

Borrowings

As of 31 December 2021, the Group had no borrowings or bank loans.

Gearing ratio

Gearing ratio is calculated by dividing total borrowings by total equity, based on the sum of long-term and short-term interest-bearing bank loans and other borrowings as at the corresponding date divided by the total equity on the same date. As at 31 December 2021, gearing ratio was nil.

Pledged assets

As at 31 December 2021, the Group had no pledged assets.

Material acquisition

The Group had no material acquisition during the Year.

Material disposal

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

Significant investment

On 25 January 2021, Xinyuan Science and Technology Service Group Co., Ltd. ("**Xinyuan Science**") (an indirect wholly-owned subsidiary of the Company), Beijing I-Journey Science and Technology Development Co., Ltd.* (北京愛接力科技發展有限公司) ("**Beijing I-Journey**"), Beijing Ruizhuo Chaoyun Technology Group Co. Ltd.* (北京瑞卓超雲科技集團有限公司), Ms. Leung Lai Shan and Beijing Future Xinzhihui Technology Development Centre (Limited Partnership)* (北京未來鑫智慧科技發展中心(有限合夥)) (collectively, the "**Parties**") entered into the capital injection agreement (the "**Capital Injection Agreement**"), pursuant to which, Xinyuan Science has agreed to inject capital in the sum of approximately RMB30,000,000 (equivalent to approximately HK$36,000,000) into Beijing I-Journey, of which RMB10,000,000 (equivalent to approximately HK$12,000,000) would be included in the registered capital of Beijing I-Journey and the remaining RMB20,000,000 (equivalent to approximately HK$24,000,000) would be included in the capital reserve (資本公積金) of Beijing I-Journey (the "**Capital Injection**"). Upon completion of the Capital

Injection, the Company would indirectly hold 20% of the equity interest in Beijing I-Journey and Beijing I-Journey would not become a subsidiary of the Company. On 8 March 2021, the Parties mutually agreed not to proceed with the Capital Injection and entered into a termination agreement (the "**Termination Agreement**") to terminate the Capital Injection Agreement. With effect from the date of the Termination Agreement, all rights and obligations under the Capital Injection Agreement shall cease to have effect, and neither Party shall make any claims against the other Parties for fees or breaches in connection with the Capital Injection Agreement. Please refer to the announcements of the Company dated 25 January 2021 and 8 March 2021 for further details.

Save as disclosed above, the Company did not make any significant investments during the year ended 31 December 2021.

Save as disclosed in this report, the Group did not have any specific plans for significant investment or capital assets acquisition during the Reporting Period.

Contingent liabilities

As at 31 December 2021, the Group had no significant contingent liabilities.

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 foreign exchange risk and take cautionary measures to minimise foreign exchange risk.

Use of Proceeds from the Listing

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

Up to 31 December 2021, the Group utilised approximately RMB71.3 million of the Listing Net Proceeds, with approximately RMB125.9 million of which remained unutilised (the "**Unutilised Listing Net Proceeds**"). Details of the use of the Listing Net Proceeds are as follows:

Use of Listing Net Proceeds	Planned use of Listing Net Proceeds to be used RMB million	Actual use of Listing Net Proceeds from the Listing Date to 31 December 2020 RMB million	Unutilised Listing Net Proceeds up to 31 December 2020 RMB million	Actual use of Listing Net Proceeds from 1 January 2021 to 31 December 2021 RMB million	Unutilised Listing Net Proceeds up to 31 December 2021 RMB million	Expected timeline for the use of the Unutilized Listing Net Proceeds[5]
To expand our property management services, seek strategic acquisition and investment opportunities	118.3	20.0[1]	98.3	2.2[1]	96.1	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	11.5	18.1	11.3[2]	6.8	Expected to be fully utilised on or before 30 September 2022
To upgrade and develop our own information technology and smart systems	29.6	2.9[3]	26.7	3.7[3]	23	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	54.1	143.1	17.2	125.9	

Notes:

1. Approximately RMB7.4 million and RMB14.8 million were used, respectively, for the payment for (i) the fees in relation to the development of the scale of our property management services and marketing and promotion of our property management services; and (ii) the consideration for the capital contribution to Handan Gangcheng Property Service Co., Ltd.* (邯鄲市鋼城物業有限公司) and the acquisition of 100% equity interest in Chongqing Heavy Truck Group Hongqi Property Co. Ltd.* (重慶重型汽車集團鴻企物業有限公司). As disclosed in the Prospectus (as defined below), the Group intends to actively expand our property management services by strategically acquiring or investing in quality property management companies who have a regional scale of business operations. Since 2021, the Group has still selected for appropriate property management service providers with value for purchase or investment in a cautious manner, so as to bring maximum returns to the Company and shareholders.

2. Approximately RMB11.3 million was used for operating on-site software and hardware, space decoration, investment in intelligent operation equipment, investment in new business cultivation, promotion, product and business incubation and others. 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 RMB6.6 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 overall planning for digital development, and 2022 is the key year for the Group's digital upgrading. Core system construction such as internal ERP upgrade, HER construction and comprehensive business-financial integration will be completed, and the middle-end data platform and union of things platform will be fully completed, which will further enhance the Company's internal operation and management efficiency and core competitiveness.

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

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

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

(i) Approximately RMB96.1 million of the Unutilised Listing Net Proceeds will be used to expand our property management services, seek strategic acquisition and investment opportunities;

(ii) Approximately RMB6.8 million of the Unutilised Listing Net Proceeds will be used to expand the types of services offered in our value-added services business line; and

(iii) Approximately RMB23 million of the Unutilised Listing Net Proceeds will be used to upgrade and develop our own information technology and smart systems.

Note: Approximately 10% of the Listing Net Proceeds for funding our working capital needs and other general corporate purposes have been fully utilised.

As at 31 December 2021, the Unutilised Listing Net Proceeds were placed at a licensed bank in the PRC. The Directors are not aware of, and do not anticipate any material delay or change in the use of proceeds, and will continue to assess the plans in relation to the planned allocation of the Listing Net Proceeds as set out in the Prospectus, the annual reports and the interim reports of the Company. The Directors may modify or amend the relevant plans as necessary in order to address the changing market conditions, and strive for the Group to achieve better business performance.

Use of Proceeds from the 2020 Placing

Reference is made to the Company's announcements dated 3 July 2020 and 15 July 2020 (collectively, the "**2020 Placing Announcements**"). On 3 July 2020, the Company entered into a placing agreement (the "**Placing Agreement**") with Guotai Junan Securities (Hong Kong) Limited and Valuable Capital Limited (the "**2020 Placing Agents**"), pursuant to which, the 2020 Placing Agents (each on a several but not joint nor joint and several basis) conditionally agreed to procure, as agents of the Company, not less than six (6) placees (the "**2020 Placees**") on a best effort basis for up to an aggregate of 50,000,000 ordinary shares of the Company at the placing price of HK$2.60 per placing share on the terms and subject to the conditions set out in the Placing Agreement (the "**2020 Placing**"). The maximum aggregate nominal value of the placing shares under the 2020 Placing is HK$500. The market price of the placing shares was HK$2.86 per share as quoted on the Stock Exchange on 3 July 2020, being the date of the Placing Agreement. The net price of the placing shares was approximately HK$2.54 per share.

The Directors considered that the 2020 Placing will strengthen the Group's financial position, broaden the Company's shareholder base and is in the interests of the Company and the Shareholders as a whole.

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

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

The net proceeds from the 2020 Placing amounted to approximately RMB115.0 million (the "**2020 Placing Net Proceeds**"). Up to 31 December 2021, the Group utilised approximately RMB11.5 million of the 2020 Placing Net Proceeds. Details of the use of the 2020 Placing Net Proceeds are as follows:

Use of 2020 Placing Net Proceeds	Planned amount of 2020 Placing Net Proceeds to be used	Actual use of 2020 Placing Net Proceeds up to 31 December 2020	Unutilised amount of 2020 Placing Net Proceeds up to 31 December 2020	Actual use of 2020 Placing Net Proceeds from 1 January 2021 up to 31 December 2021	Unutilised amount of 2020 Placing Net Proceeds up to 31 December 2021	Expected timeline for the use of the unutilized 2020 Placing Net Proceeds
	RMB million	RMB million	RMB million	RMB million	RMB million	
Business development, which mainly relates to (a) diversifying the types of services offered to the customers and (b) upgrading and developing the Group's smart systems	69.0	–	69.0	–	69.0	Expected to be fully utilised on or before 30 June 2024
Strategic investment in businesses or targets that are related to the Group's principal businesses	34.5	–	34.5	–	34.5	Expected to be fully utilised on or before 30 June 2024
General working capital	11.5	11.5	–	–	–	–
Total	115.0	11.5	103.5	–	103.5	

The Board considered that no modification of the use of 2020 Placing Net Proceeds as described in the 2020 Placing Announcements is needed.

Use of Proceeds from the Subscription

Reference is made to the Company's announcements dated 25 January 2021 and 8 February 2021 (collectively, the "**2021 Placing and Subscription Announcements**"). On 25 January 2021, the Company entered into the placing and subscription agreement (the "**2021 Placing and Subscription Agreement**") with Xinyuan Real Estate, Ltd. (the "**Vendor**") and Guotai Junan Securities (Hong Kong) Limited (the "**2021 Placing Agent**"), pursuant to which (i) the Vendor agreed to appoint the 2021 Placing Agent, and the 2021 Placing Agent agreed to act as an agent of the Vendor to procure not less than six (6) placees, on a best effort basis, to purchase up to 18,000,000 ordinary shares in the Company (the "**Placing Shares**") at the price of HK$2.10 per Placing Share (the "**2021 Placing**"); and (ii) the Vendor agreed to subscribe for, and the Company agreed to allot and issue to the Vendor, up to 18,000,000 new ordinary shares in the Company (the "**Subscription Shares**") at the price of HK$2.06 per Subscription Share (the "**Subscription**"). The maximum aggregate nominal value of the Subscription Shares was HK$180. The market price of the shares of the Company was HK$2.28 per share as quoted on the Stock Exchange on 25 January 2021, being the date of the 2021 Placing and Subscription Agreement.

The 2021 Placing and the Subscription were conducted by the Company as the Directors were of the view that (i) they shall provide a good opportunity to raise additional funds to enable the Group to actively pursue acquisition or investment opportunities and enhance its development in the property management services industry in the PRC; and (ii) they shall also strengthen the financial position and to broaden the shareholder base and capital base of the Group.

Completion of the 2021 Placing took place on 27 January 2021 and completion of the Subscription took place on 8 February 2021. A total of 18,000,000 Placing Shares have been successfully placed by the 2021 Placing Agent to the 2021 Placees. A total of 18,000,000 Subscription Shares had been allotted and issued to the Vendor pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on 29 May 2020.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the placees of the 2021 Placing were individual, professional or institutional investors that were independent of and not connected with the Company and its connected persons, not a party acting in concert with the Vendor. None of such placees had become a substantial shareholder of the Company immediately after completion of the 2021 Placing.

The gross proceeds from the Subscription are approximately HK$37.80 million and the net proceeds from the Subscription are approximately HK$37.16 million after deducting the 2021 Placing Agent's commission, other related fees, costs and expenses in connection with the 2021 Placing and the Subscription (the "**Subscription Net Proceeds**"). The net price per 2021 Subscription Shares amounted to approximately HK$2.06. Up to 31 December 2021, the Group utilised approximately RMB7.8 million of the Subscription Net Proceeds. As the Capital Injection did not proceed to completion as further described in the subsection headed "Financial Review – Significant Investment" in this report, in line with the planned use of proceeds as set out under the 2021 Placing and Subscription Announcements, details of the use of the Subscription Net Proceeds are as follows:

Use of Subscription Net Proceeds	Planned amount of Subscription Net Proceeds to be used RMB million	Actual use of Subscription Net Proceeds up to 31 December 2021 RMB million	Unutilised amount of Subscription Net Proceeds up to 31 December 2021 RMB million	Expected timeline for the use of the unutilized Subscription Net Proceeds
Approximately 75% strategic investment in businesses or targets that are related to property management services	23.4	–	23.4	Expected to be fully utilised on or before 30 June 2025
Approximately 25% for general working capital of the Group	7.8	7.8	–	Expected to be fully utilised on or before 30 June 2024
Total	31.2	7.8	23.4	

The Board considered that no modification of the use of Subscription Net Proceeds as described in the 2021 Placing and Subscription Announcements is needed.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. WANG Yanbo (王研博) ("Ms. Wang"), aged 50, was appointed as a Director and the chief executive officer on 13 December 2018 and 19 April 2019 respectively and was redesignated as an executive Director on 19 April 2019. She is responsible for overseeing the strategic and business planning of the Group and making decisions in material business operations.

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

Ms. Wang obtained a college degree in economic management from Xian Institute of Politics (西安政治學院) in the PRC in July 1999. Ms. Wang has been registered as a property manager of the Ministry of Human Resources and Social Security and the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國人力資源和社會保障部、住房和城鄉建設部) of the PRC since September 2011.

Mr. HUANG Bo (黃波) ("Mr. Huang"), aged 43, was appointed as a Director and the chief financial officer on 13 December 2018 and 19 April 2019 respectively and was redesignated as an executive Director on 19 April 2019. He was responsible for overseeing financial operations and strategic investment developments of the Group. Mr. Huang resigned as an executive Director and the chief financial officer of the Company on 15 February 2022.

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

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

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Yong (張勇) ("Mr. Zhang"), aged 58, was appointed as a Director on 19 April 2019 and was designated as a non-executive Director and appointed as the chairman of the board of directors of the Company on the same date. He is responsible for formulating of and providing guidance and development strategies for the overall development of the Group. Mr. Zhang is the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Mr. Zhang founded Xinyuan Real Estate Group (i.e. Xinyuan Real Estate Co., Ltd. (("**Xinyuan Real Estate Holdings**"), a company listed on the New York Stock Exchange (stock code: XIN) and its subsidiaries, including the Group), the parent group of the Company, on 19 May 1997. Mr. Zhang is a director and the chairman of the board of directors of Xinyuan Real Estate Holdings. Xinyuan Real Estate Holdings is owned as to 29.51% by Mr. Zhang. Also, Mr. Zhang is appointed as a director, the president and the chief executive officer of Xinyuan Real Estate, Ltd. (a company wholly-owned by Xinyuan Real Estate Holdings, and is one of the controlling shareholders of the Company).

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

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

Ms. YANG Yuyan (楊玉岩) ("Ms. Yang"), aged 58, was appointed as a Director on 19 April 2019 and was designated as a non-executive Director on the same date. Ms. Yang had been a supervisor of Xinyuan Science from 11 November 2001 to 8 May 2016.

Ms. Yang has invested in Xinyuan Real Estate Group since its establishment and is a director of Xinyuan Real Estate Holdings which is one of the controlling shareholders of the Company. Ms. Yang is deemed to beneficially own all of the shares in Xinyuan Real Estate Holdings held directly or indirectly by The Spectacular Stage Trust representing 26.36% of the issued shares in Xinyuan Real Estate Holdings. Also, Ms. Yang is a director of Xinyuan Real Estate, Ltd. (a company wholly-owned by Xinyuan Real Estate Holdings and is one of the controlling shareholders of the Company).

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LUO Ji (羅輯) ("Mr. Luo"), aged 76, was appointed as an independent non-executive Director on 16 September 2019. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

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

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

Mr. LI Yifan (李軼梵) ("Mr. Li"), aged 54, was appointed as an independent non-executive Director on 16 September 2019. He is the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

Mr. Li is an independent non-executive director of Frontage Holdings Corporation (stock code: 1521) and Everest Medicines Limited (stock code: 1952), which are listed on the Stock Exchange. Mr. Li is also an independent director of Qudian Inc. (stock code: QD) and Sunlands Technology Group (stock code: STG), which are listed on the New York Stock Exchange, and an independent director of 36Kr Holdings Inc. (stock code: KRKR), a company listed on NASDAQ. Mr. Li has been appointed as an independent director of Xinyuan Real Estate Holdings (stock code: XIN), a company listed on the New York Stock Exchange, since 23 February 2017. He has served as the chief financial officer of Human Horizons Group Inc. since April 2021. Mr. Li resigned as a director of Heilongjiang Interchina Water Treatment Co., Ltd. (stock code: 600187) and Shanghai International Port (Group) Co. Ltd. (stock code: 600018) on 13 May 2021 and 15 September 2021 respectively, which are listed on the Shanghai Stock Exchange. He resigned as an independent director of Zhejiang Tiantie Industry Co., Ltd. (stock code: 300587) (a company listed on the Shenzhen Stock Exchange) on 16 April 2021 and also resigned as an independent non-executive director of Zhongan Online P & C Insurance Co., Ltd. (stock code: 6060) (a company listed on the Stock Exchange) on 20 July 2021. From October 2014 to April 2021, Mr. Li had been a director and Vice President of Zhejiang Geely Holding Group Co., Ltd.

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

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

Mr. FU Shaojun (付少軍) ("Mr. Fu"), aged 47, was appointed as an independent non-executive Director on 27 July 2021. He was a member of the Audit Committee of the Company. Mr. Fu resigned as an independent non-executive Director and ceased to be a member of the Audit Committee of the Company, both effective on 13 April 2022.

Mr. Fu is currently an arbitrator of the Beijing Arbitration Commission (Beijing International Arbitration Centre), Hainan International Arbitration Court, Tianjin Arbitration Commission, Shijiazhuang Arbitration Commission and Beihai Arbitration Commission. Mr. Fu graduated from the School of International Studies, Peking University, majoring in Diplomacy and Foreign Affairs Management, and obtained a Bachelor of Laws degree in July 1997. He obtained a Master of Laws degree from the Party School of the Central Committee of the Communist Party of the People's Republic of China (the "**PRC**") in July 2004 and a doctorate degree in laws from the Party School of the Central Committee of the Communist Party of the PRC in July 2012. He was accredited with the legal professional qualifications by the Ministry of Justice of the PRC in March 2004. He has served various positions in the Supreme People's Court (the "**SPC**") of the PRC since July 2004. He was appointed as a judge of the SPC of the PRC in September 2017. He joined Huida Asset Management Ltd. Co (a wholly state-owned financial institution) from July 2019 and was the general manager of both the office of the board of directors and the legal affairs department when he resigned from Huida Asset Management Ltd. Co in June 2021. Save as disclosed above, Mr. Fu does not hold any other position with the Company and other members of the Group and does not have any relationship with any directors, senior management or substantial or controlling shareholder of the Company.

Mr. SHEN Yuan-Ching (申元慶) **("Mr. Shen")**, aged 57, was appointed as an independent non-executive Director on 13 April 2022. He is a member of the Audit Committee of the Company.

Mr. Shen obtained a Master's Degree in Computer Science from the University of California. He has 5 years of experience in China internet companies and 23 years in multinational companies. Mr. Shen currently serves as the chief executive officer of VNET Group Inc. (a company listed on NASDAQ, stock ticker: VNET) and the executive chairman of Neolink Tech Group Inc., a wholly owned subsidiary of VNET Group. From September 2017 to January 2020, Mr. Shen was the president of JD Cloud, the cloud business unit under JD.com, China largest online retailer. He formerly held various senior positions at Microsoft Corporation.

Mr. Shen served as a non-executive director of Inspur International Limited (a company listed on the Stock Exchange, stock code: 596) from September 2012 to March 2018. He also served as an independent director of Kingdee International Software Group Co., Ltd. (a company listed on the Stock Exchange, stock code: 0268) from January 2018 to January 2020 and Insigma Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600797) from January 2016 to July 2021. Mr. Shen currently serves as an independent non-executive director of Xinyuan Real Estate Holdings (a company listed on the New York Stock Exchange, stock code: XIN). Save as disclosed above, Mr. Shen does not hold any other position with the Company and other members of the Group and does not have any relationship with any directors, senior management or substantial or controlling shareholder of the Company.

SENIOR MANAGEMENT

Mr. WANG Yantao (王彥濤) ("Mr. YT Wang"), aged 42, the vice president of Xinyuan Science, is responsible for overseeing property management and business development of the Group. Mr. YT Wang joined the Group in February 2003 as a customer service officer. He was appointed as the business executive of Xinyuan Science in January 2012 and has been appointed as the vice president of Xinyuan Science since June 2016.

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

Ms. DU Xiangyan (杜祥艷), ("Ms. Du") aged 41, the human resources center chief manager of Xinyuan Science, is responsible for managing human resources and administrative matters. Ms. Du joined the Group in March 2000 as a secretary with Xinyuan Science. She has been appointed as the human resources center chief manager of Xinyuan Science since January 2012.

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

Ms. ZHANG Rong (張蓉) ("Ms. Zhang"), aged 51, the operations chief manager of Xinyuan Science, is responsible for overseeing business operations and performance appraisal. Ms. Zhang joined the Group in August 2006 as a quality control supervisor with Xinyuan Science. She was appointed as an administrative executive of Xinyuan Science in January 2012 and has been appointed as the operations chief manager of Xinyuan Science since April 2017.

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

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

COMPANY SECRETARY

Mr. TSO Ping Cheong Brian (曹炳昌) ("Mr. Tso"), aged 42, was appointed as the joint company secretary of the Company on 19 March 2019 and has been acting as a joint company secretary with Mr. XU Yibin from 19 April 2019 to 20 May 2021. Following Mr. XU Yibin's resignation, Mr. Tso is the company secretary of the Company.

Mr. Tso has over 17 years of experience in accounting and financial management. In January 2013, Mr. Tso founded Teton CPA Company, an accounting firm as a sole proprietor. Currently, Mr. Tso is the company secretary of Bright Future Technology Holdings Limited (stock code: 1351), a company listed on the Main Board of the Stock Exchange. He is also the company secretary of Fineland Living Services Group Limited (formerly known as Fineland Real Estate Services Group Limited) (stock code: 9978), a company listed on the Main Board of the Stock Exchange by way of transfer of listing approved on 20 May 2020. From May 2010 to August 2012, Mr. Tso was a senior vice president of a private company and was mainly responsible for handling merger and acquisition transactions in the natural resources industry in the Central and South America region. From December 2008 to May 2010, Mr. Tso served as the financial controller of Greenheart Group Limited (stock code: 94) (formerly known as Omnicorp Limited), a company listed in Hong Kong. From September 2003 to December 2008, Mr. Tso worked at Ernst & Young and the last position he held was manager.

