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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1895)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

1. Total revenue for the year ended 31 December 2022 decreased by approximately 10.9% to approximately RMB686.5 million from approximately RMB770.2 million for the year ended 31 December 2021.

2. Gross profit for the year ended 31 December 2022 decreased by approximately 13.9% to approximately RMB229.3 million from approximately RMB266.2 million for the year ended 31 December 2021. Gross profit margin for the year ended 31 December 2022 was approximately 33.4% as compared to approximately 34.6% for the year ended 31 December 2021, representing a year-on-year decrease of 1.2 percentage points.

3. Profit attributable to owners of the Company for the year ended 31 December 2022 decreased to approximately RMB-334.3 million from approximately RMB122.6 million for the year ended 31 December 2021.

4. The Board does not recommend the payment of any final dividend in respect of the year ended 31 December 2022.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xinyuan Property Management Service (Cayman) Ltd. (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
REVENUE	4	**686,498**	770,176
Cost of sales		**(457,178)**	(504,019)
Gross profit		**229,320**	266,157
Other income and gains	5	**27,828**	26,139
Administrative expenses		**(69,891)**	(73,005)
Provision for impairment on financial assets and contract assets (other than related parties)	6	**(39,685)**	(1,966)
Provision for impairment on financial assets and contract assets (related parties)	6	**(232,241)**	(30,446)
Loss related to Pledges	6	**(200,565)**	–
Interest on lease liabilities		**(112)**	(137)
Change in fair value of financial assets at fair value through profit or loss ("**FVTPL**")	13	**(9,912)**	–
Other expenses		**(2,248)**	(5,683)
Impairment of investment in a joint venture		**–**	(1,370)
Share of profits/(losses) of:			
A joint venture		**–**	(4,367)
Associates		**287**	166
(Loss)/profit before income tax	6	**(297,219)**	175,488
Income tax expense	7	**(36,912)**	(51,418)
(Loss)/profit and total comprehensive (loss)/ income for the year		**(334,131)**	124,070
(Loss)/profit and total comprehensive (loss)/ income for the year attributable to:			
Equity holders of the Company		**(334,265)**	122,570
Non-controlling interests		**134**	1,500
		(334,131)	124,070
		RMB cents	*RMB cents*
(Loss)/earnings per share attributable to the equity holders of the Company			
– Basic	9	**(58.90)**	22.21
– Diluted	9	**(58.90)**	21.65

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,742**	9,608
Goodwill		**3,090**	3,090
Right-of-use assets		**3,893**	1,859
Other intangible assets		**3,327**	2,197
Investment in a joint venture		**–**	–
Investments in associates		**402**	1,523
Prepayments to a related party	10	**89,073**	89,073
Payments to related parties	10	**–**	191,469
Deferred tax assets		**21,954**	12,033
Loan to a related party	10	**–**	40,131
Total non-current assets		**130,481**	350,983
CURRENT ASSETS			
Payments from related parties	10	**117,445**	–
Loan to a related party	10	**24,465**	–
Trade and bills receivables	11	**198,637**	258,152
Contract assets	12	**45,551**	62,105
Deposits, prepayments and other receivables	10	**225,895**	61,582
Financial assets at FVTPL	13	**30,992**	40,904
Pledged deposits	14	**–**	397,330
Cash and cash equivalents	14	**258,237**	321,719
Total current assets		**901,222**	1,141,792

	Notes	**2022** *RMB'000*	2021 *RMB'000*
CURRENT LIABILITIES			
Trade payables	15	**112,485**	102,900
Other payables and accruals		**212,805**	249,890
Contract liabilities		**109,359**	138,815
Lease liabilities		**1,868**	1,393
Tax payable		**72,211**	74,087
Total current liabilities		**508,728**	567,085
NET CURRENT ASSETS		**392,494**	574,707
TOTAL ASSETS LESS CURRENT LIABILITIES		**522,975**	925,690
NON-CURRENT LIABILITIES			
Lease liabilities		**2,115**	692
Deferred tax liabilities		**7,547**	10,106
Total non-current liabilities		**9,662**	10,798
Net assets		**513,313**	914,892
EQUITY			
Share capital	16	**5**	5
Reserves		**510,501**	911,533
Total equity attributable to equity holders of the Company		**510,506**	911,538
Non-controlling interests		**2,807**	3,354
Total equity		**513,313**	914,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 16 November 2022. The registered office of the Company is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business is located at Unit B, 17/F, United Centre, 95 Queensway, Admiralty, 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