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

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

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. Throughout the year 2021, the Company has complied with all the code provisions, save for the following:

Mr. WANG Peng ("**Mr. Wang**") resigned as an independent non-executive Director and ceased to be a member of the audit committee of the Company on 13 April 2021. Upon the resignation of Mr. Wang, the number of independent non-executive directors was reduced to two and the audit committee only consisted of two members. Pursuant to Rule 3.10(1) of the Listing Rules, the Board shall have at least three independent non-executive directors. In addition, Rule 3.21 of the Listing Rules requires that the audit committee shall comprise non-executive directors only and have a minimum of three members. Further, pursuant to paragraph 2.1 of its terms of reference, the audit committee must consist of a minimum of three members, all of whom must be non-executive directors. Therefore, due to Mr. Wang's resignation, the Company did not comply with the relevant requirements under Rules 3.10(1) and 3.21 of the Listing Rules and did not meet the requirements on the composition of the audit committee in accordance with its terms of reference. On 27 July 2021, Mr. FU Shaojun ("**Mr. Fu**") was appointed as an independent non-executive Director and a member of the audit committee of the Company. Upon the appointment of Mr. Fu, the Company meets all the requirements under Rules 3.10(1) and 3.21 of the Listing Rules and the requirements on the composition of the audit committee.

Code Provision A.6.7 provides that independent non-executive directors and other non-executive directors should also generally attend general meetings to gain and develop a balanced understanding of the views of shareholders. Ms. YANG Yuyan, non-executive Director, did not attend the annual general meeting of the Company held on 18 October 2021 due to prior business engagement. Mr. LI Yifan, independent non-executive Director, did not attend the annual general meeting of the Company held on 18 October 2021 due to prior business engagement.

Code Provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Mr. ZHANG Yong, the Chairman of the Board and executive Director, did not attend the annual general meeting of the Company held on 18 October 2021 due to prior business engagement.

THE BOARD

Responsibilities

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

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

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

Board Composition

As at the date of this annual report, the Board comprises six Directors, including one executive Director, two non-executive Directors and three independent non-executive Directors as set out below:

Executive Directors:
Ms. WANG Yanbo *(Chief Executive Officer)*
Mr. HUANG Bo *(Chief Financial Officer) (resigned on 15 February 2022)*

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

Independent Non-executive Directors:
Mr. LUO Ji
Mr. LI Yifan
Mr. WANG Peng *(resigned on 13 April 2021)*
Mr. FU Shaojun *(appointed on 27 July 2021 and resigned on 13 April 2022)*
Mr. SHEN Yuan-Ching *(appointed on 13 April 2022)*

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

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

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

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

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

Pursuant to code provision A.6.5 of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Below is the record of participation in continuous professional development programme by the Directors during the year ended 31 December 2021 relevant to the directors' duties and responsibilities, regulatory updates and business, financial and operational matters of the Group.

	Attending seminars/ conferences/ forums	Reading materials
Executive Directors		
Ms. WANG Yanbo		✓
Mr. HUANG Bo (resigned on 15 February 2022)		✓
Non-executive Directors		
Mr. ZHANG Yong		✓
Ms. YANG Yuyan		✓
Independent non-executive Directors		
Mr. LUO Ji		✓
Mr. LI Yifan	✓	✓
Mr. FU Shaojun *(resigned on 13 April 2022)*		✓

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Each of the non-executive Directors and independent non-executive Directors has entered a letter of appointment with the Company for an initial term of three years commencing from the Listing Date (except Mr. FU Shaojun whose initial term of appointment is three years commencing from 27 July 2021 and Mr. SHEN Yuan-Ching whose initial term of appointment is three years commencing from 13 April 2022), unless either party gives three months prior written notice to the other to terminate the letter of appointment before expiry of the existing term, and is subject to retirement by rotation in accordance with the Memorandum and Articles of Association.

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

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

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

BOARD MEETINGS

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all Directors and all Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2021.

DELEGATION BY THE BOARD

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

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

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2021 are set out in note 8 to the consolidated financial statements in this annual report.

The biographies of the Directors and senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the top senior management (excluding the Directors) for the year ended 31 December 2021 fell within the following bands as follows:

Remuneration Band	No. of employees
RMB1,500,001 to RMB2,000,000	2
RMB2,500,001 to RMB3,000,000	1
	3

DIRECTORS' LIABILITY INSURANCE

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

BOARD COMMITTEES

Nomination Committee

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

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

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

The primary duties of the Nomination Committee include:

– to review the structure, size and composition of the Board;

– to develop and maintain a policy for the nomination of Board members;

– to develop and maintain a policy concerning diversity of Board members (the "**Board Diversity Policy**");

– to review the board diversity policy of the Company;

– to identify individuals suitably qualified to become members of the Board;

– to assess the independence of independent non-executive Directors; and

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

During the year ended 31 December 2021, the Nomination Committee held three meetings during which the Nomination Committee has performed the following major works:

– acknowledged the resignation of an independent non-executive Director;

– recommended to the Board on appointment of an independent non-executive Director;

– reviewed the structure, size and composition (including the skills, knowledges and experience of each member) of the Board;

– recommended to the Board on re-election of retiring directors at the forthcoming annual general meeting;

– reviewed the Board Diversity Policy; and

– assessed the independence of the independent non-executive Directors.

Policy for the Nomination of Directors

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

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

Board Diversity Policy

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

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

As at the date of this Annual Report, the Board comprises six Directors, two of whom are female. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business, and allowed opinion from different gender and background be heard and discussed, and Board diversity (including gender diversity) has been achieved. The Board targets to maintain the current level of at least two female representation on the Board. The Board will continue review its structure to ensure it suits the requirement of its business and support the development of the Group. If situation evolves and the Board determines that an additional or replacement Director is required to achieve gender diversity or to suits the business requirements and support the development of the Group, the Company will deploy multiple channels for identifying suitable director candidates, including without limitation, referral from management, shareholders and advisors of the Company, or internal promotion, with regarding to the range of diversity perspectives set forth in the Board Diversity Policy.

Remuneration Committee

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

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

The primary duties of the Remuneration Committee include:

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

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

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

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

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

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

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

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

During the year ended 31 December 2021, the Remuneration Committee held two meetings during which the Remuneration Committee has performed the following major works:

– recommended to the Board on the renumeration package of the proposed independent non-executive Director;

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

– considered and approved the recommendation of the remuneration packages of executive Directors and senior management for the year ended 31 December 2021;

– considered and approved the recommendation of the remuneration packages of non-executive Directors for the year ended 31 December 2021; and

– considered and approved the recommendation of the remuneration packages of independent non-executive Directors for the year ended 31 December 2021.

Audit Committee

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

The Audit Committee is comprised of three independent non-executive Directors of the Company, namely Mr. LI Yifan, Mr. LUO Ji, Mr. FU Shaojun (resigned on 13 April 2022) and Mr. SHEN Yuan-Ching (appointed on 13 April 2022) with Mr. LI Yifan possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. Mr. LI Yifan is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's external auditor.

The primary duties of the Audit Committee include:

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2021, the Audit Committee held four meetings and the Auditor Committee has performed the following major works:

- recommended the delay of publication of the audited annual results of the Company and its subsidiaries for the year ended 31 December 2020;

- recommended to the Board on the appointment of auditor;

- considered and approved the audited annual results of the Company and its subsidiaries for the year ended 31 December 2020;

- considered and approved the accounting treatment adopted by the Group's annual report for the year ended 31 December 2020;

- considered and recommended acceptance of the audit committee report prepared by Ernst & Young for the year ended 31 December 2020;

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

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

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

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

- considered and recommended to the Board on the approval of the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2021; and

– considered and approved the accounting treatment adopted by the Group's interim report for the six months ended 30 June 2021.

Each of the controlling shareholders of the Company has provided with the Company a confirmation on compliance pursuant to their undertakings under the Deed of Non-Competition. The Audit Committee has reviewed the confirmations and noted that during the year ended 31 December 2021, each of the controlling shareholders of the Company has complied with the Deed of Non-Competition. The Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness of the corporate governance measures.

ATTENDANCE RECORDS OF BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

The attendance records of each Director and each member of the Board Committees of the Company at the relevant meetings held during the year ended 31 December 2021 are as follows:

	Actual Attendance/Number of Meetings a Director is entitled to attend				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
No. of meetings held during the year	13	3	2	4	1
Executive Directors					
Ms. WANG Yanbo	13/13	–	–	–	1/1
Mr. HUANG Bo *(resigned on 15 February 2022)*	13/13	–	–	–	1/1
Non-executive Directors					
Mr. ZHANG Yong	13/13	3/3	2/2	–	1/1
Ms. YANG Yuyan	13/13	–	–	–	1/1
Independent Non-executive Directors					
Mr. LUO Ji	13/13	2/3	2/2	4/4	1/1
Mr. LI Yifan	13/13	3/3	2/2	4/4	1/1
Mr. WANG Peng *(resigned on 13 April 2021)*	3/4	–	–	0/1	–
Mr. FU Shaojun *(appointed on 27 July 2021 and resigned on 13 April 2022)*	7/7	–	–	3/3	1/1

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended 31 December 2021 and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

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

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report from pages 104 to 105 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has maintained an internal control system and internal audit functions and the Directors are responsible for monitoring the implementation of internal control measures and reviewing its effectiveness. With a view to manage the Group's business and operational risks, to ensure smooth operation and to avoid future recurrence of historical non-compliance incidents, the Group has engaged an independent internal control adviser to assist the Group in reviewing and providing recommendations on improving the Group's internal control system, including corporate governance, enterprise risk assessment, internal audit, compliance consultancy and relevant business processes including revenue, purchase, expenses and cost management, fixed assets management, human resources, financial management and information technology. The Audit Committee reviewed at least once a year the findings and recommendations on the risk management and internal control system of the independent internal control advisor and the senior management in their meetings and reported to the Board on such review.

Moore Advisory Services Limited ("**Moore**"), being independent internal controls reviewer, has reviewed and validated the Company's systems and controls, with reference to the Company's compliance with the Listing Rules. Moore completed its review into the relevant matters during the period from 8 September 2021 to 18 September 2021, including a follow-up review conducted on 20 October 2021 and issued its internal control review report on 24 October 2021 (the "**IC report**"). In the context of, and in particular since the completion of the IC report, the Company has carried out enhancements and remedial measures, to address the findings and recommendations of the IC report.

Furthermore, the Company has emphasised to all its financial personnel that the Company's financial management system must be strictly complied with, which requires, amongst others, independent verification with respect to each line entry in the bank transaction records as part of the reconciliation process, and not merely cross-checking of the year-end balance. The Company has also emphasised to its financial personnel that the check and balance is vital in ensuring all cash receipts and payments are recorded in a timely manner.

The Company will have continuous oversight over its internal control systems, on an on-going basis. Notably, for the purposes of testing and assessing its enhanced systems, the Company voluntarily requested that Moore conduct an additional review to verify and assess the implementation status of the remedial actions in November 2021.

This review covered the controls with respect to the continuing connected transaction announced by the Company on 9 November 2021. Having conducted this further review, Moore is of the view that the current internal control system of the Company is adequate and effective.

In order to further enhance its internal control environment, the Company will adopt the following preventive/detective measures to prevent potential non-compliance with the Listing Rules in the future:

(a) Ensuring the enhanced internal control system is strictly adhered to, the Company will appoint an independent internal control consultant to perform annual internal control review;

(b) Regular review of the key internal control points and regular internal audit;

(c) Ensuring the line of reporting for internal audit is addressed to the Audit Committee, with full transparency over the implementation of the internal control system and enhanced measures;

(d) Regular reminders to directors, senior management and relevant (financial) personnel of the Company, to alert them and increase awareness on the importance of observing the internal control procedures, in accordance with the Listing Rules; and

(e) Regular training and refreshers for all directors, senior management and relevant (financial) personnel of the Company.

The risk management and internal control systems are designed to manage, rather than eliminate business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations.

During the year ended 31 December 2021, the Board, as supported by the Audit Committee as well as the management, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget.

The Company has also developed its disclosure policy to guide the Company's Directors, officers, senior management and relevant employees to handle confidential information, monitor information disclosure and respond to enquiries. Monitoring and control procedures have been implemented to prohibit the unauthorised access and use of inside information.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence and anonymity, concerns about improprieties (such as criminal offences or financial impropriety) or other matters of the Company.

The Company has in place written measures and procedures on guiding Directors, officers and relevant employees regarding securities dealing restrictions and handling of confidential and inside information.

The Directors have confirmed that the Group had adopted all internal control measures and policies suggested by Moore and did not have any significant or material deficiencies in its internal control system as at the date of publication of this annual report. The Directors consider that the Group's risk management and internal control system to be effective and sufficient.

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, the total remuneration paid or payable to the Company's auditors, Moore Stephens CPA Limited, for annual audit and other audit services totally amounted to RMB1,311,000.

An analysis of the remuneration paid or payable to Moore Stephens CPA Limited is set out below:

Description of services performed	Amount RMB'000
Audit and assurance services	983
Non-audit services	328
Total	1,311

The Board and the Audit Committee have agreed on the re-appointment of Moore Stephens CPA Limited as the external auditor of the Group for the year ending 31 December 2022 and the proposal will be submitted for approval at the annual general meeting to be held on Friday, 27 May 2022.

JOINT COMPANY SECRETARIES

Mr. TSO Ping Cheong Brian ("**Mr. Tso**") and Mr. XU Yibin ("**Mr. Xu**") had been acting as the joint company secretaries of the Company from 19 April 2019 to 20 May 2021. They both have assisted on the company secretarial matters of the Company since its listing. Following the resignation of Mr. Xu, Mr. Tso becomes the company secretary of the Company. Mr. Tso has duly complied with relevant training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals

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

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

Making enquiries to the Board

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

DIVIDEND POLICY

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

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

(b) any corporate development plans;

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

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

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

There are no changes to the Memorandum and Articles of Association during the year ended 31 December 2021, a copy of which is available on the websites of the Company (www.xypm.hk) and the Stock Exchange (www.hkexnews.hk).

REPORT OF THE DIRECTORS

The board (the "**Board**") of directors (the "**Directors**") of Xinyuan Property Management Service (Cayman) Ltd. (the "**Company**") is pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021.

CORPORATE INFORMATION AND GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND PERFORMANCE

The business review of the Group including the information below are set out in the Chairman's Statement and the Management Discussion and Analysis on pages 5 to 32 of this annual report:

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

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

(c) An analysis using financial key performance indicators.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position on pages 106 to 108 of this annual report.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK13.8 cents per share (2020: HK10.2 cents per share) for the year ended 31 December 2021 to the shareholders of the Company (the "**Shareholders**"). The final dividend is subject to the approval of the Shareholders at the Company's annual general meeting to be held on Friday, 27 May 2022 (the "**AGM**"). The proposed final dividend will be paid to the Shareholders on Friday, 17 June 2022 whose names appear on the Company's Register of Members on Monday, 6 June 2022.

CLOSURE OF REGISTER OF MEMBERS

The AGM is expected to be held on Friday, 27 May 2022. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 23 May 2022.

For determining the entitlement to the proposed final dividend (subject to approval by the Shareholders at the AGM), the Register of Members of the Company will be closed from Thursday, 2 June 2022 to Monday, 6 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 1 June 2022.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of change in equity and note 27 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the provisions of the Cayman Companies Act, amounted to approximately RMB436.2 million, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the distribution or proposed distribution.

FINANCIAL SUMMARY

A summary of the results, assets, liabilities of the Group for the past five financial years is set out on page 230 of this annual report.

MAJOR RISKS AND UNCERTAINTIES

The industry in which we operate and our performance are affected by the overall economic environment and industry regulatory requirements. We may also be affected by daily operational risks such as contract renewal and market development, as well as external circumstances such as natural disasters, public health events, government policies and regulations.

IMPORTANT RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the Reporting Period, there was no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules, the Company's environmental, social and governance report will be available on the Company's website no later than five months after the end of the financial year.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2021, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2021, total revenue from the Group's largest customer, Xinyuan Real Estate Group, and the five largest customers accounted for approximately 24.1% and 26.3% of the Group's total sales for the year respectively. Xinyuan Real Estate Group is a connected person of the Group. Save for Xinyuan Real Estate Group, none of the Directors or their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% interest in the Company) had any interest in any of the five largest customers for the year ended 31 December 2021.

For the year ended 31 December 2021, total purchases from the Group's largest supplier and the five largest suppliers accounted for approximately 18.4% and 25.7% of the Group's total purchases respectively. Save for Xinyuan Real Estate Group, none of the Directors or their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% interest in the Company) had any interest in any of the five largest suppliers for the year ended 31 December 2021.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 26 to the financial statements in this annual report.

SHARE ISSUED

During the year ended 31 December 2021, the Company has issued shares with details as follows:

On 25 January 2021, an aggregate of 18,000,000 shares of the Company (the "**Placing Shares**") have been successfully placed to not less than six places at the price of HK$2.10 per 2021 Placing Share (the "**2021 Placing**") pursuant to the terms and conditions of the placing and subscription agreement entered into among the Company, Xinyuan Real Estate, Ltd. and Guotai Junan Securities (Hong Kong) Limited dated 25 January 2021. On 8 February 2021, the Company allotted and issued 18,000,000 new shares of the Company (the "**Subscription Shares**") to Xinyuan Real Estate, Ltd. at the price of HK$2.06 per Subscription Share (the "**Subscription**"). The net proceeds from the Subscription were approximately HK$37.80 million which were intended to be used for the following purposes:

(i) approximately 75% for strategic investment in businesses or targets that are related to property management services; and

(ii) approximately 25% for general working capital of the Group.

As at the date of this annual report, approximately RMB7.8 million of such net proceeds have been applied towards general working capital of the Group. The remaining net proceeds will be used for the purposes as disclosed in the announcement of the Company dated 25 January 2021. For further details, please refer to the relevant announcements of the Company dated 25 January 2021 and 8 February 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the year ended 31 December 2021.

BORROWINGS

As at 31 December 2021, the Group had no borrowings.

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this annual report were:

Executive Directors:

Ms. WANG Yanbo *(Chief Executive Officer)*
Mr. HUANG Bo *(Chief Financial Officer) (resigned on 15 February 2022)*

Non-executive Directors:

Mr. ZHANG Yong *(Chairman)*
Ms. YANG Yuyan

Independent Non-executive Directors:

Mr. LUO Ji
Mr. LI Yifan
Mr. WANG Peng *(resigned on 13 April 2021)*
Mr. FU Shaojun *(appointed on 27 July 2021 and resigned on 13 April 2022)*
Mr. SHEN Yuan-Ching *(appointed on 13 April 2022)*

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

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

In accordance with article 16.2 of the Memorandum and Articles of Association, Mr. SHEN Yuan-Ching will hold office only until the AGM and being eligible, will offer himself for re-election at the AGM.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTOR

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

DIRECTORS' SERVICE CONTRACTS

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

Each of non-executive Directors and independent non-executive Directors has entered a letter of appointment with the Company for an initial term of three years commencing from the Listing Date (except Mr. FU Shaojun whose initial term of appointment is three years commencing from 27 July 2021 and Mr. SHEN Yuan-Ching whose initial term of appointment is three years commencing from 13 April 2022), unless either party gives three months prior written notice to the other to terminate the letter of appointment before expiry of the existing term, and is subject to retirement by rotation in accordance with the Memorandum and Articles of Association.

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

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

Save as disclosed under the section headed "Connected Transactions" and note 30 to the financial statements contained herein, there was no transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director of the Company or an entity connected with any Director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed under the section headed "Connected Transactions" and note 30 to the financial statements contained herein, there was no contract of significance entered into between the Company, or any of its subsidiaries, and a controlling shareholder of the Company, or any of its subsidiaries, during the year.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the emoluments of the Directors and senior management are set out in notes 8 and 9 to the financial statements in this annual report.

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

PERMITTED INDEMNITY PROVISION

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 33 to 39 of this annual report.

EQUITY-LINKED AGREEMENTS

(a) Pre-IPO Share Award Scheme

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

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

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

Name of the Grantee	Consideration RMB	Number of awarded Shares	Percentage of shareholding *(Note 1)*
Directors			
Ms. WANG Yanbo	1,680,000	11,250,000	1.98%
Mr. HUANG Bo *(Note 3)*	840,000	5,625,000	0.99%
Senior Management			
Mr. WANG Yantao	840,000	5,625,000	0.99%
Ms. DU Xiangyan	560,000	3,750,000	0.66%
Ms. ZHANG Rong	560,000	3,750,000	0.66%
Other Grantees			
Mr. HUANG Jinfu	280,000	1,875,000	0.33%
Mr. LYU Shaohui	280,000	1,875,000	0.33%
Mr. ZHANG Xiaofei	280,000	1,875,000	0.33%
Mr. AN Guangfu	280,000	1,875,000	0.33%
Mr. ZHANG Lizhou *(Note 2)*	2,800,000	18,750,000	3.30%
Total		56,250,000	9.91%

Notes:

1. These percentages are calculated on the basis of 567,500,000 Shares in issue as at 31 December 2021.

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 an 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.

3. On 15 February 2022, Mr. Huang Bo resigned as executive Director and chief financial officer of the Company.

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

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

(b) Post-IPO Share Option Scheme

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

Participants

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

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

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

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

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

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

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

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

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

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

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

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

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

As at the date of this annual report, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme was 50,000,000 Shares, representing 8.81% of the issued share capital of the Company.

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

Time of Acceptance and Exercise of Option

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

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

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

Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Post-IPO Share Option Scheme can be exercised.

Subscription Price for the Shares and Consideration for the Option

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

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

Life of the Post-IPO Share Option Scheme

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

The terms of the Post-IPO Share Option Scheme are disclosed in the Company's prospectus dated 25 September 2019. No share options were granted, exercised, expired or lapsed under the Post-IPO Share Option Scheme during the year. The Company did not have any outstanding share options, warrants and convertible instruments into shares as at 31 December 2021 and up to the date of this annual report.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), were as follows:

(a) The Company

Name of Directors and Chief Executives	Nature of Interest[1]	Number of Shares or underlying Shares	Approximate Percentage of Interest in the Company[4]
Ms. WANG Yanbo	Beneficial owner	11,250,000	1.98%
Mr. HUANG Bo[5]	Beneficial owner	5,625,000	0.99%
Mr. ZHANG Yong	Interest of a controlled corporation[2]	15,000,000	2.64%
Ms. YANG Yuyan	Interest of a controlled corporation[3]	15,000,000	2.64%

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.

4. The percentage of shareholding is calculated on the basis of the number of issued Shares as at 31 December 2021 of 567,500,000.

5. On 15 February 2022, Mr. Huang Bo resigned as executive Director and chief financial officer of the Company.

(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	30.20%[5]
	Interest of a controlled corporation[2]	4,143,615	
Ms. YANG Yuyan	Founder of a discretionary trust[3]	28,400,000	26.36%

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 4,143,615 shares in Xinyuan Real Estate Co., Ltd. (which consists of 1,606,615 shares and 2,537,000 share options which entitle the holder thereof the right to acquire shares in Xinyuan Real Estate Co., Ltd. within 60 days) held by Universal World Development Co., Ltd.

3. Pursuant to the trust deed dated 24 November 2015 (the "**Trust Deed**") entered into by Ms. YANG Yuyan (as settlor) and HSBC International Trustee Limited (as trustee), The Spectacular Stage Trust (the "**Trust**") was established as a discretionary trust and the beneficiaries under the Trust include family member(s) of Ms. YANG Yuyan. 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. (the "**Common Shares**") that constitute the assets of the Trust and to vote Common Shares held by the Trust and cause any entity owned by the Trust directly or indirectly that holds the Common 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 Yuyan may be deemed to beneficially own all of the Common Shares held by directly or indirectly by the Trust.

4. The percentage is calculated based on the total number of issued shares in Xinyuan Real Estate Co., Ltd. as at 31 December 2021 being 107,757,721.

5. The percentage would be 29.51% if it is calculated by the number of shares or underlying shares in Xinyuan Real Estate Co., Ltd. (i.e. 32,543,615) divided by the total number of equities of Xinyuan Real Estate Co., Ltd. as at 31 December 2021 (i.e. 110,294,721, being the sum of (i) 107,757,721 issued shares in Xinyuan Real Estate Co., Ltd. at 31 December 2021; and (ii) 2,537,000 share options which entitle the holder thereof the right to acquire shares in Xinyuan Real Estate Co., Ltd. within 60 days).

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 any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the year ended 31 December 2021.

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

As at 31 December 2021, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interests and/or short position in the Shares or the underlying Shares which fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Capacity/Nature of Interest[1]	Number of Shares	Approximate percentage of shareholding[5]
Xinyuan Real Estate, Ltd.[2]	Beneficial owner	300,000,000	52.86%
Xinyuan Real Estate Co., Ltd.[2, 3]	Interest of a controlled corporation	300,000,000	52.86%
Galaxy Team Holdings Limited[4]	Beneficial owner	37,500,000	6.61%
Xingtai Capital Management Limited	Investment manager	77,000,000	13.57%
Xingtai China Master Fund	Beneficial owner	34,000,000	5.99%

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 30.20% by Mr. ZHANG Yong, 26.36% by Spectacular Stage Limited and 43.44% by 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.

5. The percentage of shareholding is calculated on the basis of the number of issued Shares as at 31 December 2021 of 567,500,000.

Save as disclosed above, as at 31 December 2021, according to the register kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there was no other person (other than the Directors and chief executives of the Company) who had an interest and/or short position in the Shares or the underlying Shares which fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

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

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

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

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

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

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

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

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

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

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

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

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

The controlling shareholders of the Company confirmed that they have complied with the Deed of Non-Competition for the year ended 31 December 2021. No new business opportunity was informed by the controlling shareholders as at 31 December 2021.

The independent non-executive Directors of the Company (except Mr. LI Yifan) who do not have any directorship in Xinyuan Real Estate Holdings have conducted a review for the year ended 31 December 2021 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-Competition has been fully complied.

Save as disclosed above, none of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during the year ended 31 December 2021.

CONNECTED TRANSACTIONS

Details of the relevant connected transactions or continuing connected transactions of the Company during the year ended 31 December 2021 are as follows:

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

1. Trademark Licensing Agreement

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

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

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

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

2. Software Licensing Agreement

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

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

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

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

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

3. Property Lease Framework Agreement

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

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

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

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

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

For the year ended 31 December 2021, the total rent paid to Xinyuan (China) or its subsidiary/associate by the Group under the Property Lease Framework Agreement was RMB170,230.99 which did not exceed the cap of RMB387,000.

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

1. Property Management Services Framework Agreement

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

The Property Management Services Framework Agreement expired on 31 December 2021. On 9 November 2021, the Company (for itself and on behalf of its subsidiaries and associates) and Xinyuan Real Estate Holdings (for itself and on behalf of its subsidiaries and associates) entered into a property management services framework agreement for a term of three years commencing from 1 January 2022 (the "**2022 Property Management Services Framework Agreement**"). The Group and/or its associates shall provide to the Remaining Xinyuan Real Estate Group and/or its associates property management services in respect of the unsold property units after the agreed delivery date set out on the property purchase contract for projects developed by the Remaining Xinyuan Real Estate Group and managed by the Group. In respect of sold property units after delivery, if the Remaining Xinyuan Real Estate Group and/or its associates gift property management fees to the property owners under the property sales arrangement, then the property management services corresponding to the property management fees that are borne and paid by the Remaining Xinyuan Real Estate Group and/or its associates to the Group and/or its associates on behalf of the property owners shall be deemed to be part of the property management services under the 2022 Property Management Services Framework Agreement.

The fees for the property management services charged under the Property Management Services Framework Agreement and to be charged under the 2022 Property Management Services Framework Agreement shall be determined based on the regulations promulgated by the PRC government and after arm's length negotiations taking into account the location of the project, the anticipated operational costs (including labour costs, material costs and administrative costs) with reference to the fees for similar services and similar type of projects in the market.

Pursuant to the Property Management Services Framework Agreement, the maximum annual fee payable by the Remaining Xinyuan Real Estate Group and/or its associates in relation to the property management services provided by the Group under the Property Management Services Framework Agreement (the "**XRE Property Management Services Annual Caps**") for each of the three years ended 31 December 2021 would not exceed RMB17,265,000, RMB22,962,000 and RMB30,081,000, respectively. For the year ended 31 December 2021, the total amounts paid to the Group by the Remaining Xinyuan Real Estate Group and/or its associates under the Property Management Services Framework Agreement was RMB28,005,000 which did not exceed the cap of RMB30,081,000.

Pursuant to the 2022 Property Management Services Framework Agreement, the proposed annual caps for the provision of property management services for each of the three years ending 31 December 2024 (the "**2022 Property Management Services Annual Caps**") are expected not to exceed RMB48,677,000, RMB63,872,000 and RMB85,222,000, respectively.

Xinyuan Real Estate Holdings has been one of the controlling shareholders of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Property Management Services Framework Agreement and the 2022 Property Management Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the XRE Property Management Services Annual Caps and the 2022 Property Management Services Annual Caps are, on an annual basis, more than 5% and their respective proposed aggregate annual caps is more than HK$10 million, the transactions under each of the Property Management Services Framework Agreement and the 2022 Property Management Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the Property Management Services Framework Agreement, please refer to the Prospectus. For details of the 2022 Property Management Services Framework Agreement, please refer to the announcement of the Company dated 9 November 2021 and the circular of the Company dated 14 December 2021.

2. Pre-delivery and Consulting Services Framework Agreement

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

The Pre-delivery and Consulting Services Framework Agreement expired on 31 December 2021. On 9 November 2021, the Company (for itself and on behalf of its subsidiaries and associates) and Xinyuan Real Estate Holdings (for itself and on behalf of its subsidiaries and associates) entered into a pre-delivery and consulting services framework agreement for a term of three years commencing from 1 January 2022 (the "**2022 Pre-delivery and Consulting Services Framework Agreement**"). The Group and/or its associates shall provide to the Remaining Xinyuan Real Estate Group and/or its associates pre-delivery and consulting services, including but not limited to (i) sales assistance services, which mainly involve providing property sales venue management services and property sales venue "warm-up" services to property developers at the pre-delivery stage of the relevant property or when the property is put onto the market for sale; (ii) early stage involvement services, which involve advising property developers at the early and construction stages of a property on project planning, design management and construction management to enhance a property; and (iii) referral and management services for unsold properties.

Pursuant to the Pre-delivery and Consulting Services Framework Agreement, the maximum annual fee payable by the Remaining Xinyuan Real Estate Group and/or its associates in relation to the pre-delivery and consulting services provided by the Group under the Pre-delivery and Consulting Services Framework Agreement (the "**PCS Annual Caps**") for each of the three years ended 31 December 2021 would not exceed RMB82,573,000, RMB111,194,000 and RMB156,080,000, respectively. For the year ended 31 December 2021, the total amounts paid to the Group by the Remaining Xinyuan Real Estate Group and/or its associates under the Pre-delivery and Consulting Services Framework Agreement was RMB117,254,000 which did not exceed the cap of RMB156,080,000.

Pursuant to the 2022 Pre-delivery and Consulting Services Framework Agreement, the proposed annual caps for the provision of pre-delivery and consulting services for each of the three years ending 31 December 2024 (the "**2022 Pre-delivery and Consulting Services Annual Caps**") are expected not to exceed RMB166,623,000, RMB190,182,000 and RMB218,711,000, respectively.

Xinyuan Real Estate Holdings has been one of the controlling shareholders of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under Pre-delivery and Consulting Services Framework Agreement and the 2022 Pre-delivery and Consulting Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios (other than the profits ratio) in respect of the PCS Annual Caps are, on an annual basis, more than 5% and the proposed aggregate annual caps are more than HK$10 million, the transactions under the Pre-delivery and Consulting Services Framework Agreement constituted continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the 2022 Pre-delivery and Consulting Services Framework Agreement exceeded 25%, the transactions contemplated thereunder are subject to annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the Pre-delivery and Consulting Services Framework Agreement, please refer to the Prospectus. For details of the 2022 Pre-delivery and Consulting Services Framework Agreement, please refer to the announcement of the Company dated 9 November 2021 and the circular of the Company dated 14 December 2021.

3. Value-added Services Framework Agreement

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

The Value-added Services Framework Agreement expired on 31 December 2021. On 9 November 2021, the Company (for itself and on behalf of its subsidiaries and associates) and Xinyuan Real Estate Holdings (for itself and on behalf of its subsidiaries and associates) entered into a value-added services framework agreement for a term of three years commencing from 1 January 2022 (the "**2022 Value-added Services Framework Agreement**"). The Group and/or its associates shall provide to the Remaining Xinyuan Real Estate Group and/or its associates value-added services, including but not limited to the provision of on-site cleaning, operations and other related services at the pre-delivery stage and the delivery events for the property development projects, utility fee collection service, "400 CS Center" service and other value-added services.

The fees for the value-added services charged under the Value-added Services Framework Agreement and to be charged under the 2022 Value-added Services Framework Agreement shall be determined after arm's length negotiations taking into account the location of the project, the anticipated operational costs (including labour costs, material costs and administrative costs) with reference to the fees for similar services and similar type of projects in the market.

Pursuant to the Value-added Services Framework Agreement, the maximum annual fee payable by the Remaining Xinyuan Real Estate Group and/or its associates in relation to the value-added services provided by the Group under the Value-added Services Framework Agreement (the "**VS Annual Caps**") for each of the three years ended 31 December 2021 would not exceed RMB21,978,000, RMB29,385,000 and RMB41,140,000, respectively. For the year ended 31 December 2021, the total amounts paid to the Group by the Remaining Xinyuan Real Estate Group and/or its associates under Value-added Services Framework Agreement was RMB40,621,000 which did not exceed the cap of RMB41,140,000.

Pursuant to the 2022 Value-added Services Framework Agreement, the proposed annual caps for the provision of value-added services for each of the three years ending 31 December 2024 (the "**2022 Value-added Services Annual Caps**") are expected not to exceed RMB44,900,000, RMB56,082,000 and RMB66,446,000, respectively.

Xinyuan Real Estate Holdings has been one of the controlling shareholders of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under each of the Value-added Services Framework Agreement and the 2022 Value-added Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the VS Annual Caps and the 2022 Value-added Services Annual Caps are, on an annual basis, more than 5% each of their respective proposed aggregate annual caps are more than HK$10 million, the transactions under the Value-added Services Framework Agreement and the 2022 Value-added Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the Value-added Services Framework Agreement, please refer to the Prospectus. For details of the 2022 Value-added Services Framework Agreement, please refer to the announcement of the Company dated 9 November 2021 and the circular of the Company dated 14 December 2021.

4. The 2022 Property Engineering Services Framework Agreement

On 9 November 2021, the Company (for itself and on behalf of its subsidiaries and associates) (as service providers) entered into a property engineering services framework agreement (the "**2022 Property Engineering Services Framework Agreement**") with Xinyuan Real Estate Holdings (for itself and on behalf of its subsidiaries and associates) (as receiving parties), pursuant to which the Group and/or its associates shall provide to the Remaining Xinyuan Real Estate Group and/or its associates property engineering services, including but not limited to (i) repairs engineering services, which involve providing repairs services and project quality enhancement maintenance services for development projects during the warranty period; (ii) intelligent engineering services, which involve providing construction services for intelligent systems; (iii) landscaping engineering services; (iv) firefighting engineering services; (v) decoration and renovation engineering service; (vi) elevators engineering services and other miscellaneous engineering services (collectively the "**XRE Property Engineering Services**"), for a term commencing from 1 January 2022 until 31 December 2024.

The fees to be charged for the XRE Property Engineering Services shall be determined after arm's length negotiations taking into account the scope of services under each of such contracts, the anticipated operational costs (including labour costs and material costs and obtaining quotations from equipment manufacturers to determine the construction budget) with reference to the fees for similar services and similar type of projects in the market.

The maximum annual fee payable by the Remaining Xinyuan Real Estate Group and/or its associates in relation to the XRE Property Engineering Services to be provided by the Group under the 2022 Property Engineering Services Framework Agreement (the "**PES Annual Caps**") for each of the three years ending 31 December 2024 is expected not to exceed RMB178,242,000, RMB204,979,000 and RMB235,725,000 respectively.

Xinyuan Real Estate Holdings has been one of the controlling shareholders of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the 2022 Property Engineering Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the 2022 Property Engineering Services Framework Agreement exceeds 25%, the transactions under the 2022 Property Engineering Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the 2022 Property Engineering Services Framework Agreement, please refer to the announcement of the Company dated 9 November 2021 and the circular of the Company dated 14 December 2021.

In respect of the Property Management Services Framework Agreement, the Pre-delivery and Consulting Services Framework Agreement and the Value-added Services Framework Agreement, pursuant to Rule 14A.105 of the Listing Rules, the Company has applied for, and the Stock Exchange has granted, waivers exempting us from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, subject to, among others, the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

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

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

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

(ii) on normal commercial terms or better; and

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

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

The auditor has issued a letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions as below:

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

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

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

(4) nothing has come to his attention that have exceeded the relevant cap amounts disclosed in the Prospectus and the relevant announcements of the Company, where applicable, for the financial year ended 31 December 2021.

(C) Connected Transaction

1. On 25 January 2021, Xinyuan Science and Technology Service Group Co., Ltd. ("**Xinyuan Science**") (an indirect wholly-owned subsidiary of the Company), Beijing I-Journey Science and Technology Development Co., Ltd.* (北京愛接力科技發展有限公司) ("**Beijing I-Journey**"), Beijing Ruizhuo Chaoyun Technology Group Co. Ltd.* (北京瑞卓超雲科技集團有限公司) ("**Beijing Ruizhuo Chaoyun**"), Ms. Leung Lai Shan and Beijing Future Xinzhihui Technology Development Centre (Limited Partnership)* (北京未來鑫智慧科技發展中心（有限合夥）) ("**Beijing Future Xinzhihui**") entered into the capital injection agreement (the "**Capital Injection Agreement**"), pursuant to which, Xinyuan Science has agreed to inject capital in the sum of approximately RMB30,000,000 (equivalent to approximately HK$36,000,000) into Beijing I-Journey, of which RMB10,000,000 (equivalent to approximately HK$12,000,000) would be included in the registered capital of Beijing I-Journey and the remaining RMB20,000,000 (equivalent to approximately HK$24,000,000) would be included in the capital reserve (資本公積金) of Beijing I-Journey (the "**Capital Injection**").

As at the date of the Capital Injection Agreement, Beijing I-Journey was beneficially owned by Xinyuan Real Estate Holdings as to approximately 95.12%, Beijing Ruizhuo Chaoyun was indirectly wholly-owned by Xinyuan Real Estate Holdings, and Beijing Future Xinzhihui was indirectly beneficially owned as to 94.83% by Xinyuan Real Estate Holdings. Therefore, each of Beijing I-Journey, Beijing Ruizhuo Chaoyun and Beijing Future Xinzhihui was an associate of Xinyuan Real Estate Holdings, and thus each a connected person of the Company. The Capital Injection therefore constituted a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Capital Injection exceeded 0.1% but all were less than 5%, the Capital Injection is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 8 March 2021, the contracting parties to the Capital Injection Agreement mutually agreed not to proceed with the Capital Injection and entered into a termination agreement to terminate the Capital Injection Agreement. With effect from the date of such termination agreement, all rights and obligations under the Capital Injection Agreement ceased to have effect. Please refer to the announcements of the Company dated 25 January 2021 and 8 March 2021 for further details.

2. On 13 August 2021, Xinyuan Science, an indirect wholly-owned subsidiary of the Company, entered into a loan agreement (the "**Loan Agreement-1**") with Henan Xinyuan Real Estate Co., Ltd. ("**Henan Xinyuan Real Estate**", an indirect wholly-owned subsidiary of Xinyuan Real Estate Holdings (one of the controlling shareholders of the Company)), pursuant to which, Xinyuan Science agreed to provide a loan up to RMB48 million (the "**Loan-1**") to Henan Xinyuan Real Estate, and Xinyuan (China) Real Estate, Ltd. (an indirect wholly-owned subsidiary of Xinyuan Real Estate Holdings) agreed to provide an irrevocable and unconditional guarantee for Loan-1. Interest shall be accrued on the outstanding principal of the Loan-1 at the rate of 8% per annum starting from 17 August 2021, being the date on which Xinyuan Science made a one-time disbursement to Henan Xinyuan Real Estate ("**Disbursement Date-1**") and ending on the date of full payment of the Loan-1. Henan Xinyuan Real Estate shall pay to Xinyuan Science the interest incurred from Loan-1 quarterly. Unless otherwise agreed between the parties, the Loan-1 and the accrued interest thereon shall be repaid in full on the second anniversary from Disbursement Date-1 (i.e. 16 August 2023).

   As Henan Xinyuan Real Estate is the indirect wholly-owned subsidiary of Xinyuan Real Estate Holdings, Henan Xinyuan Real Estate is a connected person of the Company, and thus Loan Agreement-1 constituted a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the transactions contemplated under the Loan Agreement-1 exceeded 0.1% but was less than 5%, the Loan Agreement-1 was subject to the reporting, announcement, and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the Company's announcement dated 13 August 2021 for details.

3. On 27 September 2021, the Company and Xinyuan Real Estate Holdings entered into a property exclusive sales cooperation agreement (the "**Property Exclusive Sales Cooperation Agreement**"), pursuant to which Xinyuan Real Estate Group (i.e. Xinyuan Real Estate Holdings and its subsidiaries excluding the Group for the purpose of the Property Exclusive Sales Cooperation Agreement) agreed to designate the Group as the exclusive sales partner of designated properties for the cooperation period and grant an exclusive sales right to the Group.

   The transactions contemplated under the Property Exclusive Sales Cooperation Agreement constituted a connected transaction of the Company which were subject to the requirements for reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules. Pursuant to the Property Exclusive Sales Cooperation Agreement, obtaining such approval by the Independent Shareholders was one of the conditions precedent of the Property Exclusive Sales Cooperation Agreement.

   On 30 September 2021, the parties to the Property Exclusive Sales Cooperation Agreement mutually agreed not to proceed with the transactions contemplated under the Property Exclusive Sale Cooperation Agreement and entered into a termination agreement to terminate the Property Exclusive Sale Cooperation Agreement. As such termination agreement was entered into before the aforesaid approval from the Independent Shareholders of the transactions could be obtained, the Property Exclusive Sales Cooperation Agreement was never effective.

   For details of the Property Exclusive Sale Cooperation Agreement and its termination, please refer to the announcements of the Company dated 27 September 2021 and 30 September 2021.

4. On 27 September 2021, Xinyuan Science entered into a loan agreement ("**Loan Agreement-2**") with Henan Xinyuan Real Estate, pursuant to which Xinyuan Science agreed to provide a loan up to RMB200 million (the "**Loan-2**") to Henan Xinyuan Real Estate, and Xinyuan (China) Real Estate, Ltd. agreed to provide an irrevocable and unconditional guarantee for the Loan-2. The transaction contemplated under the Loan Agreement-2 constituted a connected transaction of the Company which were subject to the requirements for reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules. Obtaining such approval by the Independent Shareholders was part of the conditions precedent of the Loan Agreement-2.

On 30 September 2021, the parties to the Loan Agreement-2 mutually agreed not to proceed with the transactions contemplated under the Loan Agreement-2 and entered into termination agreement to terminate the Loan Agreement-2. As such termination agreement was entered into before the aforesaid approval from the Independent Shareholders of the transactions could be obtained, the Loan Agreement-2 was never effective.

For details of the Loan Agreement-2 and its termination, please refer to the announcements of the Company dated 27 September 2021 and 30 September 2021.