The 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 interpretations issued and approved by the International Accounting Standard Board ("**IASB**"), 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.

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.

Suspension of trading of shares of the Company

Since 16 November 2022, the trading of the Company's shares on the Stock Exchange was suspended. According to the announcement dated 15 November 2022, the directors of the Company discovered certain bank balances of the Group were pledged (the "**Pledges**") to secure loan facilities of Xinyuan (China) Real Estate Co., Ltd.* (鑫苑 (中國) 置業有限公司) ("**Xinyuan (China)**"), a subsidiary of the Ultimate Holding Company, and certain companies which are not part of the Group (the "**Incident Transaction I**"). The Incident Transactions I involved four bank time deposits ("**Time Deposits**") which were pledged as at 31 December 2021 and 2022 of approximately RMB267,330,000 and RMB135,050,000 respectively.

On 18 November 2022, the Company announced the formation of an independent investigation committee (the "**IIC**") comprising of two executive directors, namely Mr. Shen Yuan-Ching and Mr. Wang Yong, and all independent non-executive directors of the Company.

Investigation

Deloitte Consulting (Hong Kong) Limited ("**Deloitte Consulting**") was appointed on 10 January 2023 by the IIC as an independent forensic investigation advisor to conduct the investigation ("**Investigation**") and an independent internal control reviewer on the internal control review ("**Internal Control Review**") to meet its resumption requirements from the Stock Exchange.

The Investigation found that the Incident Transaction I were made without the knowledge or consent of current executive directors of the Company. Based on the written confirmation by Xinyuan (China), the Pledges were entered into by the Group with Zhengzhou Yusheng Garden Design Company Limited (a subsidiary of the Ultimate Holding Company of the Company), and it's two business partners (collectively, the "**Borrowers I**"). As the bank loans were not repaid upon their respective maturity dates during and subsequent to the year ended 31 December 2022, so that the Group's bank deposits have been enforced by the relevant banks under the unauthorised financial guarantee arrangements.

Except for the deposits relating to Incident Transaction I, twenty-eight deposits were historic in nature (having taken place in the period from late September 2019 to August 2022) and have matured before 31 December 2022, Out of these, twenty deposits were pledged ("**Additional Pledges**") and were not subject to any appropriation and enforcement by the relevant banks. In other words, total twenty-eight of the thirty-two deposits identified were safely returned to the Company and its relevant subsidiaries before 31 December 2022.

The execution of the Additional Pledges ("**Incident Transaction II**") involved certain former employees and directors of the Group and former employees of Xinyuan (China) and third parties outside the Group (collectively, the "**Involved Parties**"). The arrangements were made without the knowledge or consent of current executive directors. Up to the date of this announcement, all the Additional Pledges had matured and have not been enforced by the banks.

During the course of the preparation of the consolidated financial statements of the Company for the year ended 31 December 2022, the board of directors considered the relevant information and supporting evidence available and used their best effort to estimate the relevant financial impact of the matters identified in the Investigation. The consequential effect, as disclosed in "Financial impact of the Incident Transaction I and Incident Transaction II" following the Investigation, was reflected in the consolidated statement of financial position as at 31 December 2022 and the consolidation profit or loss and cash flow for the year then ended.

Financial impact of the Incident Transactions I and Incident Transaction II

The Time Deposits under Incident Transaction I of approximately RMB267,330,000 as at 31 December 2021 were included in the published consolidated statement of financial position as at 31 December 2021, as "Time deposits". No adjustment or additional disclosures were made to the relevant comparative figures of the year.