5. On 9 November 2021, the Company (for itself and on behalf of its subsidiaries and associates) (as service providers) and Xinyuan Real Estate Holdings (for itself and on behalf of its subsidiaries and associates) (as receiving parties) entered into a pre-delivery and consulting services supplemental framework agreement (the "**Pre-delivery and Consulting Services Supplemental Framework Agreement**") in order to revise the annual cap for the transactions contemplated under the pre-delivery and consulting services framework agreement dated 16 September 2019 which was entered into between same contracting parties.

   The transaction contemplated under the Pre-delivery and Consulting Services Supplemental Framework Agreement constituted a connected transaction of the Company which were subject to the requirements for reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules. The effectiveness of the Pre-delivery and Consulting Services Supplemental Framework Agreement was conditional on such approval by the Independent Shareholders.

   On 25 November 2021, the parties to the Pre-delivery and Consulting Services Supplemental Framework Agreement mutually agreed not to proceed with the transactions contemplated under the Pre-delivery and Consulting Services Supplemental Framework Agreement and entered into termination agreement to terminate the Pre-delivery and Consulting Services Supplemental Framework Agreement. As such termination agreement was entered into before the aforesaid approval from the Independent Shareholders of the transactions could be obtained, the Pre-delivery and Consulting Services Supplemental Framework Agreement was never effective.

   For details of the Pre-delivery and Consulting Services Supplemental Framework Agreement and its termination, please refer to the announcements of the Company dated 9 November 2021 and 25 November 2021.

6. On 23 December 2021, the Company (for its own and on behalf of its subsidiaries and associates) and Xinyuan Real Estate Holdings (for its own and on behalf of its subsidiaries and associates, excluding the Group) entered into a supplemental agreement (the "**Supplemental Agreement**") to the car parking space exclusive sales cooperation agreement (the "**Car Parking Space Exclusive Sales Cooperation Agreement**") dated 17 September 2020 which are entered into between the same contracting parties. Pursuant to the Supplemental Agreement, subject to the fulfilment of the certain conditions precedent, the Company and Xinyuan Real Estate Holdings agreed that the ending date of the period of cooperation as stipulated under the Car Parking Space Exclusive Sales Cooperation Agreement shall be extended from 31 December 2021 to 31 December 2023.

   As at the date of the Supplemental Agreement, Xinyuan Real Estate Holdings was indirectly interested in 52.86% of the issued shares in the Company, and was the controlling shareholder of the Company. Therefore, Xinyuan Real Estate Holdings and its associates were connected persons of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Car Parking Space Exclusive Sales Cooperation Agreement (as supplemented and amended by the Supplemental Agreement) constituted a connected transaction of the Company.

   As the highest applicable percentage ratio in respect of the transactions contemplated under the Car Parking Space Exclusive Sales Cooperation Agreement (as to be supplemented and amended by the Supplemental Agreement) was more than 5%, the transactions contemplated under the Car Parking Space Exclusive Sales Cooperation Agreement (as to be supplemented and amended by the Supplemental Agreement) are therefore subject to the requirements for reporting, announcement and approval by the independent shareholders under Chapter 14A of the Listing Rules.

   As at the date of this annual report, the Company is in the course of finalising certain information to be included in the circular in relation to the Supplemental Agreement, which is expected to be despatched to the Company's shareholders on or before 29 April 2022. Please refer to the Company's announcements dated 23 December 2021, 24 February 2022 and 12 April 2022 for details.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions as disclosed above.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2021 are set out in note 30 to the financial statements contained herein.

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

UPDATE ON DIRECTORS' INFORMATION

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

Mr. LI Yifan, an independent non-executive Director, (i) has served as the chief financial officer of Human Horizons Group Inc. since April 2021; (ii) resigned as independent director of Zhejiang Tiantie Industry Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300587)) on 16 April 2021; (iii) resigned as director of Heilongjiang Interchina Water Treatment Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600187)) on 13 May 2021; (iv) resigned as a director and vice president of Zhejiang Geely Holding Group Co., Ltd in April 2021; (v) resigned as a director of Shanghai International Port (Group) Co. Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600018)) on 15 September 2021; (vi) resigned as an independent non-executive director of Zhongan Online P & C Insurance Co., Ltd. (a company listed on the Stock Exchange (stock code: 6060)) on 20 July 2021.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

RETIREMENT BENEFIT SCHEME

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

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2021, the Group had approximately 1,741 employees (31 December 2020: approximately 1,392 employees).

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

The Remuneration Committee of the Company was set up for reviewing the Company's emolument policy and structure for all remuneration of the Directors, Supervisors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors, Supervisors and senior management and comparable market practices.

The total remuneration cost incurred by the Group for the year ended 31 December, 2021 was RMB151.674 million.

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

For the year ended 31 December, 2021, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

TAX RELIEF AND EXEMPTION

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

CHARITABLE DONATIONS

During the year ended 31 December 2021, no charitable and other donations was made by the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 40 to 59 of this annual report.

AUDIT COMMITTEE

The audit committee has communicated with the management and external auditor and reviewed the accounting principles and policies adopted by the Group and the Company's consolidated financial statements for the year ended 31 December 2021.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2021.

EVENTS AFTER THE REPORTING PERIOD

(1) On 12 January 2022, the Board announced that from December 2020 to February 2021, the Group made successive prepayments to Henan Xinyuan Guangsheng Real Estate Co., Ltd. ("**Xinyuan Guangsheng**"), Zhengzhou Xinnan Real Estate Co., Ltd. ("**Zhengzhou Xinnan**"), Mingyuan Landscape Engineering Co., Ltd. ("**Mingyuan Landscape**") and Changsha Xinyuan Wanzhuo Real Estate Co., Ltd. ("**Xinyuan Wanzhuo**") in respect of a series of car parking space exclusive sales cooperation agreements (together, the "**Car Parking Space Exclusive Sales Cooperation Sub-agreements**"). Pursuant to the Car Parking Space Exclusive Sales Cooperation Sub-agreements, the Group may separately enter into service agreements with the relevant buyers for the sales of the designated car parking spaces and directly charge service fees to such buyers.

As stated in the announcement of the Company dated 27 October 2021, the Group previously understood that the aforesaid Car Parking Space Exclusive Sales Cooperation Sub-agreements fell under the car parking space exclusive sales cooperation agreement dated 17 September 2020 between the Company and Xinyuan Real Estate Holdings (the "**Framework Agreement**"), which was approved by the independent shareholders of the Company on 9 November 2020. Upon assessment by external advisors, however, the Company recognises that the aforesaid Car Parking Space Exclusive Sales Cooperation Sub-agreements did not fall under the Framework Agreement, as the relevant car parking spaces were not the designated car parking spaces listed in the Framework Agreement. Having understood the above, the Company gradually commenced the return of the prepayments for the car parking spaces and the termination of the respective transactions. The relevant procedures have been fully completed.

(2) On 29 March 2022, the Board announced that, during the period from 28 June 2020 to 24 February 2021, the Company and its subsidiaries had several transactions with Xinyuan Real Estate Holdings and its subsidiaries, which constituted connected transactions under the Listing Rules. Such transactions failed to comply with Rules 14.34(2), 14.38A, 14.40, 14A.34, 14A.35 and 14A.36 of the Listing Rules, and have breached the requirements of the relevant provisions of Chapter 14 and Chapter 14A of the Listing Rules. These rules notably require publication of an announcement as soon as the terms of a discloseable transaction or connected transaction have been finalised; sending a circular to shareholders and the Stock Exchange to explain the details of a major transaction or connected transaction of the Company which should be subject to the approval of shareholders, conducting such transaction only upon the approval of shareholders and entering into written agreement for any connected transaction.

As at the date of such announcement, the relevant amounts have been fully repaid, and have not had any material adverse impact on the interests of the shareholders of the Company. For details of the aforesaid transactions, please refer to the announcement of the Company dated 29 March 2022.

As further disclosed in the section headed "Risk Management and Internal Control" of this annual report, the Company has appointed Moore Advisory Services Limited as the independent internal control consultant of the Company, and adopted relevant remedial measures with its assistance to improve the internal control procedures of the Company. The Company shall continue to enhance its internal control management and strictly control the audit regarding compliance and risk control matters of its businesses, thereby avoiding the re-occurrence of similar incidents. Going forward, the Company will continue to comply with the requirements under the Listing Rules, carry out relevant corporate governance procedures and make appropriate disclosure in a timely manner to ensure compliance with the Listing Rules.

AUDITOR

The financial statements of the Group for the years ended 31 December 2019 and 2020 were audited by Ernst & Young, while those for the year ended 31 December 2021 were audited by Moore Stephens CPA Limited who shall retire in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

A resolution to re-appoint Moore Stephens CPA Limited as auditor of the Company and to authorise the directors of the Company to fix its remuneration will be proposed at the forthcoming annual general meeting.

On behalf of the Board

ZHANG Yong
Chairman

Hong Kong, 25 March 2022

* *For identification purposes only*

INDEPENDENT AUDITOR'S REPORT

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大華馬施雲
會計師事務所有限公司

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

OPINION

We have audited the consolidated financial statements of Xinyuan Property Management Service (Cayman) Ltd. (the "**Company**") and its subsidiaries ("**the Group**") set out on pages 106 to 229, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standard Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matter	How the matter was addressed in our audit
Identification and disclosures of related party transactions and impairment of receivables from or payment to related parties ***(Refer to Notes 2.4(e), 30(e) and 33(a) to the consolidated financial statements)***	
The Group has undertaken various transactions with its certain related parties at terms agreed between parties. These include provision of property management services, value-added services and pre-delivery and consultancy services, lending of loans, interests on such loans, funds transfer, etc as disclosed in Note 30 to these consolidated financial statements. The gross balances of approximately RMB506,603,000 receivables from or payment to the related parties (included in loan to a related party, trade receivables, contract assets and deposits, payments to related parties, prepayments to a related party and other receivables) at the date of this report. The Group's aggregate expected credit loss ("ECL") on the balances as at 31 December 2021 amounting to approximately RMB30,446,000. The management of the Company has assessed the recoverability of such balances based on the analysis of the financial resources of the related party group as well as the prevailing economic conditions.	We have performed the following procedures to address this key audit matter: (i) Evaluated the design and tested the operating effectiveness of controls over identification and accounting for related parties, initiation, approval, recording and disclosures of related party transactions; (ii) Obtained a list of related parties with the nature of relationship from the Company's management and confirmed the related parties details by the declarations given by the directors of the Company; (iii) Tested, on a sample basis, the significant related party transactions with the underlying contracts and other supporting documents for appropriate authorisation and approval of those transactions, and enquired the management of the Company regarding the purpose and substance of the transactions, especially the significant related party transactions outside the normal course of business;

KEY AUDIT MATTERS (CONTINUED)

The Key Audit Matter	How the matter was addressed in our audit
We identified the recording of all possible related party transactions and its disclosures as set out in the respective notes to these consolidated financial statements as a key audit matter due to the magnitude of transactions with related parties. The existence of related party transactions outside the Group's normal course of business may pose a risk of misstatements to the consolidated financial statements. We also identified the impairment on balances with related parties as key audit matter due to the magnitude of the balance and the assessment of the recoverability involved significant judgement and estimates made by the management.	(iv) Checked the completeness of bank accounts of the group entities by cross matching the bank accounts maintained in the ledgers with the respective lists of bank accounts of those group entities obtained directly from the banks; (v) Tested the existence and completeness of the transactions including material fund transfer with related parties, on a sample basis, by cross checking the ledgers of the group entities and the bank statements obtained directly from the banks or internet banking system; (vi) Tested the material debtors or creditors, loans given or taken to evaluate existence of any related party relationships; tested transactions based on declarations given by the directors of the Company; (vii) Assessed the collectability of receivables from and payments to the related parties and inspect the corroborative evidence which includes obtaining the confirmations from the related parties and the financial analysis on related parties prepared by the Group and engaged our in-house valuation experts to evaluate the appropriateness of the credit loss provisioning methodology and the reasonableness of the key inputs used in estimation of credit loss;

KEY AUDIT MATTERS (CONTINUED)

The Key Audit Matter	How the matter was addressed in our audit
	(viii) Checked the completeness of disclosure of financings or guarantees provided by the Group to the related parties, by reviewing the credit reports of the group entities obtained directly from the banks or internet banking system; (ix) Obtained the investigation report and the internal control review report and performed follow up procedures to identify if any potential or irregular related party transaction and evaluated if the control deficiencies have been corrected; and (x) Assessed the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

The Key Audit Matter	How the matter was addressed in our audit
Impairment of trade receivables and contract assets (Refer to Notes 2.4(i), 3, 18, 19 and 33(a)(i) to the consolidated financial statements)	
As at 31 December 2021, the Group's net trade receivables and contract assets amounted to approximately RMB237,803,000 and RMB62,105,000 respectively, representing approximately 16% and 4% of the total assets of the Group respectively. The Group's aggregate lifetime expected credit loss ("**ECL**") on trade receivables and contract assets as at 31 December 2021 amounting to approximately RMB24,364,000 and RMB3,495,000, respectively. The management of the Company performed periodic assessment on the recoverability of the trade receivables and contract assets and the sufficiency of the allowance for ECL. Management's estimate of the amount of loss allowance for trade receivables and contract assets was based on the credit risk of respective trade receivables and contract assets after considering the credit profile of respective customers, ageing analysis, historical loss experience, and on-going trading relationship with the relevant customers. The management also considered the forward-looking information that may impact the customers' ability to repay the outstanding balances.	We have performed the following procedures to address this key audit matter: (i) Evaluated the design and tested the operating effectiveness of controls over managing, monitoring the billing and collection process and assessing the recoverability of trade receivables and contract assets; (ii) Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; (iii) Obtained the ageing analysis of trade receivables and contract assets and discussed with the management about their evaluation of the background, financial capability of the customers, evaluation of the impact of any unforeseen delay of the projects and their credit assessment that the amounts were recoverable; (iv) Tested the integrity of information used to develop the provision matrix, including ageing analysis of trade receivables, on a sampling basis, to the underlying financial records and post year end settlements;

KEY AUDIT MATTERS (CONTINUED)

The Key Audit Matter	How the matter was addressed in our audit
We identified the impairment on trade receivables and contract assets as key audit matter due to the magnitude of the balance of trade receivables and contract assets and the assessment of the recoverability of the customers involved significant judgement and estimates made by the management.	(v) Inquired the management for (i) the status of each of the material trade receivables past due and (ii) the billing status of each of material contract assets as at the year end, and corroborated explanations from the management with supporting evidence; (vi) Assessed the appropriateness of the provisioning methodology and challenged the management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at 31 December 2021, including the reasonableness of grouping in the provision matrix, the basis of estimation of loss rates for customers and forward-looking information; (vii) Tested the accuracy and completeness of key data used by the management to determine the ECL, on a sampling basis; (viii) Checked the mathematical accuracy of the calculation of the credit loss allowance; and (ix) Evaluated the adequacy and appropriateness of disclosures regarding the impairment assessment of trade receivables and contract assets in the consolidated financial statements.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 31 August 2021.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**770,176**	653,702
Cost of sales		**(504,019)**	(396,030)
Gross profit		**266,157**	257,672
Other income and gains	6	**26,139**	11,990
Administrative expenses		**(73,005)**	(56,593)
Provision for impairment on financial assets and contract assets (other than related parties)	7	**(1,966)**	(7,532)
Provision for impairment on financial assets and contract assets (related parties)	7	**(30,446)**	–
Interest on lease liabilities	14(b)	**(137)**	(123)
Other expenses		**(5,683)**	(8,196)
Impairment of investment in a joint venture	16	**(1,370)**	(2,949)
Share of (losses)/profits of:			
A joint venture	16	**(4,367)**	(1,922)
Associates	17	**166**	(28)
PROFIT BEFORE TAX	7	**175,488**	192,319
Income tax expense	10	**(51,418)**	(60,464)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**124,070**	131,855
Attributable to:			
Equity holders of the Company		**122,570**	131,152
Non-controlling interests		**1,500**	703
		124,070	131,855
		RMB cents	RMB cents
EARNINGS PER SHARE	12		
Basic		**22.21**	26.34
Diluted		**21.65**	25.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**9,608**	8,888
Goodwill	29	**3,090**	3,090
Right-of-use assets	14(a)	**1,859**	3,189
Other intangible assets	15	**2,197**	982
Investment in a joint venture	16	**–**	5,737
Investments in associates	17	**1,523**	1,357
Prepayments to a related party	20	**89,073**	89,073
Payments to related parties	20	**191,469**	–
Deferred tax assets	25	**12,033**	3,918
Loan to a related party	30(e)	**40,131**	–
Total non-current assets		**350,983**	116,234
CURRENT ASSETS			
Trade and bills receivables	18	**258,152**	238,829
Contract assets	19	**62,105**	23,681
Deposits, prepayments and other receivables	20	**61,582**	22,823
Financial assets at fair value through profit or loss	21	**40,904**	–
Term deposits	22	**397,330**	537,800
Cash and cash equivalents	22	**321,719**	311,340
Total current assets		**1,141,792**	1,134,473
CURRENT LIABILITIES			
Trade payables	23	**102,900**	44,035
Other payables and accruals	24	**388,705**	337,682
Lease liabilities	14(b)	**1,393**	1,364
Tax payable		**74,087**	59,482
Total current liabilities		**567,085**	442,563
NET CURRENT ASSETS		**574,707**	691,910
TOTAL ASSETS LESS CURRENT LIABILITIES		**925,690**	808,144

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	*14(b)*	**692**	2,136
Deferred tax liabilities	*25*	**10,106**	8,121
Total non-current liabilities		**10,798**	10,257
Net assets		**914,892**	797,887
EQUITY			
Share capital	*26*	**5**	5
Reserves	*27*	**911,533**	796,028
Total equity attributable to equity holders of the Company		**911,538**	796,033
Non-controlling interests		**3,354**	1,854
Total equity		**914,892**	797,887

Wang Yanbo
Director

Zhang Yong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium* RMB'000 *(Note 27)*	Other reserve* RMB'000 *(Note 27)*	PRC reserve funds* RMB'000 *(Note 27)*	Retained earnings* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1 January 2020	4	449,222	(144,969)	25,197	232,482	561,936	1,151	563,087
Profit and total comprehensive income for the year	–	–	–	–	131,152	131,152	703	131,855
Repurchase and cancellation of shares *(Note 26(a))*	–**	(951)	–	–	–	(951)	–	(951)
Placing of new shares *(Note 26(b))*	1	115,014	–	–	–	115,015	–	115,015
Equity-settled share-based payments *(Note 28)*	–**	–	12,666	–	–	12,666	–	12,666
Dividends	–	–	–	–	(23,785)	(23,785)	–	(23,785)
At 31 December 2020 and 1 January 2021	**5**	**563,285**	**(132,303)**	**25,197**	**339,849**	**796,033**	**1,854**	**797,887**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**122,570**	**122,570**	**1,500**	**124,070**
Placing of new shares *(Note 26(c))*	**–****	**31,118**	**–**	**–**	**–**	**31,118**	**–**	**31,118**
Equity-settled share-based payments *(Note 28)*	**–****	**–**	**9,378**	**–**	**–**	**9,378**	**–**	**9,378**
Dividends *(Note 11)*	**–**	**–**	**–**	**–**	**(47,561)**	**(47,561)**	**–**	**(47,561)**
At 31 December 2021	**5**	**594,403**	**(122,925)**	**25,197**	**414,858**	**911,538**	**3,354**	**914,892**

* These reserve accounts comprise the consolidated reserves of RMB911,533,000 (2020: RMB796,028,000) in the consolidated statement of financial position.

** Amount less than RMB1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**175,488**	192,319
Adjustments for:			
Interest income	*6*	**(19,759)**	(4,949)
Share of loss of a joint venture	*16*	**4,367**	1,922
Share of (profit)/losses of associates	*17*	**(166)**	28
Loss on disposal of items of property, plant and equipment	*7*	**211**	295
Depreciation and amortisation	*7*	**3,728**	3,169
Provision for impairment on financial assets and contract assets (other than related parties)	*7*	**1,966**	7,532
Provision for impairment on financial assets and contract assets (related parties)	*7*	**30,446**	–
Written-off of trade receivables		**400**	–
Impairment of investment in a joint venture	*16*	**1,370**	2,949
Interest on lease liabilities	*14(b)*	**137**	123
Fair value loss on financial assets at fair value through profit or loss ("**FVTPL**")	*21*	**549**	–
Foreign exchange differences, net	*7*	**4,826**	7,890
Equity-settled share-based payments	*28*	**9,378**	12,666
		212,941	223,944
Increase in trade receivables		**(25,816)**	(50,490)
Increase in contract assets		**(41,211)**	(24,389)
Increase in deposits, prepayments and other receivables		**(242,359)**	(11,162)
Increase in contract liabilities		**14,681**	20,689
Increase in trade payables		**58,865**	215
Increase in other payables and accruals		**36,265**	49,064
Cash generated from operations		**13,366**	207,871
Income tax paid		**(42,943)**	(36,997)
Net cash flows (used in)/generated from operating activities		**(29,577)**	170,874

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**16,304**	4,949
Purchase of FVTPL	*21*	**(41,453)**	–
Purchases of property, plant and equipment	*13*	**(3,096)**	(3,217)
Purchases of intangible assets	*15*	**(1,448)**	(193)
Investments in bank time deposits		**(1,013,130)**	(975,600)
Redemption of bank time deposits investments		**1,153,600**	437,800
Loan advanced to related party		**(48,000)**	–
Fund transfers to related parties		**(225,825)**	(194,441)
Fund transfers from related parties		**225,825**	194,441
Acquisition of associates		**–**	(1,385)
Acquisition of a subsidiary	*29*	**–**	(9,541)
Net cash flows generated from/(used in) investing activities		**62,777**	(547,187)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for repurchase of shares	*26(a)*	**–**	(951)
Payment of lease liabilities	*14(b)*	**(1,552)**	(1,288)
Dividend paid by the Company	*11*	**(47,561)**	(23,785)
Placing of new shares under general mandate	*26(c), (b)*	**31,118**	115,015
Net cash flows (used in)/generated from financing activities		**(17,995)**	88,991
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**15,205**	(287,322)
Cash and cash equivalents at beginning of year		**311,340**	606,552
Effect of exchange rate changes on cash and cash equivalents		**(4,826)**	(7,890)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*21*	**321,719**	311,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated on 13 December 2018 in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The trading in shares of the Company has been suspended since 1 April 2021. The registered office of the Company is located at the offices of Maples Corporate Services Limited, Second Floor, Century Yard, Cricket Square, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business is located at 9/F., Wah Yuen Building, 149 Queen's Road Central, Hong Kong.