The enforcement of the Time Deposits under Incident Transaction I by the banks in November 2022 and subsequent to the year ended 31 December 2022 resulting in the "Loss on Pledges" of approximately RMB398,847,000 was recorded under "Loss related to Pledges" (Note 6) in the profit or loss for the year ended 31 December 2022.

Meanwhile, Xinyuan (China) has confirmed the use of banking facilities related to Incident Transaction I for its own operation and committed to compensate the Group with their assets, including but not limited to cash, at their written response to the Company on 30 November 2022. The directors of the Company, taking into consideration of this written response, recognised the "recovery from the loss on the Pledges" under "Loss related to Pledges" (Note 6) in the profit or loss and "Other receivables – receivables related to Pledges" (Note 10) accordingly.

At 31 December 2022, the provision for impairment on such balances amounting to approximately RMB200,565,000 was made under "Loss related to Pledges" (Note 6).

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 2022 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2021, except for the adoption of the amendments to IFRSs as explained in below.

Adoption of amendments to IFRSs

In the current year, the Group has adopted for the first time the following amendments to IFRSs issued by IASB, which are mandatorily effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, plant and equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020 Cycle

The adoption of the above amendments to IFRS has had no material impact on the Group's financial performance and position for the current and prior periods and/or the disclosures set out in the consolidated financial statements.

2.3 NEW OR AMENDMENTS TO IFRSS NOT YET EFFECTIVE

The following are new or amendments to IFRSs that have been issued, but are not yet effective and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules	1 January 2023
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

* The 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.

The Group has already commenced an assessment of the related impact to the Group of the above new or amendments that are relevant to the Group upon initial adoption. According to the preliminary assessment made by the Directors, management does not anticipate any significant impact on the Group's financial position and results of operations.

3. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the chief 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 2022, all of the non-current assets were located in the PRC (2021: Same).

4. 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. An analysis of the Group's revenue by category is as follows:

(1) Disaggregation of revenue

	2022	2021
	RMB'000	*RMB'000*
Revenue from contract with customers within the scope of IFRS 15, types of goods or services		
Property management services	**496,450**	446,031
Value-added services	**107,545**	148,392
Pre-delivery and consulting services	**82,503**	175,753
	686,498	770,176

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**	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Point in time	**–**	–	**27,761**	36,731	**8,987**	28,229	**36,748**	64,960
Over time	**496,450**	446,031	**79,784**	111,661	**73,516**	147,524	**649,750**	705,216
	496,450	446,031	**107,545**	148,392	**82,503**	175,753	**686,498**	770,176

For the year ended 31 December 2022, revenue from entities controlled by the Ultimate Holding Company amounting to approximately RMB21,377,000, RMB6,097,000 and RMB53,290,000 (2021: RMB25,507,000, RMB36,953,000 and RMB110,369,000), representing 3.11%, 0.89% and 7.76% (2021: 3.31%, 4.80% and 14.3%) to the Group's total 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 (2021: none).

(2) Contract liabilities

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

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	**288,207**	106,001

(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.

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.

5. OTHER INCOME AND GAINS

	2022	2021
	RMB'000	*RMB'000*
Interest income	**13,363**	19,759
Government grants *(Note (a))*	**4,706**	4,434
Foreign exchange differences, net	**7,790**	–
Others *(Note (b))*	**1,969**	1,946
	27,828	26,139

Notes:

(a) 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.

(b) According to the Announcement of "The Continuation of the Combined Tax and Fee Support Policy – Additional VAT Deduction for Production and Daily Service Industries" issued by State Taxation Administration on 27 September 2022, from 1 October 2019 to 31 December 2022, taxpayers in the daily service industry are allowed to deduct an additional 15% of the deductible input tax for the current period to deduct the tax payable. During the year, the amount of deductible input tax was approximately RMB1,823,000 (31 December 2021: RMB1,704,000).