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

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

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

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which includes all applicable individual IFRSs, International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations issued and approved by the International Accounting Standard Board ("**IASB**") and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

2.1 BASIS OF PREPARATION (CONTINUED)

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated, which is the same as the functional currencies of the Company and its subsidiaries. All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns. When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity shareholders of the Company.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

In the Company's statement of financial position, investments in subsidiaries is stated at cost less impairment losses (see Note 2.4(d)), unless the investment is classified as held for sale.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The principal accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2021 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2020, except for the application of the amendments to IFRSs as explained in below.

Application of amendments to IFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2021, the Group has applied the following amendments to IFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2

In addition, the Group has early applied the Amendments to IFRS 16 "Covid-19-Related Rent Concession beyond 30 June 2021", which are mandatorily effective for annual reporting periods beginning on or after 1 April 2021.

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

Impact on early application of Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" (the "2021 Amendment")

The Group has early applied the Amendment to IFRS16 "Covid-19-Related Rent Concessions" in prior year and the 2021 Amendment in the current year. The 2021 Amendment extends the availability of the practical expedient set out in paragraph 46A of IFRS 16 to rent concessions on or before 30 June 2022. The early application of the 2021 Amendment has had no impact to the opening retained profits at 1 January 2021 and the financial position and financial performance for the current year.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new or amendments to IFRSs, that have been issued but are not yet effective, in these financial statements.

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to AG 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised)	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IFRS 10 and IAS 28*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020	1 January 2022

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2020. The effective date has now been deferred. Early adoption of the amendments continues to be permitted.

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

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial adoption. So far the directors of the Company have concluded that the application of them is unlikely to have a significant impact on the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Investments in associates and joint venture are accounted for using equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses and movements in other comprehensive income included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Investments in associates and joint ventures (Continued)

Investments in associates and joint venture are accounted for using the equity method from the date on which the investees become associate and joint venture. On acquisition of the investment in associates and joint ventures, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Unrealised gains and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's investments in the associates and joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred.

Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the equity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The Group assesses whether there is an objective evidence that the investments in associates and joint ventures may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the policy described in Note 2.4(d).

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations and goodwill

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the acquirer elects not to apply the test, the Group shall then perform the assessment to determine if the inputs and substantive process that together significantly contribute to the ability to create output are present to determine whether the set of activities and assets is a business.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations and goodwill (Continued)

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Fair value measurement

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Fair value measurement (Continued)

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

(d) Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(f) Property, plant and equipment and depreciation

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

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

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

Structures	3 to 10 years
Transportation equipment	5 to 10 years
Office equipment	3 to 5 years
Machinery equipment	3 to 10 years
Leasehold improvements	3 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment and depreciation (Continued)

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

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

(g) Intangible assets (other than goodwill)

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

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

Computer software	10 years

Intangible assets are test for impairment as described in Note 2.4(d) to the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

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

(a) Right-of-use assets

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

Group as a lessee (Continued)

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

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

(b) Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

Group as a lessee (Continued)

(c) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

Group as a lessee (Continued)

(d) *Short-term leases and leases of low-value assets*

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

(e) *Lease modifications*

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

Group as a lessee (Continued)

(f) Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way as if the changes are not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

Group as a lessor

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

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

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

The Group did not have any finance lease which it acts as a lessor.

(i) Investments and other financial assets

Financial assets

Financial assets are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**") and FVTPL.

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group's financial assets at amortised cost include loan to a related party, trade receivables, deposits and payments and other receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured at FVPL.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other income" line item.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12-m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. For all other financial assets, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in external credit rating of the debtors;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet their obligations;
- actual or expected significant changes in the operating results of the debtors;
- significant increases in credit risk on other financial instruments of the same debtor; and
- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors and changes in the operating results of the debtors.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Note 33(a) details how the Group determines whether there has been a significant increase in credit risk. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

Default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Past-due status; and

- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The ECL on trade receivables and contract assets are assessed individually for debtors with significant balances and collectively for other debtors based on the Group's internal credit rating, historical credit loss experience and expected settlement dates, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

At every reporting date, the estimated default rates are reassessed and changes in the forward-looking estimates are considered.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-m ECL at the current reporting date.

ECL is measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial liabilities

Classification and subsequent measurement

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

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

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

After initial recognition, the financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

Derecognition of financial liabilities

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

When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the consideration paid (being the fair value of the equity instruments issued), recognised to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial liabilities (Continued)

Offsetting of financial instruments

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

(k) Cash and cash equivalents and term deposits

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

Bank deposits with initial terms of over three months are included in "term deposits" in the consolidated statement of financial position, are excluded from cash and cash equivalents.

(l) Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax (Continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Government grants

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

(o) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer that is not yet conditional. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment in accordance with IFRS 9, details of which are included in the accounting policies for impairment of financial assets. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Contract liabilities

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contract costs

Other than the costs which are capitalised as property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

- The costs are expected to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Contract costs (Continued)

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Contracts with multiple performance obligations (including allocation of transaction price)

If contracts involve the sale of multiple services, the transaction prices will be allocated to each performance obligation based on their relative stand-alone selling prices.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, which is estimated based on expected cost plus a margin or an adjusted market assessment approach, depending on the availability of observable information.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Contract costs (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

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

Depending on the terms of the contracts and the laws that apply to the contract, services may be recognised over time or at a point in time.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Property management services

Property management services mainly includes security, cleaning, greening, repair and maintenance and file management services to owners or tenants of properties.

The Group recognises certain property management service under lump sum basis and under commission basis.

For revenue from the property management services is recognised in the accounting period in which the services are rendered as the customers simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs. The Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. Accordingly, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other methods better represents the stage of completion, and the cost of services is recognised as incurred in connection with performing such services.

For property management services income from properties managed under a lump sum basis, where the Group acts as principal and is primarily responsible for providing the general property management services to the property owners by on-site staff which the labour costs are borne by the Group. Other expenses associated with general management services are borne by the Group. If the amount of general property management fees received is not sufficient to cover all the expenses incurred, the Group is not entitled to request the property owners to pay the Group the shortfall. The Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Property management services (Continued)

For property management services income from properties managed under a commission basis, the general property management services are delivered by on-site staff which the labour costs are borne by the property owners, the Group acts as an agent and is primarily responsible for arranging and monitoring the services as provided by labours and other suppliers to the property owners. Expenses associated with general management services are covered by the balance of the gross general property management fees paid by the property owners after deducting the commissions payable to the Group. The Group is not responsible for any shortfall if the amount of general property management fees received is not sufficient to cover all the associated expenses incurred. All shortfall or surplus are assumed or entitled by the property owners. The Group recognises the commission, which is calculated by a certain percentage of the total property management fee received or receivable from the property owners.

Value-added services

The value-added services mainly include the community area resources management services, property improvement services and utility expense collection services. Payment of these transaction is due immediately when the value-added services are rendered to the property owners.

The Group provides community area resources management services, which is leasing common spaces and public facilities owned by property owners to third parties and the provision of common area resources maintenance and management services, revenue is recognised over time when the relevant services are rendered, as the customer simultaneously receives and consumes the benefits provided by the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Value-added services (Continued)

For property improvement services, revenue is recognised over time, using an input method to measure progress towards the completion of the service, because the Group's performance enhances an asset that the customer controls as the asset is enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the property improvement services. The revenue is recognised on a gross basis as the Group acts as a principal in these transactions and is responsible for fulfilling the obligation to provide the specified goods when the goods are delivered to customers.

For utility expenses collection services, the Group acts as an agent to collect the utility expenses from the property occupants and return to relevant government bodies. Handling income which is calculated by a pre-determined cost-plus-margin approach on the utility expenses paid, is recognised at net basis at the point in time when the utility expenses are collected and returned to relevant government bodies.

Other value-added services including housekeeping, facilities and equipment maintenance for house and retail services. Revenue from housekeeping and maintenance services are recognised when the related services are rendered. Revenue from handling services provided for online platform, which is calculated by a pre-determined cost-plus-margin approach on the retail price paid, is recognised at the point in time when the control of the goods is transferred to the customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Pre-delivery and consultancy services

Pre-delivery services include providing sales assistance services, for instance (i) property sales venue management services and (ii) property sales venue "warm-up" services at the pre-delivery stage and (iii) construction services to property developers. Consulting services mainly include (i) consulting service on project planning, design management and construction management to property developers at early and construction stages and (ii) referral and management services provided to property developers. The Group agrees the price for each service with the customers upfront and issues monthly or quarterly bills to the customers which varies based on the actual level of service completed.

Revenue from property sales venue management and property sales venue "warm-up" services is recognised over time, in the amount to which the Group has a right to invoice, because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from construction services is recognised over time using the output method to estimate the progress of each performance obligation satisfied over time by reference to the value of construction works completed to date (as certified by external surveyors or evaluated by internal project managers) as a proportion of the total contract value of the relevant construction contracts.

For referral and management services provided to property developers, the Group acts as an agent in the sales agency service as the Group is not the primary obligor to provide the properties to property owners and the Group has no inventories risk of properties. Commission income which is calculated by a percentage of the sales price, is recognised at net basis at the point in time when the property is delivered to property owners.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Revenue from other sources

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

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

(p) Share-based payments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Share-based payments (Continued)

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

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

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

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

(q) Other employee benefits

People's Republic of China ("PRC") contribution plan

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Borrowing costs

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

(s) Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Provision of ECLs on balances with the related parties

Provision of ECLs on the balances with related parties are estimated based on assumptions about the risk of default and credit risk of counterparties, which involves high degree of estimation and uncertainty. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional provision to profit or loss.

The balances with related parties will use lifetime ECL when the credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account quantitative and qualitative reasonable and supportable forward looking information including available counterparties' historical data and existing and forecast market conditions.

ECLs on balances with related parties which are not assessed to be credit impaired are estimated based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Group considers factors including macroeconomic factors, industry risks and changes in debtors' conditions. Judgement is applied in identifying the most appropriate ECL model as well as for determining the assumptions used in the model, including those related to key drivers of credit risk.

The information about the ECL and the Group's balances with the related parties included in trade receivables, contract assets and other receivables are disclosed in Note 33(a), Note 18, Note 19 and Note 20, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Provision of expected credit losses on trade and bills receivables and contract assets

The Group performs impairment assessment under ECL model on trade and bills receivables and contract assets individually or based on provision matrix.

Except for customers with significant balances or credit-impaired, which are assessed for impairment individually, the Group used provision matrix to calculate the ECL for its trade and bills receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Where the actual outcome or expectation in future is different from original estimate, such differences will impact the carrying amount of trade receivables and contract assets and credit loss allowance in the period in which the estimate has been changed. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 18 and Note 19 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Fair value of financial instruments

Where the fair value of financial assets recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets (other than goodwill)

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

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Useful lives of property, plant and equipment

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

Deferred tax assets

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

4. OPERATING SEGMENT INFORMATION

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

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

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

As at 31 December 2021, all of the non-current assets were located in the PRC (2020: Same).

5. REVENUE

Revenue mainly represents consideration to which the Group expects to be entitled for the property management services, value-added services and pre-delivery and consulting services rendered to customers, net of value added tax and surcharges, and allowances for discounts. An analysis of the Group's revenue by category is as follows:

(1) Disaggregation of revenue

	2021 RMB'000	2020 RMB'000
Revenue from contract with customers within the scope of IFRS 15, types of goods or services		
Property management services	**446,031**	379,860
Value-added services	**148,392**	131,990
Pre-delivery and consulting services	**175,753**	141,852
	770,176	653,702

Revenue from contract with customers within the scope of IFRS 15 by timing of revenue recognition:

	Property management services		Value-added services		Pre-delivery and consulting services		Total	
	2021 **RMB'000**	2020 RMB'000	**2021** **RMB'000**	2020 RMB'000	**2021** **RMB'000**	2020 RMB'000	**2021** **RMB'000**	2020 RMB'000
Point in time	**–**	–	**36,731**	37,807#	**28,229**	19,851#	**64,960**	57,658#
Over time	**446,031**	379,860	**111,661**	94,183	**147,524**	122,001	**705,216**	596,044
	446,031	379,860	**148,392**	131,990	**175,753**	141,852	**770,176**	653,702

The comparative figures of revenue amounted to approximately 57,658,000, representing the revenue of utility expenses collection and referral and management services have been reclassified from "over time" to "point in time" to conform with the current year's presentation.

5. REVENUE (CONTINUED)

(1) Disaggregation of revenue (Continued)

For the year ended 31 December 2021, revenue from entities controlled by the Ultimate Holding Company accounted for 22% (2020: 23%) of the Group's total revenue, representing 6%, 25% and 60% (2020: 7%, 10% and 70%) of the revenue from property management services, value-added services and pre-delivery and consulting services, respectively. Other than the entities controlled by the Ultimate Holding Company, the Group had a large number of customers and none of whom contributed 10% or more to the Group's revenue for the year (2020: none).

(2) Contract liabilities

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

	2021 **RMB'000**	2020 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**106,001**	90,960

(3) Performance obligations

For property management services and pre-delivery and consulting services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date.

The majority of the property management service contracts do not have a fixed term. The terms of the contracts for pre-delivery and consulting services (except for construction services) are generally set to expire when the counterparties notify the Group that the services are no longer required.

5. REVENUE (CONTINUED)

(3) Performance obligations (Continued)

The Group has elected the practical expedient in paragraph 121 of IFRS 15 for the value-added services and construction services contracts that regarding the performance obligation that has an original expected duration of one year or less, the Group does not make disclosure in accordance with paragraph 120 of IFRS 15, that is the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and an explanation of when the Group expects to recognise as revenue.

6. OTHER INCOME AND GAINS

	2021	2020
	RMB'000	RMB'000
Interest income	**19,759**	5,214
Government grants *(Note)*	**4,434**	5,086
Others	**1,946**	1,690
	26,139	11,990

Note: Government grants mainly represented the subsidies received from the local government in support of the business operation. There was no condition to be fulfilled by the Group in relation to the subsidies.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2021 RMB'000	2020 RMB'000
Cost of services provided		**504,019**	396,030
Employee benefit expenses *(Note (c))* (excluding directors' and chief executive's remuneration included in *(Note 8)*):			
Wages and salaries		**124,336**	97,466
Equity-settled share-based payments	*28*	**5,132**	6,966
Pension scheme contributions *(Note (d))*		**13,951**	892
		143,419	105,324
Impairment of financial assets at amortised cost and contract assets:			
– Third parties			
Provision for impairment of trade receivables	*18*	**1,986**	6,569
Provision for impairment of contract assets	*19*	**130**	708
(Reversal of)/provision for impairment of financial assets included in prepayments and other receivables	*20*	**(150)**	255
		1,966	7,532
– Related parties			
Provision for impairment of trade receivables	*18*	**4,107**	–
Provision for impairment of contract assets	*19*	**2,657**	–
Provision for impairment of financial assets included in deposits, prepayments and other receivables	*20(b) and (d)*	**15,813**	–
Provision for impairment of loan to a related party	*33(a)(ii)*	**7,869**	–
		30,446	–
Total impairment of financial assets at amortised cost and contract assets		**32,412**	7,532

7. PROFIT BEFORE TAX (CONTINUED)

	Notes	2021 RMB'000	2020 RMB'000
Depreciation and amortisation:			
Depreciation of property, plant and equipment *(Note (e))*	*13*	**2,165**	1,576
Depreciation of right-of-use assets	*14(a)*	**1,330**	1,476
Amortisation of intangible assets	*15*	**233**	117
		3,728	3,169
Impairment of investment in a joint venture	*16*	**1,370**	2,949
Auditor's remuneration *(Note (a))*		**1,311**	2,600
Expenses relating to short-term leases	*14(c)*	**535**	252
Foreign exchange differences, net *(Note (b))*		**4,826**	7,890
Fair value loss of financial assets at FVTPL	*21*	**549**	–
Loss on disposal of property, plant and equipment		**211**	295

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

Note (a): The amount included agreed-upon procedures services provided relating to interim results for the six months ended 30 June 2021 with approximately RMB328,000 (2020: Nil).

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

Note (c): Total employee benefit expenses of approximately RMB114,546,000 and RMB28,873,000 (2020: RMB80,245,000 and RMB25,079,000) are charged to cost of sales and administrative expenses, respectively for the year ended 31 December 2021.

Note (d): Pursuant to an announcement issued by the Ministry of Human Resources and Social Security of the PRC, in the light of COVID-19 pandemic, certain Group entities were exempted from making employer contribution to pension, unemployment, and work-related injury insurance schemes between February to December 2020.

Note (e): Total depreciation of property, plant and equipment of approximately RMB1,667,000 and RMB498,000 (2020: RMB1,343,000 and RMB233,000) are charged to cost of sales and administrative expenses, respectively for the year ended 31 December 2021.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2021 **RMB'000**	2020 RMB'000
Fees	**101**	107
Salaries, allowances and benefits in kind	**2,170**	2,424
Discretionary bonuses	**1,686**	2,155
Equity-settled share-based payments *(Note 28)*	**4,246**	5,700
Pension scheme contributions *(Note 7(d))*	**52**	4
	8,255	10,390

During the year ended 31 December 2021, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 December 2021 (2020: Nil).

Salaries, allowances and benefits in kind paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

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

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 **RMB'000**	2020 RMB'000
Mr. Luo Ji	**–**	–
Mr. Li Yifan	**101**	107
Mr. Wang Peng (resigned on 13 April 2021)	**–**	–
Mr. Fu Shaojun (appointed on 27 July 2021)	**–**	–
	101	107

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

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based payments RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2021						
Executive directors						
Ms. Wang Yanbo	**–**	**1,454**	**1,093**	**2,831**	**26**	**5,404**
Mr. Huang Bo *(Note)*	**–**	**716**	**593**	**1,415**	**26**	**2,750**
	–	**2,170**	**1,686**	**4,246**	**52**	**8,154**
Non-executive directors						
Mr. Zhang Yong	**–**	**–**	**–**	**–**	**–**	**–**
Ms. Yang Yuyan	**–**	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**–**	**–**
2020						
Executive directors						
Ms. Wang Yanbo	–	1,664	1,340	3,800	2	6,806
Mr. Huang Bo *(Note)*	–	760	815	1,900	2	3,477
	–	2,424	2,155	5,700	4	10,283
Non-executive directors						
Mr. Zhang Yong	–	–	–	–	–	–
Ms. Yang Yuyan	–	–	–	–	–	–
	–	–	–	–	–	–

Note: On 15 February 2022, Mr. Huang Bo resigned as executive directors and Chief Financial Officer of the Company.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (including one director also being chief executive) (2020: two directors including one director also being chief executive), details of whose remuneration are set out in note 8(b) above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries, allowances and benefits in kind	**1,864**	2,028
Discretionary bonuses	**1,511**	2,192
Equity-settled share-based payments	**3,302**	4,433
Pension scheme contributions	**79**	7
	6,756	8,660

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

	2021 **Number of individuals**	2020 Number of individuals
Nil to RMB1,000,000	**–**	–
RMB1,000,001 to RMB1,500,000	**–**	–
RMB1,500,001 to RMB2,000,000	**2**	–
RMB2,000,001 to RMB2,500,000	**–**	–
RMB2,500,001 to RMB3,000,000	**1**	2
RMB3,000,001 to RMB3,500,000	**–**	1
	3	3

During the year ended 31 December 2021, the five highest paid employees did not receive any emolument from the Group as an inducement to join or upon joining the Group, nor leave the Group or as compensation for loss of office (2020: Nil).

10. INCOME TAX

	2021 RMB'000	2020 RMB'000
Current income tax – PRC:		
Corporate income tax	**53,177**	52,611
Withholding tax *(Note 25)*	**4,371**	4,812
	57,548	57,423
Deferred income tax – PRC:		
Deferred tax asset recognised *(Note 25)*	**(8,115)**	(1,882)
Deferred tax liabilities recognised *(Note 25)*	**1,985**	4,923
	(6,130)	3,041
Total tax charge for the year	**51,418**	60,464

(a) Cayman Islands income tax

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

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

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

(c) Hong Kong profits tax

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax during the year (2020: Same).

10. INCOME TAX (CONTINUED)

(d) PRC Corporate Income Tax

Under the relevant PRC income tax law, the PRC entities of the Group are subject to corporate income tax at a rate of 25% during the year on their respective taxable income (2020: Same).

(e) Withholding tax

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The above PRC withholding tax has been provided based on the net profits of the year planned to be distributed by the Company's Mainland China subsidiaries and the applicable tax rate of 10%.

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

	2021 **RMB'000**	2020 RMB'000
Profit before tax	**175,488**	192,319
Tax at the statutory tax rates of PRC at 25%	**43,872**	48,080
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**3,958**	5,339
Share of losses/(gains) of:		
A joint venture	**1,092**	480
Associates	**(41)**	7
Withholding income tax	**4,371**	4,812
Net adjustment for (non-taxable)/non-deductible items	**(1,834)**	1,746
Tax charge at the Group's effective tax rate	**51,418**	60,464

11. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Proposed final – HK13.8 cents (2020: HK10.2 cents) per ordinary share	**63,660**	48,085

The proposed final dividend for the year amounted to approximately HK$78,315,000 (equivalent to RMB63,660,000 based on the exchange rate as at dividend proposal date) , which is approved by the board of directors of the Company at the date of approval of these consolidated financial statements and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting, has not be reflected as dividend payable as at 31 December 2021.

A dividend in respect of the year ended 31 December 2020 amounted to approximately HK$56,069,000 (equivalent to RMB48,085,000 based on the exchange rate as at dividend proposal date) has been approved by the board of directors after the reporting date and it has also been approved at the annual general meeting of the Company held in October 2021. The relevant dividend amount of RMB47,561,000 is charged to the consolidated statement of changes in equity based on the payment date exchange rate.

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted for the dividends in respect of unvested shares under the restricted share award scheme, and the weighted average number of ordinary shares of 536,172,000 (2020: 486,173,000) in issue during the year.

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

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

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

	2021 **RMB'000**	2020 RMB'000
Earnings		
Profit attributable to equity holders of the Company, used in the diluted earnings per share calculation	**122,570**	131,152
Adjustment of the proposed dividends for unvested shares under the restricted share award scheme	**(3,470)**	(3,081)
Adjusted profit attributable to equity holders of the Company, used in the basic earnings per share calculation	**119,100**	128,071
	Thousand Shares	Thousand Shares
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**536,172**[1]	486,173[2]
Effect of dilution – weighted average number of ordinary shares:		
Restricted share award scheme	**30,000**	36,750
Weighted average number of ordinary shares for diluted earnings per share	**566,172**	522,923
	RMB cents	RMB cents
Basic earnings per share	**22.21**	26.34
Diluted earnings per share	**21.65**	25.08

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

[1] The weighted average of 536,172,000 ordinary shares represented the 567,500,000 ordinary shares in issue for the year ended 31 December 2021, excluded the 30,000,000 unvested restricted shares, and included the weighted average of 18,000,000 ordinary shares issued by the Company on 8 February 2021.

[2] The weighted average of 486,173,000 ordinary shares represented the 500,000,000 ordinary shares in issue for the year ended 31 December 2020, excluded the 36,750,000 unvested restricted shares and the weighted average of 500,000 ordinary shares repurchased by the Company on 26 May 2020, and included the weighted average of 50,000,000 ordinary shares issued by the Company on 15 July 2020.

13. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2021	Structures RMB'000	Transportation equipment RMB'000	Office equipment RMB'000	Machinery equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2021:						
Cost	3,236	2,583	7,171	4,314	866	18,170
Accumulated depreciation	(729)	(1,994)	(4,564)	(1,878)	(117)	(9,282)
Net carrying amount	2,507	589	2,607	2,436	749	8,888
At 1 January 2021, net of accumulated depreciation	2,507	589	2,607	2,436	749	8,888
Additions	–	171	1,590	1,311	24	3,096
Disposals	–	(2)	(206)	(3)	–	(211)
Depreciation provided during the year *(Note 7)*	(84)	(197)	(896)	(687)	(301)	(2,165)
At 31 December 2021, net of accumulated depreciation	2,423	561	3,095	3,057	472	9,608
At 31 December 2021:						
Cost	3,236	2,752	8,555	5,622	890	21,055
Accumulated depreciation	(813)	(2,191)	(5,460)	(2,565)	(418)	(11,447)
Net carrying amount	2,423	561	3,095	3,057	472	9,608

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Year ended 31 December 2020	Structures RMB'000	Transportation equipment RMB'000	Office equipment RMB'000	Machinery equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2020:						
Cost	265	2,303	6,521	2,927	–	12,016
Accumulated depreciation	(210)	(1,709)	(4,093)	(1,499)	–	(7,511)
Net carrying amount	55	594	2,428	1,428	–	4,505
At 1 January 2020, net of accumulated depreciation	55	594	2,428	1,428	–	4,505
Additions	75	122	1,077	1,077	866	3,217
Acquisition of a subsidiary *(Note 29)*	2,411	39	80	507	–	3,037
Disposals	(1)	(23)	(99)	(172)	–	(295)
Depreciation provided during the year *(Note 7)*	(33)	(143)	(879)	(404)	(117)	(1,576)
At 31 December 2020, net of accumulated depreciation	2,507	589	2,607	2,436	749	8,888
At 31 December 2020:						
Cost	3,236	2,583	7,171	4,314	866	18,170
Accumulated depreciation	(729)	(1,994)	(4,564)	(1,878)	(117)	(9,282)
Net carrying amount	2,507	589	2,607	2,436	749	8,888

14. LEASES

The Group has lease contracts for its offices in the PRC and Hong Kong used in operations. The lease terms vary between 3 and 5 years (2020: 3 and 5 years) and the lease payments are paid monthly or yearly. Apartments and cleaning machines have lease terms of 12 months or less, which are not recognised as right-of-use assets and lease liabilities. 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 the above lease contracts.

(a) Right-of-use assets

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

	Offices RMB'000
As at 1 January 2020	–
Additions	4,665
Depreciation charge *(Note 7)*	(1,476)
As at 1 January 2021	3,189
Depreciation charge *(Note 7)*	(1,330)
As at 31 December 2021	1,859

14. LEASES (CONTINUED)

(b) Lease liabilities

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

	Offices RMB'000
Carrying amount at 1 January 2020	–
New leases	4,665
Accretion of interest during the year	123
Payments	(1,288)
Carrying amount at 31 December 2020	3,500
Analysed into:	
Current portion	1,364
Non-current portion	2,136
Carrying amount at 1 January 2021	**3,500**
Accretion of interest during the year	**137**
Payments	**(1,552)**
Carrying amount at 31 December 2021	**2,085**
Analysed into:	
Current portion	**1,393**
Non-current portion	**692**

14. LEASES (CONTINUED)

(b) Lease liabilities (Continued)

The maturity analysis of lease liabilities is as follows:

	Less than 1 year RMB'000	**1 to 2 years** RMB'000	**2 to 5 years** RMB'000	**Total** RMB'000
As at 31 December 2021	1,393	692	–	2,085
As at 31 December 2020	1,364	1,429	707	3,500

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

	2021 **RMB'000**	2020 RMB'000
Interest on lease liabilities	**137**	123
Depreciation charge of right-of-use assets *(Note 14(a))*	**1,330**	1,476
Expense relating to short-term leases *(Note 7)*	**535**	252
Total amount recognised in profit or loss	**2,002**	1,851

15. OTHER INTANGIBLE ASSETS

	Software RMB'000
Cost at 1 January 2021, net of accumulated amortisation	**982**
Additions	**1,448**
Amortisation provided during the year *(Note 7)*	**(233)**
At 31 December 2021	**2,197**
At 31 December 2021:	
Cost	**3,037**
Accumulated amortisation	**(840)**
Net carrying amount	**2,197**
Cost at 1 January 2020, net of accumulated amortisation	906
Additions	193
Disposals	–
Amortisation provided during the year *(Note 7)*	(117)
At 31 December 2020	982
At 31 December 2020:	
Cost	1,589
Accumulated amortisation	(607)
Net carrying amount	982

16. INVESTMENT IN A JOINT VENTURE

	2021 RMB'000	2020 RMB'000
Share of net assets	**10,406**	14,773
Impairment of investment in a joint venture	**(10,406)**	(9,036)
	–	5,737

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

Name	**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 Apartment**")	RMB10,000,000	PRC	Property leasing	51%

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

16. INVESTMENT IN A JOINT VENTURE (CONTINUED)

The investment agreement required the joint venture partner compensation of up to RMB24,460,000 depending on whether Qingning Apartment's audited revenue meets specified target. The Group is entitled to request the joint venture partner to settle the compensation either in cash or by his entire equity interests in Qingning Apartment. Subsequently, based on the market condition, the Group and joint venture partner reached the consensus that such term of profit guarantee was waived and the joint venture partner no longer was required to make any compensation.

As at 31 December 2021, there were no significant contingent liabilities relating to the Group's interest in the joint venture (2020: Nil).

Management reassessed the ECL of amounts due from Qingning Apartment at the reporting date amounting to approximately RMB28,000 (2020: Nil).

The Group recognised the share of losses for the year of approximately RMB4,367,000 (2020: approximately RMB1,922,000) on the Group's investment in Qingning Apartment.

In view of indication of impairment arising from operating losses of Qingning Apartment, the directors of the Company determined the recoverable amount of investment in Qingning Apartment for impairment test purposes. The recoverable amount of the investment in Qingning Apartment has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management (2020: value in use). The pre-tax discount rate applied to the cash flow projections is 19.9% (2020: 19.9%). The impairment loss of approximately RMB1,370,000 (2020: RMB2,949,000) were recognised in profit or loss for the year accordingly.

16. INVESTMENT IN A JOINT VENTURE (CONTINUED)

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

As at 31 December	2021 RMB'000	2020 RMB'000
Cash and cash equivalents	**288**	474
Other current assets *(Note (a))*	**73,178**	75,322
Current assets	**73,466**	75,796
Non-current assets excluding goodwill	**6,728**	60,695
Goodwill	**38,510**	38,510
Non-current assets	**45,238**	99,205
Current liabilities	**(28,144)**	(42,650)
Non-current liabilities *(Note (b))*	**(70,155)**	(103,384)
Net assets	**20,405**	28,967
Net liabilities, excluding goodwill	**(18,105)**	(9,543)
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**51%**	51%
Group's share of net liabilities of the joint venture, excluding goodwill	**(9,234)**	(4,867)
Goodwill on acquisition	**19,640**	19,640
Share of net assets	**10,406**	14,773
Impairment of investment in the joint venture	**(10,406)**	(9,036)
Carrying amount of the investment	**–**	5,737

16. INVESTMENT IN A JOINT VENTURE (CONTINUED)

Notes:

(a) Other current asset of Qingning Apartment as at 31 December 2021 included loan receivables from entities controlled by the Ultimate Holding Company aggregating to RMB70,000,000 (2020: RMB70,000,000), which are due on 31 December 2022 (2020: due on 31 December 2020), and bear interest rate of 6% per annum (2020: 6% per annum).

The management assessed the expected credit loss of the such loan receivables and an impairment loss of RMB4,767,000 (2020: Nil) was recognised, reduced the carrying amount of the loan receivables to RMB65,233,000.

(b) On the other hand, non-current liabilities of Qingning Apartment as at 31 December 2021 included a bank loan of RMB70,000,000 (2020: RMB70,000,000), which are due on 13 April 2025 (2020: 13 April 2025), and bear interest rate at loan prime rate plus 0.25% per annum (2020: prime rate plus 0.25% per annum). The bank loan is guaranteed by the Ultimate Holding Company and repayable by various instalments commencing from June 2022 (2020: Same).

Year ended 31 December	**2021** **RMB'000**	2020 RMB'000
Revenue	**3,855**	824
Cost of sales	**(3,769)**	(4,570)
Selling expenses	**(138)**	(175)
Administrative expenses	**(275)**	(395)
Finance (expenses)/income, net	**(3,478)**	596
Other operating expense	**(4,757)**	(48)
Loss and total comprehensive loss for the year	**(8,562)**	(3,768)
Share of loss of a joint venture	**(4,367)**	(1,922)

The movements in provision for impairment of investment in the joint venture are as follows:

	2021 **RMB'000**	2020 RMB'000
At the beginning of year	**9,036**	6,087
Charge for the year	**1,370**	2,949
At the end of the year	**10,406**	9,036

17. INVESTMENTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets	**1,523**	1,357
Impairment of investment in associates	**–**	–
	1,523	1,357

Particulars of the Group's main associates are as follows:

Name	Paid-up capital	Place of registration and operation	Principal activities	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%
Henan Yicheng Xinyuan Property Services Co. Ltd. 河南頤城鑫苑物業服務有限公司	RMB5,000,000	PRC	Property management and related services	49%

On 30 April 2020, the Group acquired a 40% equity interest of Handan Gangcheng Property Services Co. Ltd. ("**Gangcheng**") at a consideration of approximately RMB1,385,000. The Group has one seat in the board of directors of Gangcheng, as well as the 40% equity voting rights, therefore the Group has the ability to exercise significant influence over Gangcheng. Thus, Gangcheng was accounted for as an associate using the equity method.

On 17 April 2020, the Group acquired a 49% equity interest of Henan Yicheng Xinyuan Property Services Co. Ltd ("**Yicheng**") at a consideration of approximately RMB2,450,000. The Group has two seats in the board of directors of Yicheng, as well as the 49% equity voting rights, therefore the Group has the ability to exercise significant influence over Yicheng. Thus, Yicheng was accounted for as an associate using the equity method.

17. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the financial information of the Group's associates that are not individually material:

	2021 **RMB'000**	2020 RMB'000
Share of the associates' profit/(loss) for the year	**166**	(28)
Share of the associates' total comprehensive income/(loss)	**166**	(28)
Carrying amount of the Group's investments in the associates	**1,523**	1,357

18. TRADE AND BILLS RECEIVABLES

	2021 **RMB'000**	2020 RMB'000
Trade receivables *(Note (a))*		
– Related parties *(Note 30(e))*	**127,855**	140,511
– Third parties	**134,312**	107,829
	262,167	248,340
Less: allowance for impairment of trade receivables *(Note 33(a)(i))*	**(19,764)**	(13,671)
	242,403	234,669
Bills receivable *(Note (b))*	**15,749**	4,160
	258,152	238,829

18. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes:

(a) For trade receivables from property management services, the Group charges property management fees on a monthly or quarterly basis and the payment is generally due upon the issuance of demand notes. No credit period is granted (2020: Nil).

Receivables from value-added services and pre-delivery services are due for payments in accordance with the terms of the relevant services agreements with property developers, which is normally within 30 to 90 days (2020: 30 to 90 days) from the issue of demand note.

The amounts due from related parties are repayable on credit terms similar to those offered to other major customers of the Group.

(b) The balance represented certain bank acceptance bills totaling RMB15,749,000 (2020: RMB4,160,000). The directors of the Company considered that expected credit loss for these bills is immaterial in view of no history of default and good repayment history of these customers.

Further details on the Group's credit policy for trade and bills receivables are set out in Note 33(a).

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

	2021 **RMB'000**	2020 RMB'000
Within 1 year	**214,638**	185,178
1 to 2 years	**30,887**	33,150
2 to 3 years	**9,208**	16,175
3 to 4 years	**3,419**	2,921
4 to 5 years	**–**	946
Over 5 years	**–**	459
Total	**258,152**	238,829

18. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2021		2020	
	Third parties RMB'000	**Related parties RMB'000**	Third parties RMB'000	Related parties RMB'000
At the beginning of year	**13,671**	**–**	5,757	–
Charge for the year *(Note 7)*	**1,986**	**4,107**	6,569	–
Acquisition of a subsidiary	**–**	**–**	1,345	–
At the end of the year	**15,657**	**4,107**	13,671	–

19. CONTRACT ASSETS

	2021 RMB'000	2020 RMB'000
Construction services		
– Related parties *(Note 30(e))*	**39,023**	11,631
– Third parties	**26,577**	12,758
	65,600	24,389
Less: allowance for impairment of contract assets *(Note 33(a)(i))*	**(3,495)**	(708)
	62,105	23,681

Contract assets primarily relates to the Group's right to consideration for work completed but not yet billed at reporting date arising from construction services contracts. Contract assets are transferred to receivables when the rights become unconditional.

19. CONTRACT ASSETS (CONTINUED)

The movements in provision for impairment of contract assets are as follows:

	2021		2020	
	Third parties RMB'000	**Related parties RMB'000**	Third parties RMB'000	Related parties RMB'000
At the beginning of year	**708**	**–**	–	–
Charge for the year *(Note 7)*	**130**	**2,657**	708	–
At the end of the year	**838**	**2,657**	708	–

Further details on the Group's credit policy for contract assets are set out in Note 33(a).

The expected timing of recovery or settlement for contract assets as at the reporting date is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	**54,187**	23,681
1 to 2 years	**11,413**	–
Total	**65,600**	23,681

The Group classified these contract assets as current because the Group expects to realise them in its normal operating cycle.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 **RMB'000**	2020 RMB'000
Non-current		
Prepayments		
– Related parties *(Notes (a) and 30(e))*	**89,073**	89,073
Payments		
– Related parties *(Notes (b) and 30(e))*	**205,461**	–
Less: allowance for impairment of payments *(Note 33(a)(ii))*	**(13,992)**	–
	191,469	–
Current		
Prepayments		
– Related parties *(Note 30(e))*	**893**	491
– Third parties *(Note (c))*	**11,106**	7,019
	11,999	7,510
Deposit *(Note (d))*	**18,628**	7,761
Other receivables		
– Related parties *(Notes (e) and 30(e))*	**26,743**	3,750
– Third parties	**7,224**	5,143
	33,967	8,893
Less: allowance for impairment of other receivables *(Note 33(a)(ii))*	**(3,012)**	(1,341)
	61,582	22,823

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) Balance represented the payment of entire consideration in advance in accordance with the sale and purchase contract entered into with the Ultimate Holding Company in 2018, for the purchase of 342 units of Xinyuan Mingcheng, the property development project located in Henan Province. As at 31 December 2021, the construction of investment properties was substantially completed. It was expected that the investment properties are ready for handover in middle of 2022. The directors of the Company considered that there was no impairment as the recoverable amount of the prepayment (i.e. fair value less costs of disposal of investment properties) was assessed to be higher than its carrying amount.

(b) Balance represented payments to the subsidiaries of Ultimate Holding Company of RMB205,461,000 for exclusive sales right of car parking spaces. In September 2020, the Group and Ultimate Holding Company entered into the Car Parking Space Exclusive Sales Cooperation Agreement (the "**Agreement**") pursuant to which, Ultimate Holding Company agreed to designate the Group as the exclusive sales partner of a total 4,066 car parking spaces and the Group agreed to pay the refundable payments of approximately RMB206,783,000, representing the total car parking spaces reserve price as the deposits for being such exclusive sales partner. The Agreement is effective upon the fulfillment of conditions and the approval by extraordinary general meeting.

The payments would be refunded to the Group by instalments in accordance with the agreed sales milestones of car parking spaces.

Instalments	Sales mile stone	Amounts to be refunded
First instalment	40% of total car parking spaces	40% of payments for exclusive sales right
Second instalment	70% of total car parking spaces	30% of payments for exclusive sales right
Third instalment	90% of total car parking spaces	30% of payments for exclusive sales right

On 23 December 2021, the Group and Ultimate Holding Company entered into the supplemental agreement (the "**Supplemental Agreement**") pursuant to which, both parties agreed to postpone the cooperation period to 31 December 2023. As at 31 December 2021, such Supplemental Agreement is not yet effective and subject to approval by extraordinary general meeting.

During the year, the Group has conducted certain sales activities under the Agreement but as at 31 December 2021, the Group did not achieve the first sales milestones, and none of the payments were refunded by the Ultimate Holding Company. During the year ended 31 December 2021, the Group generated the corresponding Pre-delivery and consulting service fee income of approximately RMB8,303,000, which were included in Pre-delivery and consulting service fee income (Note 30(b)). Pursuant to the Agreement, if the Ultimate Holding Company fails to duly refund the payments, interest shall be payable to the Group at the 1-year loan prime rate announced by the People's Bank of China for the same period (from the date on which the Group actually pays the relevant payments up to the date on which the deposit is actually refunded by the Ultimate Holding Company).

The directors of the Company assess the expected credit loss of the payments (Note 33(a)) and approximately RMB13,992,000 was provided for the year ended 31 December 2021 (2020: Nil).

(c) Balance mainly represented the prepaid utility expenses and prepaid construction service fee to certain subcontractors of approximately RMB3,336,000 and RMB7,770,000 (2020: RMB2,993,000 and RMB4,026,000) respectively.

(d) Balance mainly represented deposits paid for utilities, construction projects and bidding of property management service projects of approximately RMB5,529,000, RMB217,000 and RMB12,882,000 (2020: RMB2,953,000, RMB3,161,000 and RMB2,007,000) respectively.

The directors of the Company assess the expected credit loss of the deposits paid (Note 33(a)) and approximately RMB1,821,000 (Note 7) was provided for the year ended 31 December 2021 (2020: Nil).

(e) Other receivables due from related parties were non-trade in nature, unsecured, interest-free and repayable on demand.

All the current portion of deposits, prepayment and other receivables are expected to be recovered or recognised as expense within one year.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

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

	2021		2020	
	Third parties RMB'000	**Related parties RMB'000**	Third parties RMB'000	Related parties RMB'000
At the beginning of the year	**1,341**	**–**	1,067	–
(Reversal)/charge for the year *(Note 7)*	**(150)**	**15,813**	255	–
Acquisition of a subsidiary	**–**	**–**	19	–
At the end of the year	**1,191**	**15,813**	1,341	–

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Unlisted fund-linked note	**40,904**	–

During the year ended 31 December 2021, the Group purchased an unlisted fund-linked note with nominal amount of USD6,305,000 (equivalent to approximately RMB41,453,000) issued by a financial institution (the "**Issuer**"). The fund-linked note is linked to a segregated portfolio of Yue Xiu Investment Fund Series Segregated Portfolio Company, which is an unlisted third-party investment fund registered with Cayman Islands Monetary Authority. The segregated portfolio including but not limited to listed equity and debt securities, structured products and other private investment fund.

The directors consider the credit risk of the financial institution is minimal as it is a subsidiary of a state-owned corporation with its holding company listed in stock exchange of Shenzhen.

The fund-linked note is unconditionally redeemable within 1 year after the date of acquisition at the fair value at the date of redemption.

The fair value of the unlisted fund-linked note as at the end of the reporting period was estimated by the management of the Company by reference to the performance report provided by the fund manager.

During the year ended 31 December 2021, fair value loss on financial assets at FVTPL of approximately RMB549,000 (Note 7) was recognised in the profit or loss as "other expenses".

Details of fair value estimation are set out in Note 32.

22. CASH AND BANK BALANCES

	2021 RMB'000	2020 RMB'000
Time deposits (matured over 3 months)	**397,330**	537,800
Cash and bank balances	**321,719**	311,340
Total	**719,049**	849,140

As at 31 December 2021, term deposits are deposits at bank with a maturity of ranging from 3 to 12 months (2020: 1 to 6 months) and carried interest at prevailing deposit rates ranging from 1.54% to 2.10% (2020: 1.82% to 2.10%) per annum. The fair value of the Group's term deposits approximately their carrying amounts.

Cash and cash equivalents include cash at bank and short term time deposits with a maturity of less than three months. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and a year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

At 31 December 2021, time deposits and cash and cash equivalents of the Group which is denominated in Renminbi amounted to approximately RMB595,451,000 (2020: RMB723,497,000). The Renminbi 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 Renminbi for other currencies through banks authorised to conduct foreign exchange business. The remaining cash and cash equivalents denominated in Hong Kong dollars and United States dollars amounted to approximately RMB123,519,000 (2020: RMB125,535,000) and RMB79,000 (2020: RMB108,000) respectively.