6. (LOSS)/PROFIT BEFORE INCOME TAX

The Group's (loss)/profit before income tax is arrived at after charging/(crediting):

	2022	2021
	RMB'000	*RMB'000*
Cost of services provided	**457,178**	504,019
Employee benefit expenses *(Note (c))* (excluding directors' and chief executive's remuneration:		
Wages and salaries	**129,275**	124,336
Equity-settled share-based payments	**–**	5,132
Pension scheme contributions *(Note (d))*	**14,258**	13,951
	143,533	143,419
Impairment of financial assets at amortised cost and contract assets		
– Third parties		
Provision for impairment of trade receivables *(Note 11)*	**28,657**	1,986
Provision for impairment of contract assets *(Note 12)*	**8,025**	130
Reversal of impairment of other receivables *(Note 10(e))*	**3,003**	(150)
	39,685	1,966
– Related parties		
Provision for impairment of trade receivables *(Note 11)*	**113,824**	4,107
Provision for impairment of contract assets *(Note 12)*	**27,098**	2,657
Provision for impairment of financial assets included in payments *(Note 10(b))*	**68,937**	15,813
Provision for impairment of other receivables *(Note 10(e))*	**2,876**	–
Provision for impairment of loan to a related party *(Note 10(g))*	**19,506**	7,869
	232,241	30,446
Loss related to Pledges *(Note 10(f))*		
– Loss on Pledges	**398,847**	–
– Recovery from loss on Pledges	**(398,847)**	–
– Provision for impairment of other receivables – receivables related to Pledges	**200,565**	–
	200,565	–
Impairment loss on deposits, included in cost of sales *(Note10(d))*	**1,262**	–
Depreciation and amortisation:		
Depreciation of property, plant and equipment *(Note (e))*	**2,362**	2,165
Depreciation of right-of-use assets	**1,495**	1,330
Amortisation of intangible assets	**270**	233
	4,127	3,728
Impairment of investment in a joint venture	**–**	1,370
Auditor's remuneration *(Note (a))*	**2,004**	1,311
Expenses relating to short-term leases	**555**	535
Foreign exchange (gains)/losses, net *(Note (b))*	**(7,790)**	4,826
Fair value loss of financial assets at FVTPL *(Note 13)*	**9,912**	549
Loss on disposal of a subsidiary, included in other expenses	**58**	–
Loss on property, plant and equipment written off	**32**	211

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

Notes:

(a) The amount included agreed-upon procedures services provided relating to interim results for the six months ended 30 June 2022 with approximately RMB282,000 (2021: RMB328,000).

(b) Foreign exchange gains, net was included in "other income and gains" (2021: "other expenses").

(c) Total employee benefit expenses of approximately RMB102,619,000 and RMB40,914,000 (2021: RMB114,546,000 and RMB28,873,000) are charged to cost of sales and administrative expenses, respectively for the year ended 31 December 2022.

(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 and December 2021.

(e) Total depreciation of property, plant and equipment of approximately RMB1,571,000 and RMB791,000 (2021: RMB1,667,000 and RMB498,000) are charged to cost of sales and administrative expenses, respectively for the year ended 31 December 2022.

7. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current income tax – PRC:		
Corporate income tax	**45,057**	53,177
Withholding tax *(Note(e))*	**4,335**	4,371
	49,392	57,548
Deferred income tax – PRC:		
Deferred tax asset recognised	**(9,921)**	(8,115)
Deferred tax liabilities released	**(2,559)**	1,985
	(12,480)	(6,130)
Total tax charge for the year	**36,912**	51,418

(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 (2021: Same).

(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 (2021: 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%.

8. DIVIDENDS

No dividend for the year ended 31 December 2022 has been proposed by the Directors.