23. TRADE PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables		
– Related parties *(Note 30(e))*	**2,494**	985
– Third parties	**100,406**	43,050
	102,900	44,035

As at 31 December 2021, the carrying amounts of trade payables approximated to their fair values (2020: Same).

The trade payables have a normal credit terms of 30 to 90 (2020: 30 to 90) days.

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

	2021 RMB'000	2020 RMB'000
Within 1 year	**71,096**	42,571
1 to 2 years	**29,782**	971
2 to 3 years	**1,238**	40
Over 3 years	**784**	453
	102,900	44,035

24. OTHER PAYABLES AND ACCRUALS

	2021 **RMB'000**	2020 RMB'000
Contract liabilities		
– Property management services	**93,508**	90,792
– Value-added services	**43,355**	28,473
– Pre-delivery and consulting services	**1,952**	4,869
	138,815	124,134
Other payables		
– Related parties *(Note 30(e))*	**58,092**	16,047
– Deposits and temporary receipts from property owners	**114,424**	120,025
– Others	**31,312**	29,606
	203,828	165,678
Payroll payables	**32,656**	33,919
Other taxes payable	**13,406**	13,951
	388,705	337,682

24. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Contract liabilities mainly arise from the advance payments received from customers while the underlying services are yet to be provided. The balance mainly represented the short-term advances received from customers in relation to the provision of property management services at the end of the year. Movement of contract liabilities is as follows:

	2021 **RMB'000**	2020 RMB'000
At 1 January	**124,134**	103,445
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year	**120,682**	111,649
Decrease in contract liabilities as a result of recognizing revenue during the year	**(106,001)**	(90,960)
	138,815	124,134

Revenue recognised during the year ended 31 December 2021 that was included in the contract liabilities as at 1 January 2021 was approximately RMB106,001,000 (2020: RMB90,960,000).

	2021 **RMB'000**	2020 RMB'000
Contract liabilities:		
– Related parties *(Note 30(e))*	**2,267**	4,078
– Third parties	**136,548**	120,056
	138,815	124,134

Deposits mainly represented miscellaneous deposits including the management deposit and property improvement deposits received from property owners for the respective service period. Temporary receipts represented the utility charges received from property owners on behalf of utility companies.

Other payables to related parties were unsecured, interest-free and repayable on demand.

25. DEFERRED TAX ASSETS/LIABILITIES

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

Deferred tax assets:

	Allowance for impairment of financial assets and contract assets RMB'000
At 1 January 2020	1,700
Recognised in profit or loss *(Note 10)*	1,882
Acquisition of a subsidiary *(Note 29)*	336
At 31 December 2020 and 1 January 2021	**3,918**
Recognised in profit or loss *(Note 10)*	**8,115**
At 31 December 2021	**12,033**

The Group has not recognised deferred tax assets of approximately RMB14,421,000 (2020: RMB5,739,000) in respect of cumulative tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire within 5 years when such losses were incurred under current tax legislation.

25. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Deferred tax liabilities:

	PRC withholding taxes RMB'000	Differences on recognition of depreciation RMB'000	Total RMB'000
At 1 January 2020	2,866	332	3,198
Recognised in profit or loss *(Note 10)*	4,812	111	4,923
At 31 December 2020 and 1 January 2021	**7,678**	**443**	**8,121**
Recognised in profit or loss *(Note 10)*	**1,571**	**414**	**1,985**
At 31 December 2021	**9,249**	**857**	**10,106**

Deferred tax liabilities of RMB52,775,000 as at 31 December 2021 (2020: RMB35,609,000) have not been provided in respect of withholding tax that would be payable on the distribution of retained earnings of the certain Mainland China subsidiaries, which was determined based on the extent of retained earnings of these subsidiaries unlikely to be distributed of RMB527,749,000 as at 31 December 2021 (2020: RMB356,093,000). The directors of the Company consider the Company controls the dividend policy of the Mainland China subsidiaries and the directors of the Company determined that such retained earnings are not likely to be distributed in the foreseeable future.

26. SHARE CAPITAL

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

	2021 RMB'000	2020 RMB'000
Authorised:		
38,000,000,000 shares of a par value of HK$0.00001 each	**380**	380

26. SHARE CAPITAL (CONTINUED)

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

	Number of shares in issue	Fully paid share capital RMB'000
At 1 January 2020	500,000,000	4
Repurchase and cancellation of shares *(Note (a))*	(500,000)	–*
Placing of new shares under general mandate *(Note (b))*	50,000,000	1
At 31 December 2020 and 1 January 2021	549,500,000	5
Placing of new shares under general mandate *(Note (c))*	18,000,000	–*
At 31 December 2021	567,500,000	5

Notes:

(a) The Company repurchased 500,000 ordinary shares of HK$0.00001 each at a total consideration of HK$1,040,000 (equivalent to RMB951,000) in May 2020. The repurchased shares were cancelled in July 2020.

(b) On 15 July 2020, an aggregate of 50,000,000 placing shares has been placed to six placees at the placing price of HK$2.60 per placing share pursuant to the terms and conditions of the placing agreement. The gross proceeds from the placing amounted to HK$130,000,000 and the net proceeds (after deducting all applicable costs and expenses) amounted to approximately HK$127,200,000 (equivalent to RMB115,015,000), with amount of approximately RMB1,000 and RMB115,014,000 credited to share capital and share premium respectively.

(c) On 8 February 2021, an aggregate of 18,000,000 placing shares has been placed to six placees at the placing price of HK$2.10 per placing share pursuant to the terms and conditions of the placing agreement. The gross proceeds from the placing amounted to HK$37,800,000 and the net proceeds (after deducting all applicable costs and expenses) amounted to approximately HK$37,160,000 (equivalent to RMB31,118,000), with amount of approximately RMB180 and RMB31,118,000 credited to share capital and share premium respectively.

* Amount less than RMB1,000.

27. RESERVES

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

Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

Other reserve

Other reserve account of the Group comprises the merger reserve, capital reserve and share options reserve of approximately RMB72,732,000, RMB230,057,000 (debit) and RMB34,400,000 respectively.

– Merger reserve represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the exchange of shares on group reorganisation.

– Capital reserve represents the difference between the fair value of the consideration paid and the carrying value of the subsidiaries acquired.

– Share-based compensation reserve represents award shares granted to certain directors and employees of the Group. The Group recognised share-based payment expense relating to the restricted shares granted pursuant to the restricted share award scheme of approximately RMB9,378,000 (2020: RMB12,666,000) in profit or loss during the year (Note 28).

PRC reserve fund

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

28. SHARE AWARD SCHEME

The Company operates a restricted share award scheme (the "**Scheme**") for the main purpose of reflecting the substance of the share incentive scheme adopted by Xinyuan Science, the major operating subsidiary of the Company and encouraging and retains the grantees (the "**Grantees**") to work with the Group. The Grantees of the Scheme include the Company's directors, senior executives and employees. The Scheme was adopted by the board on 31 January 2019 (the "**Adoption Date**") and shall remain valid and effective for a period of three years from the Adoption Date.

Pursuant to the Scheme, a total of ten directors and employees of the Group (each, the "**Grantee**") were awarded a total of 56,250 restricted shares, representing 15% of the share capital of the Company at the date of 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 which may be allotted and issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme. As at 31 December 2021, no share options were granted, exercised, expired or lapsed under the Post-IPO Share Option Scheme.

All the said restricted shares were granted to the Grantees at the aggregate consideration of RMB8,400,000 on 21 March 2019. Such consideration was fully settled in cash upon the allotment and issue of restricted shares.

Details of share awarded under the Scheme are as follows:

	Share awarded on 21 March 2019
Number of restricted shares awarded:	
– Directors	16,875,000
– Senior executives	13,125,000
– Employees	7,500,000
– Ultimate Holding Company *(Note)*	18,750,000

Note: On 30 June 2019, Mr. Zhang Lizhou (one of the Grantees) resigned as an executive director. Pursuant to the Scheme, upon the resignation of Mr. Zhang Lizhou, his 5% share (i.e. 18,750 shares) was transferred to Ultimate Holding Company in consideration of the refund of RMB2,800,000 paid by Mr. Zhang Lizhou by entering into the arrangement agreement, these shares were vested immediately. Therefore, an award of 10% of the share capital of the Company was granted to the remaining directors, senior executives and employees at the aggregate consideration of RMB5,600,000.

28. SHARE AWARD SCHEME (CONTINUED)

Pursuant to the Scheme, the remaining restricted shares would be vested in three tranches of 2%, 18% and 80% of the restricted shares, on 1 January 2020, 1 January 2021 and 1 January 2022, respectively, in accordance with certain vesting conditions.

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). If the Grantee ceases to be a director or employee or other eligible person of the Group due to resignation or employment being terminated by the Group due to misconduct ("**Disqualification**"), the Grantee shall upon request of the Company (i) transfer or procure his/her nominee to transfer the legal and equitable ownership in all restricted shares which have been allotted and issued to him/her, free from all encumbrances, to the Company or its nominee; (ii) refund in full all the dividends received by him/her in respect of the forfeited shares as at the date of Disqualification; and the Company shall refund the (a) consideration paid by the Grantee per restricted share or (b) the closing market price per share on the date of Disqualification, whichever is the lower.

Awards vested and forfeited of the Company's shares during the year are as follows:

For the year ended 31 December 2021

Category of Grantees	Date of grant	Balance as at 1 January 2021	Aggregated awards vested during the year	Aggregated awards forfeited during the year	Balance as at 31 December 2021
Directors	21 March 2019	337,500	3,037,500	–	3,375,000
Senior executives	21 March 2019	262,500	2,362,500	–	2,625,000
Employees	21 March 2019	150,000	1,350,000	–	1,500,000
		750,000	6,750,000	–	7,500,000

28. SHARE AWARD SCHEME (CONTINUED)

For the year ended 31 December 2020

Category of Grantees	Date of grant	Balance as at 1 January 2020	Aggregated awards vested during the year	Aggregated awards forfeited during the year	Balance as at 31 December 2020
Directors	21 March 2019	–	337,500	–	337,500
Senior executives	21 March 2019	–	262,500	–	262,500
Employees	21 March 2019	–	150,000	–	150,000
		–	750,000	–	750,000

The fair value of Grantees' services received in return for restricted shares awarded of approximately RMB34,400,000 was measured by reference to the market price of Xinyuan Science at grant date of approximately RMB40,000,000 and netted off the consideration paid by the grantees of approximately RMB5,600,000. Such market price was determined by the directors of the Company with reference to the valuation performed by an independent valuer using the income approach technique known as the discounted cash flow method. Significant inputs into the valuation model were as follows:

	Share awarded on 21 March 2019
Growth rate	13.3%
Discount rate	18.0%
Discount for lack of marketability	20.0%

No other feature of the restricted shares was incorporated into the measurement of the fair value.

28. SHARE AWARD SCHEME (CONTINUED)

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

The Group recognised share-based payment expense relating to the restricted shares granted pursuant to the restricted share award scheme of approximately RMB9,378,000 (2020: RMB12,666,000) in profit or loss during the year, which included share-based payment expense recognised in directors' and chief executive's remuneration, and other employees' remuneration of RMB4,246,000 (2020: RMB5,700,000) (Note 8) and RMB5,132,000 (2020: RMB6,966,000) (Note 7), respectively.

29. BUSINESS COMBINATION

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

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

	RMB'000
Cash and cash equivalents	4,018
Trade receivables	12,899
Prepayments and other receivables	2,943
Property, plant and equipment *(Note 13)*	3,037
Deferred tax assets *(Note 25)*	336
Trade payables	(6,753)
Other payables and accruals	(5,453)
Tax payable	(558)
Total identifiable net assets at fair value	10,469
Acquisition price in cash	(13,559)
Goodwill	3,090

29. BUSINESS COMBINATION (CONTINUED)

The Group incurred transaction costs of RMB77,000 for this acquisition. These transaction costs had been expensed off and are included in other expenses in profit or loss during the year ended 31 December 2020.

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

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

The recoverable amounts of the CGUs

The recoverable amount of Chongqing Hongqi as at 31 December 2021 has been determined to be approximately RMB35,149,000 (2020: RMB31,546,000) based on a value-in-use calculation (2020: value-in-use calculation). That value-in-use calculation use cash flow projections based on most recent financial budget approved by management covering a period of 5 years. Cash flow beyond the projection period are extrapolated using an estimated growth rate of 2.0% (2020: 2.0%). The pre-tax discount rate used to discount the forecasted cash flows was 11.8% (2020: 11.3%).

The key assumptions for the discounted cash flow method are those regarding the pre-tax discount rates, revenue growth rates, budgeted gross margin. The Group estimated pre-tax discount that reflect current market assessments of the time value of money and the risks specific to Chongqing Hongqi. The revenue growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of Chongqing Hongqi operate and expectations on market development. Budgeted gross margin are based on historical average gross margins of Chongqing Hongqi.

Based on the assessment, the value-in-use of Chongqing Hongqi is greater than the total carrying amount and therefore the management has concluded that there is no impairment in respect of Group's goodwill during the year ended 31 December 2021 (2020: Same).

The management was of the opinion that a reasonably possible change in key assumptions for Chongqing Hongqi on which the management had based its determination of the recoverable amount would not cause an impairment loss.

30. RELATED PARTY TRANSACTIONS

(a) Name and relationship with a related party

The Ultimate Holding Company held approximately 52.86% (2020: 54.60%) equity interests in the Group as at 31 December 2021.

(b) Material transactions with related parties

	2021 RMB'000	2020 RMB'000
Property management service fee income		
– Subsidiaries of the Ultimate Holding Company	**25,507**	25,400
– Associates of the Ultimate Holding Company	**2,498**	–
Value-added service fee income		
– Subsidiaries of the Ultimate Holding Company	**36,953**	13,217
– Associates of the Ultimate Holding Company	**3,668**	–
– Joint ventures of the Group	**46**	–
Pre-delivery and consulting service fee income		
– Subsidiaries of the Ultimate Holding Company	**105,261**	98,639
– Associates of the Ultimate Holding Company	**6,885**	4,416
– Joint ventures of the Ultimate Holding Company	**5,108**	4,504
– Associates of the Group	**1,127**	2,404
Interest income		
– Subsidiary of the Ultimate Holding Company	**4,135**	–

Except for pre-delivery and consulting service fee income of RMB1,127,000 (2020: RMB2,404,000) from associates of the Group, the related party transactions listed above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing Connected Transactions" of the Report of Directors.

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

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material related party fund transfers during the year ended 31 December 2021

(i) On 29 June 2021, 10 August 2021 and 3 September 2021, the Group transferred cash of RMB100 million, RMB50.76 million and RMB25 million, respectively, to Xinyuan (China) Real Estate Ltd. ("**Xinyuan China**", a subsidiary of the Ultimate Holding Company) as partial earnest money pursuant to the Agreement mentioned in Note 20(b).

On 27 October 2021, the Group transferred cash of RMB7.75 million to Xinyuan China, the payment consists (1) RMB1.74 million as partial prepayment for the purchase of various car parks of Xinyuan Guoji Xincheng project, which was for the purpose of providing referral services to the Ultimate Holding Company group in respect of unsold car parks and earning service fees based on the price differentials upon the sales of such car parks to the project property owners; and (2) RMB6.01 million as partial earnest money pursuant to the Agreement mentioned in Note 20(b).

In addition to above transfers, since 1 January 2021, the Group transferred cash aggregating to RMB23.69 million to various subsidiaries of the Ultimate Holding Company as additional earnest money pursuant to the above Agreement.

(ii) The Group transferred cash of HK$120 million (equivalent to approximately RMB100.31 million) to the Ultimate Holding Company on 12 January 2021. On 29 June 2021, South Glory International Limited, a subsidiary of the Ultimate Holding Company, repaid HK$120 million (equivalent to approximately RMB99.82 million) to the Group on behalf of the Ultimate Holding Company.

(iii) The Group transferred cash of RMB55 million to Qingning Apartment, the joint venture (Note 16), on 4 January 2021, and then on the same day Qingning Apartment remitted RMB55 million to Xinyuan China. The Group transferred cash of RMB30 million to Qingning Apartment on 15 January 2021, and then on the same day Qingning Apartment transferred cash of RMB30 million to Henan Xinyuan Guangsheng Real Estate Co., Ltd. ("**Henan Xinyuan Guangsheng**", a subsidiary of the Ultimate Holding Company). On 19 April 2021, Xinyuan China partially repaid RMB35 million to Qingning Apartment, and Qingning Apartment partially repaid RMB35 million to the Group. Hence Qingning Apartment owed RMB50 million to the Group, and Xinyuan China and Henan Xinyuan Guangsheng owed RMB20 million and RMB30 million to Qingning Apartment, respectively. On 25 March 2021, Xingyang Xinyuan Real Estate Co., Ltd. ("**Xingyang Xinyuan**", a subsidiary of the Ultimate Holding Company) transferred cash of RMB50 million to the Group.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material related party fund transfers during the year ended 31 December 2021 (Continued)

(iii) (Continued)

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

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

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

The transaction was subsequently cancelled after the Group realised the transaction was not falling within the scope of exclusive sales agreement signed on 17 September 2020. On 29 October 2021, Xinyuan China transferred full amount of RMB10.77 million back to the Group on the behalf of Henan Xinyuan Guangsheng. Details of the cancellation of the agreement refer to the Group's announcement dated 27 October 2021 and 13 January 2022.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material related party fund transfers during the year ended 31 December 2021 (Continued)

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

The transaction was subsequently cancelled after the Group realised the transaction was not falling within the scope of exclusive sales agreement signed on 17 September 2020. On 29 October 2021, Xinyuan China transferred full amount of RMB1.83 million back to the Group on the behalf of Zhengzhou Xinnan. Details of the cancellation of the agreement refer to the Group's announcement dated 27 October 2021 and 13 January 2022.

(vi) In January 2021, the Group transferred cash in aggregate of approximately RMB4.32 million to Mingyuan Landscape Engineering Co., Ltd. ("**Mingyuan Landscape**", a subsidiary of the Ultimate Holding Company) as certain prepayment for the purpose of providing sales referral services to Mingyuan Landscape in respect of various car parks of Jinan International City Garden project which Mingyuan Landscape purchased from another subsidiary of the Ultimate Holding Company at a consideration of approximately RMB11.9 million. The Group earned service fees based on the price differentials between the purchase price of Mingyuan Landscape and the relevant selling prices upon the sales of such car parks to the project property owners. During the year ended 31 December 2021, the Group generated the corresponding Pre-delivery and consulting service fee income of approximately RMB2,336,000, which were included in Pre-delivery and consulting service fee income (Note 30(b)).

(vii) Henan Xinyuan Real Estate Co., Ltd. ("**Henan Xinyuan Real Estate**", a subsidiary of the Ultimate Holding Company) transferred cash in aggregate of approximately RMB41.06 million to the Group on 24 February 2021 and on the same day the Group transferred cash of approximately RMB27.55 million and RMB13.51 million to Zhengzhou Xinnan and Henan Xinyuan Guangsheng, respectively.

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

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material related party fund transfers during the year ended 31 December 2021 (Continued)

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

The transaction was subsequently cancelled after the Group realised the transaction was not falling within the scope of exclusive sales agreement signed on 17 September 2020. On 29 October 2021, Xinyuan China transferred full amount of RMB5 million back to the Group on the behalf of Xinyuan Wanzhuo. Details of the cancellation of the agreement refer to the Group's announcement dated 27 October 2021 and 13 January 2022.

(d) Key management compensation

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

	2021 **RMB'000**	2020 RMB'000
Salaries, allowances and benefits in kind	**1,864**	2,028
Discretionary bonuses	**1,511**	2,192
Equity-settled share-based payment*	**3,302**	4,433
Pension scheme contributions	**79**	7
	6,756	8,660

* Equity-settled share-based payment included above was related to the restricted shares granted pursuant to the restricted share award scheme (Note 28), and represented the expense recognised in profit or loss during the year.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Balances with related parties

	2021 RMB'000	2020 RMB'000
Receivables from related parties, net of impairment:		
Loans receivables *(Note (a))*		
– Subsidiary of the Ultimate Holding Company	**40,131**	–
Trade receivables		
– Subsidiaries of the Ultimate Holding Company	**123,682**	134,911
– Associates of the Ultimate Holding Company	**–**	5,508
– A joint venture of the Ultimate Holding Company	**23**	–
– An associate of the Group	**43**	91
Contract assets		
– Subsidiaries of the Ultimate Holding Company	**35,655**	9,011
– An associate of the Ultimate Holding Company	**537**	–
– An associate of the Group	**174**	2,620
Other receivables		
– Subsidiaries of the Ultimate Holding Company	**216,343**	3,641
– An associate of the Group	**49**	109
Prepayment (non-current)		
– A subsidiary of the Ultimate Holding Company	**89,073**	89,073
Prepayments (current)		
– Subsidiaries of the Ultimate Holding Company	**893**	491
Payables to related parties:		
Trade payables		
– Subsidiaries of the Ultimate Holding Company	**2,494**	985
Other payables		
– Subsidiaries of the Ultimate Holding Company *(Note (b))*	**58,092**	16,039
– An associate of the Group	**–**	8
Contract liabilities		
– Subsidiaries of the Ultimate Holding Company	**2,267**	3,275
– Associates of the Ultimate Holding Company	**–**	599
– Joint ventures of the Ultimate Holding Company	**–**	204

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Balances with related parties (Continued)

Notes:

(a) The loan receivable is guaranteed by the Ultimate Holding Company, bearing interest at 8% per annum, repayable on 16 August 2023. The directors of the Company assess the expected credit loss (Note 33 (a)) and approximately RMB7,869,000 (Note 7) was provided for the year ended 31 December 2021 (2020: Nil).

(b) The other payables to subsidiaries of the Ultimate Holding Company are unsecured, interest free, and repayable on demand.

31. FINANCIAL INSTRUMENTS BY CATEGORY

	2021 **RMB'000**	2020 RMB'000
Financial assets at amortised cost:		
Trade and bill receivables	**258,152**	238,829
Financial assets included in deposits, prepayments and other receivables	**241,052**	15,313
Loan to ultimate holding company	**40,131**	–
Time deposits	**397,330**	537,800
Cash and cash equivalents	**321,719**	311,340
	1,258,384	1,103,282
Financial assets at FVTPL:	**40,904**	–
	1,299,288	1,103,282
Financial liabilities at amortised cost:		
Trade payables	**102,900**	44,035
Financial liabilities included in other payables and accruals	**203,828**	165,678
	306,728	209,713

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Except for the below, the management has assessed that the fair values of time deposits, cash and cash equivalents, loan to related party, trade and receivables, contract assets, financial assets included in deposits and other 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.

Fair value hierarchy

The following table presents the carrying value of the Group's financial instruments measured at fair value across the three levels of the fair value hierarchy defined in IFRS 13 "Fair Value Measurement" with fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement.

	2021			
	Level 1 **RMB'000**	**Level 2** **RMB'000**	**Level 3** **RMB'000**	**Total** **RMB'000**
Financial assets at FVTPL *(Note 21)*	–	–	**40,904**	**40,904**

No financial assets or financial liabilities were measured at fair value as at 31 December 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about level 3 fair value measurements

The fair value of fund linked note is determined by use adjusted net assets value approach. Under adjusted net assets value approach, total value of the fund was based on the sum of the value of underlying investment. The fair value measurement is negatively correlated to the credit risk of issuer.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, time deposits, trade and bills receivables, contract assets, deposits and other receivables, loans to/amounts due from related parties and financial assets at FVTPL. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement of financial position. The management has a credit policy in place and the exposures to these credit risks are monitored and controlled on an ongoing basis. It considers available reasonable and supportive forward-looking information.

The Group has three types of assets that are subject to the expected credit loss model:

– Trade and bills receivables;

– Contract assets; and

– Other financial assets at amortised cost

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(i) Trade and bills receivables and contract assets

As part of the Group's credit risk management, the Group applies internal credit rating for its customers by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The Group applies simplified approach to measure the ECL which uses a lifetime expected loss allowance for all trade and bills receivables and contract assets. The Group performs impairment assessment under ECL model on trade and bills receivables and contract assets individually or based on provision matrix.

Except for related parties and customers with significant balances or credit-impaired, which are assessed for impairment individually, the remaining trade and bills receivables and contract assets, representing larger number of small customers are grouped under a provision matrix based on shared credit risk characteristics by reference to the repayment history over past three years and the corresponding historical credit losses experienced within the period. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group had considered that the PRC's gross domestic growth and unemployment rate are to be the most relevant factor, and accordingly, adjusted the historical loss rates based on expected changes of this factor.

Related parties and individual customers with significant balances are assessed individually for the credit risk and risk of default. The Group has used the financial information of counterparties to assess whether credit risk has been increased significantly since initial recognition. The ECLs are estimated based on assumptions about risk of defaults and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Group consider factors macroeconomic factors, industry risks and changes in debtor's conditions.

The Group rebutted the presumption of default under ECL model for trade and bills receivables over 90 days past due based on the good repayment records for those customers with continuous partial settlement.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(i) Trade and bills receivables and contract assets (Continued)

The loss allowance provision for the trade receivables was determined as follows:

	Third parties						Related parties	
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Less than 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021								
Expected credit loss rate	**3.47%**	**13.28%**	**20.13%**	**32.52%**	**100.0%**	**100.0%**	**3.21%**	
Gross carrying amount	**89,583**	**22,555**	**11,528**	**5,067**	**2,259**	**3,320**	**127,855**	**262,167**
Expected credit losses	**3,113**	**2,996**	**2,321**	**1,648**	**2,259**	**3,320**	**4,107**	**19,764**
At 31 December 2020								
Expected credit loss rate	3.7%	9.4%	17.1%	50.0%	80.0%	100.0%	–	
Gross carrying amount	57,891	29,839	10,446	4,643	1,974	3,037	140,510	248,340
Expected credit losses	2,142	2,805	1,786	2,322	1,579	3,037	–	13,671

The directors of the Company considered the expected credit loss for bills receivable as at 31 December 2021 is immaterial in view of no history of default and good repayment history of these customers (2020: Same).

Contract assets have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates and forward looking information for trade receivables are a reasonable approximation of the loss rates for the contract assets, and the forward-looking information determined in above was also incorporated to estimate the loss allowance of contract assets.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(i) Trade and bills receivables and contract assets (Continued)

The loss allowance provision for the contract assets was determined as follows:

	Expected loss rate RMB'000	Gross carrying amount RMB'000	Expected credit losses RMB'000
2021			
Third parties	**3.15%**	**26,577**	**(838)**
Related parties	**6.81%**	**39,023**	**(2,657)**
		65,600	**(3,495)**
2020			
Third parties	5.55%	12,758	(708)
Related parties	–	11,631	–
		24,389	(708)

Trade and bills receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a long period.

Impairment losses on trade and bills receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously impaired are credited against the same line item.

The movement of allowance for impairment of trade and bills receivables and contract assets are separately disclosed in Notes 18 and 19 to these consolidated financial statements.

Except for the balances with the related party group, concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables and contract assets are widely dispersed.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(ii) Other financial assets at amortised cost

For the deposits and other receivables other than balances with related parties, they are closely monitored for recoverability and collectability and the Group maintains close communications with the counterparties. The Group uses the past-due information of counterparties to assess whether credit risk has increased significantly since initial recognition. As at the reporting date, the balances are not past due, and based on historical experience, majority of these balances were settled shortly upon maturity, hence the associated credit risk is minimal. The management considered that the identified impairment loss under expected credit loss model was immaterial.

Related parties are assessed individually for the credit risk and risk of default. The Group has used the financial information of counterparties to assess whether credit risk has been increased significantly since initial recognition. The ECLs are estimated based on assumptions about risk of defaults and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Group consider factors macroeconomic factors, industry risks and changes in debtor's conditions.

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

The Group expects that there is no significant credit risk associated with financial assets at FVTPL since the fund-linked note is issued by the non-financial institution with high market credit rating. The management does not expect that there will be any significant losses from non-performance by the counterparty.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(ii) Other financial assets at amortised cost (Continued)

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

	Third parties RMB'000	Related parties RMB'000	Total RMB'000
At 31 December 2021			
Expected credit loss rate	**4.61%**	**6.81%**	**–**
Gross carrying amount	**25,852**	**232,204**	**258,056**
Expected credit losses	**1,191**	**15,813**	**17,004**
At 31 December 2020			
Expected credit loss rate	10.39%	–	–
Gross carrying amount	12,904	3,750	16,654
Expected credit losses	1,341	–	1,341

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(ii) Other financial assets at amortised cost (Continued)

In addition to other receivables, during the year, the Group entered a loan agreement to provide a loan of gross amount of RMB48,000,000 to a subsidiary of the Ultimate Holding Company.

The directors consider the loan receivables have substantially the same risk characteristics as the other receivables from related parties. The Group has therefore concluded that the expected loss rates and forward looking information for other receivables from related parties are a reasonable approximation of the loss rates for the loan receivables, and the forward-looking information determined in above was also incorporated to estimate the loss allowance of loan receivables.

Set out below is the information about the credit risk exposure on the Group's loan receivables:

	Related parties RMB'000
At 31 December 2021	
Expected credit loss rate	**16.39%**
Gross carrying amount	**48,000**
Expected credit losses	**7,869**
At 31 December 2020	
Expected credit loss rate	–
Gross carrying amount	–
Expected credit losses	–

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(iii) The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and bills receivables/ contract assets	Other financial assets
Performing	The counterparty has a low to moderate risk of default and does not have any past-due amounts	Lifetime ECL – not-credit impaired	12m ECL
Underperforming	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not-credit impaired	Lifetime ECL – not-credit impaired
Non-performing	There is evidence indicating the asset is credit-impaired	Lifetime ECL – not-credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(iv) The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount 2021 RMB'000**	Gross carrying amount 2020 RMB'000
Financial assets at amortised cost:					
Trade and bills receivables	*18*	Performing	Lifetime ECL (not credit-impaired)	**274,596**	249,463
		Non-performing	Lifetime ECL (credit-impaired)	**3,320**	3,037
Loans receivable	*30*	Non-performing	Lifetime ECL (not credit-impaired)	**48,000**	–
Deposits and other receivables, excluding prepayments and goods and services tax receivables	*20*	Performing	12m ECL	**52,595**	16,654
		Non-performing	Lifetime ECL (not credit-impaired)	**205,461**	–
Term deposits	*22*	N/A	12m ECL	**397,330**	537,800
Cash and cash equivalents	*22*	N/A	12m ECL	**321,719**	311,340
Other item:					
Contract assets	*19*	Non-performing	Lifetime ECL (credit-impaired)	**65,600**	24,389

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

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

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

	2021 **RMB'000**	2020 RMB'000
Amounts were due on demand or within one year		
Trade payables	**102,900**	44,035
Financial liabilities included in other payables and accruals	**203,828**	165,678
	306,728	209,713

(c) Capital management

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

The capital structure of the Group consists of non-trade amounts due to related parties, net of cash and cash equivalents, and equity attributable to equity shareholders of the Company, comprising share capital, reserves and retained earnings.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for capital management during the year ended 31 December 2021.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk

The Group has no significant foreign currency risk as the operations and customers of the Group are located in the PRC with most of the operating assets and transactions denominated and settled in RMB. The sole foreign currency exposure of the Group arises from its investments in unlisted fund-linked note denominated in USD.

As at 31 December 2021, if RMB had strengthened/weakened by 5% against the US dollar with all other variables held constant, profit after tax (and retained profits) would have been approximately RMB2,045,000 (2020: Nil) lower/higher.

(e) Fair value risk

The Group is exposed to fair value risk through its investments in unlisted fund-linked note measured at FVTPL. At 31 December 2021, the exposure to unlisted fund-linked note at fair value was RMB40,904,000 (2020: Nil). A decrease of 10% on the performance result of the unlisted fund would have a negative impact of approximately RMB3,415,000 (2020: Nil) on the profit after tax (and retained profits) and other comprehensive income attributable to the Group. An increase of 10% in the performance result of the unlisted fund would have a positive impact the Group's performance in a similar amount.

34. EVENTS AFTER THE REPORTING PERIOD

(a) On 15 February 2022, Mr. Huang Bo resigned as executive director and the chief financial officer of the Company. Upon resignation of Mr. Huang Bo, Mr. Li Hua was appointed as the chief financial officer of the Company.

(b) On 13 January 2022, the Group announced the cancellation of various transactions with the subsidiaries of the Ultimate Holding Company for the purchase of various car parks during the year.

As mentioned in Note 30(c), the Group transferred funds to subsidiaries of the Ultimate Holding Company as partial prepayment for the purchase of various car parks of several projects owned by the subsidiaries of the Ultimate Holding Company, which was for the purpose of providing referral services to the Ultimate Holding Company group in respect of unsold car parks and earning service fees based on the price differentials upon the sales of such car parks to the project property owners. The transactions were subsequently cancelled after the Group realised the transaction was not falling within the scope of exclusive sales agreement signed on 17 September 2020.

35. CASH FLOWS INFORMATION

(a) Major non-cash transaction

During the year ended 31 December 2021, the Group did not have material non-cash transactions.

During the year ended 31 December 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately RMB3,189,000 and RMB3,500,000 respectively, in respect of lease arrangements for apartments and cleansing machines.

(b) Reconciliation of liabilities from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Lease liabilities *(Note 14(b))* RMB'000	**Total** RMB'000
At 1 January 2020	–	–
Changes from financing cash flows:		
Payment of lease liabilities	(1,288)	(1,288)
Other changes:		
Interest on lease liabilities	123	123
Additions of lease liabilities	4,665	4,665
Total other changes	4,788	4,788
At 31 December 2020 and 1 January 2021	**3,500**	**3,500**
Changes from financing cash flows:		
Payment of lease liabilities	**(1,552)**	**(1,552)**
Other changes:		
Interest on lease liabilities	**137**	**137**
Total other changes	**137**	**137**
At 31 December 2021	**2,085**	**2,085**

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*(a)*	**6,880**	4,993
Amounts due from subsidiaries#		**481,656**	465,397
Total non-current assets		**488,536**	470,390
CURRENT ASSETS			
Cash and cash equivalents		**7,518**	119,131
Other receivables		**275**	324
Total current assets		**7,793**	119,455
CURRENT LIABILITIES			
Amounts due to subsidiaries		**25,757**	25,433
Total current liabilities		**25,757**	25,433
NET CURRENT ASSETS		**(17,964)**	94,022
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		**470,572**	564,412
EQUITY			
Share capital	*26*	**5**	5
Reserves	*(b)*	**470,567**	564,407
Total equity		**470,572**	564,412

The amounts due from subsidiaries are reclassified from current assets to non-current assets as to conform the current year's presentation.

Wang Yanbo
Director

Zhang Yong
Director

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

(a) Investments in subsidiaries

As at 31 December 2021, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ place of operation	Registered and issued capital	Percentage of equity attributable to the Company Direct 2021	Direct 2020	Indirect 2021	Indirect 2020	Principal activities
Xinyuan Property Management Service (BVI) Ltd.	British Virgin Islands, 2 January 2020	–	**100%**	100%	**–**	–	Investment holding
Xinyuan Property Management Service (HK) Limited ("**Xinyuan HK**")	Hong Kong, 8 January 2020	HK$1	**–**	–	**100%**	100%	Investment holding
Xinyuan Science and Technology Service Group Co., Ltd. (鑫苑科技服務集團有限公司) ("**Xinyuan Science**")	The PRC, 28 December 1998	RMB50,000,000	**–**	–	**100%**	100%	Property management and related services
Beijing Xinxiang Huicheng Property Services Co., Ltd. (北京鑫享滙成物業服務有限公司)	The PRC, 18 October 2013	RMB10,000,000	**–**	–	**100%**	100%	Property decoration services
Henan Chengzhihang Property Services Co., Ltd. (河南誠至行物業服務有限公司)	The PRC, 15 December 2017	RMB5,000,000	**–**	–	**100%**	100%	Property management and related services
Henan Xinyuan Property Services Co., Ltd. (河南鑫苑物業服務有限公司)	The PRC, 1 December 2016	RMB10,000,000	**–**	–	**100%**	100%	Property management and related services
Qingdao Xinyuan Jinguang Property Development Co., Ltd. (青島鑫苑金光物業發展有限公司) ("**Qingdao Jinguang**")	The PRC, 6 November 2001	RMB1,000,000	**–**	–	**60%**	60%	Property management and related services
Henan Xinyuan Real Estate Marketing Co., Ltd. (河南鑫苑房地產營銷策劃有限公司)	The PRC, 30 July 2015	RMB1,000,000	**–**	–	**100%**	100%	Real estate marketing

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

(a) Investments in subsidiaries (Continued)

Name	Place and date of incorporation/ place of operation	Registered and issued capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2021	2020	2021	2020	
Henan Yueshenghang Property Services Co., Ltd. (河南悅晟行物業服務有限公司)	The PRC, 15 April 2016	RMB5,000,000	–	–	100%	100%	Property management and related services
Puyang Zhongfang Xinyuan Property Services Co., Ltd. (濮陽中房鑫苑物業服務有限公司)	The PRC, 29 November 2017	RMB5,000,000	–	–	65%	65%	Property management and related services
Yancheng Xinyuan Huafang Property Management Co., Ltd. (鹽城鑫苑華芳物業服務有限公司)	The PRC, 12 June 2017	RMB2,680,000	–	–	100%	100%	Property management and related services
Henan Gechen Culture Media Co., Ltd. (河南格宸文化傳媒有限公司)	The PRC, 14 March 2019	RMB10,000,000	–	–	100%	100%	Event planning and execution
Xingyang Xinzhisheng Property Services Co., Ltd. (滎陽市鑫之晟物業服務有限公司)	The PRC, 9 April 2019	RMB10,000,000	–	–	100%	100%	Property management and related services
Henan Yingsheng M&E Engineering Co., Ltd. (河南省盈晟機電工程有限公司)	The PRC, 10 April 2019	RMB20,000,000	–	–	51%	51%	Intelligence engineering
Xinyi Xinyuan Property Services Co., Ltd. (新沂鑫苑物業服務有限公司)	The PRC, 7 May 2019	RMB10,000,000	–	–	100%	100%	Property management and related services
Anyang Xinhengyue Property Services Co., Ltd. (安陽鑫恒悅物業服務有限公司)	The PRC, 26 June 2019	RMB10,000,000	–	–	100%	100%	Property management and related services
Neihuang Shirui Property Management Co., Ltd. (內黃縣實瑞物業服務有限公司)	The PRC, 19 September 2014	RMB500,000	–	–	100%	100%	Property management and related services

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

(a) Investments in subsidiaries (Continued)

Name	Place and date of incorporation/ place of operation	Registered and issued capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2021	2020	**2021**	2020	
Henan Xinjiasheng Elevator Engineering Co., Ltd. (河南鑫嘉晟電梯工程有限公司)	The PRC, 22 October 2019	RMB10,000,000	**–**	–	**100%**	100%	Elevator installation, repair and maintenance services
Huaian Kangyang Property Services Co., Ltd. (淮安康陽物業服務有限公司)	The PRC, 4 December 2013	RMB200,000	**–**	–	**70%**	70%	Property management and related services
Henan Jingya Landscape Engineering Company Co., Ltd. (河南璟雅園林工程有限公司)	The PRC, 14 March 2019	RMB10,000,000	**–**	–	**100%**	100%	Landscape engineering and related services
Henan Xinzhixiang Electronic Technology Co., Ltd. (河南鑫智享電子科技有限公司)	The PRC, 20 May 2019	RMB5,000,000	**–**	–	**100%**	100%	Network technical service
Hefei Xinyuan Property Services Co., Ltd. (合肥鑫苑物業服務有限公司)	The PRC, 1 June 2019	RMB1,000,000	**–**	–	**100%**	100%	Property management and related services
Henan Xinyi Better Life Co., Ltd. (河南鑫怡美好生活服務有限公司)	The PRC, 8 August 2020	RMB5,000,000	**–**	–	**100%**	100%	Housekeeping services
Henan Shengjia Apartment Management Co., Ltd. (河南晟家公寓管理有限公司)	The PRC, 25 August 2020	RMB10,000,000	**–**	–	**100%**	100%	Property management and related services
Guangzhou Yuesheng Lianxing Business Service Co. Ltd. (廣州悦晟聯行商務服務有限公司)	The PRC, 10 September 2020	RMB10,000,000	**–**	–	**100%**	100%	Business services

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

(a) Investments in subsidiaries (Continued)

Name	Place and date of incorporation/ place of operation	Registered and issued capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2021	2020	2021	2020	
Henan Xinyuan Xin City Property Service Co., Ltd. (河南鑫苑鑫都市物業服務有限公司)	The PRC, 13 October 2020	RMB5,000,000	–	–	51%	51%	Property management and related services
Chongqing Heavy Truck Group Hongqi Property Co. Ltd. (重慶重型汽車集團鴻企物業有限責任公司)	The PRC, 16 October 2008	RMB5,350,000	–	–	100%	100%	Property management and related services
Beijing Jue Real Estate Agency Co., Ltd. (北京聚合房地產經紀有限公司)	The PRC, 2 August 2017	RMB10,000,000	–	–	70%	–*	Real Estate Agency
Henan Rongyao Catering Service Co. Ltd (河南融肴餐飲服務有限公司)	The PRC, 23 September 2021	RMB1,000,000	–	–	51%	–*	Dormant
Zhengzhou Shengxin Landscaping Construction Co. Ltd. (鄭州晟欣園林綠化工程有限公司)	The PRC, 10 November 2021	RMB10,000,000	–	–	51%	–*	Dormant

* Newly set up subsidiaries during the year.

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

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

(b) Reserves

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

	Share premium RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2020	449,222	12,299	(4,475)	457,046
Profit and total comprehensive income for the year	–	–	4,417	4,417
Repurchase and cancellation of shares *(Note 26(a))*	(951)	–	–	(951)
Placing of new shares *(Note 26(b))*	115,014	–	–	115,014
Equity-settled share-based payments *(Note 28)*	–	12,666	–	12,666
Dividends	–	–	(23,785)	(23,785)
At 31 December 2020 and 1 January 2021	**563,285**	**24,965**	**(23,843)**	**564,407**
Loss and total comprehensive income for the year	**–**	**–**	**(86,832)**	**(86,832)**
Placing of new shares *(Note 26(c))*	**31,118**	**–**	**–**	**31,118**
Equity-settled share-based payments *(Note 28)*	**–**	**9,435**	**–**	**9,435**
Dividends *(Note 11)*	**–**	**–**	**(47,561)**	**(47,561)**
At 31 December 2021	**594,403**	**34,400**	**(158,236)**	**470,567**

37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 25 March 2022.

FINANCIAL SUMMARY

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

GROUP OPERATING RESULT

	Year ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
REVENUE	**770,176**	653,702	533,954	393,329	296,719
Gross profit	**266,157**	257,672	201,789	133,572	101,166
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**122,570**	131,152	81,319	76,100	69,430

GROUP ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Non-current assets	**350,983**	116,234	106,792	113,522	5,652
Current assets	**1,141,792**	1,134,473	797,534	492,838	433,831
Total assets	**1,492,775**	1,250,707	904,326	606,360	439,483
Current liabilities	**567,085**	442,563	338,041	355,693	266,299
Net current assets	**574,707**	691,910	459,493	137,145	167,532
Total assets less current liabilities	**925,690**	808,144	566,285	250,667	173,184
Net assets	**914,892**	797,887	563,087	250,667	172,992
Capital and reserves					
Share capital	**5**	5	4	–	–
Reserves	**911,533**	796,028	561,932	249,092	172,992
	911,538	796,033	561,936	249,092	172,992
Non-controlling interests	**3,354**	1,854	1,151	1,575	–
Total equity	**914,892**	797,887	563,087	250,667	172,992

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