A dividend in respect of the year ended 31 December 2021 of HK13.8 cents per ordinary share, amounting to approximately HK$78,315,000 (equivalent to RMB63,660,000 based on the exchange rate as at dividend proposal date) has been approved by the Board after the reporting date and it had also been approved at the annual general meeting of the Company held in May 2022. The relevant dividend amount of RMB66,767,000 is charged to the consolidated statement of changes in equity based on the payment date exchange rate during the year.

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) had been approved by the Board after the reporting date and it had also been approved at the annual general meeting of the Company held in October 2021. The relevant dividend amount of RMB47,561,000 was charged to the consolidated statement of changes in equity based on the payment date exchange rate during the year ended 31 December 2021.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2022, the basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares of 567,500,000 in issue during the year. There were no differences between the basic and diluted loss per share as there were no potential dilutive ordinary shares outstanding during the year.

For the year ended 31 December 2021, 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 in issue during the year.

The calculation of the diluted earnings per share amount was 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.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to the equity holders of the Company, used in the diluted (loss)/earnings per share calculation	**(334,265)**	122,570
Adjustment of the proposed dividends for unvested shares under the restricted share award scheme	**–**	(3,470)
Adjusted (loss)/profit attributable to equity holders of the Company, used in the basic (loss)/earnings per share calculation	**(334,265)**	119,100
	Thousand Shares	*Thousand shares*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**567,500**	536,172[1]
Effect of dilution – weighted average number of ordinary shares: Restricted share award scheme	**–**	30,000
Weighted average number of ordinary shares for diluted (loss)/earnings per share	**567,500**	566,172

Note:

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.

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES/LOAN TO A RELATED PARTY/ PAYMENTS TO RELATED PARTIES/PREPAYMENTS TO A RELATED PARTY

	2022	2021
	RMB'000	*RMB'000*
Non-current		
Prepayments		
– Related parties *(Note (a))*	**89,073**	89,073
Payments to related parties *(Note (b))*	**–**	205,461
Less: allowance for impairment	**–**	(13,992)
	–	191,469
Loan to a related party *(Note (g))*	**–**	48,000
Less: allowance for impairment	**–**	(7,869)
	–	40,131
Current		
Payments to related parties *(Note (b))*	**200,374**	–
Less: allowance for impairment	**(82,929)**	–
	117,445	–
Loan to a related party *(Note (g))*	**51,840**	–
Less: allowance for impairment	**(27,375)**	–
	24,465	–
Prepayments		
– Related parties	**868**	893
– Third parties *(Note (c))*	**11,654**	11,106
	12,522	11,999
Deposit *(Note (d))*	**15,970**	20,449
Less: allowance for impairment	**(3,083)**	(1,821)
	12,887	18,628
Other receivables		
– Related parties *(Note (e))*	**5,504**	26,743
– Related parties – receivables related to Pledges *(Note (f))*	**398,847**	–
– Third parties*(Note (e))*	**5,591**	7,224
	409,942	33,967
Less: allowance for impairment of:		
– other receivables on related parties	**(4,697)**	(1,821)
– receivables related to Pledges *(Note (f))*	**(200,565)**	–
– other receivables on third parties	**(4,194)**	(1,191)
	200,486	30,955
	225,895	61,582

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 is located in Henan Province.

During the year ended 31 December 2022, the construction of the properties was completed but the relevant certificate of handed over was provided to the Group subsequent to the year, so that the balance is classified as prepayment as at 31 December 2022.

The directors of the Company considered that there was no impairment as at 31 December 2022 as the recoverable amount of the prepayment (i.e. fair value less costs of disposal of properties) was assessed to be higher than its carrying amount (2021: same).

(b) Balance represented payments to certain subsidiaries of the Ultimate Holding Company 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 in cash of approximately RMB206,783,000, representing the total car parking spaces reserve price as the deposits for being such exclusive sales partner. The Agreement became effective upon the fulfillment of conditions and the approval by shareholders other than the controlling shareholder at an extraordinary general meeting in 2020.

The payments would be refunded to the Group by installments 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 the 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. Such Supplemental Agreement became effective upon approval by shareholders other than the controlling shareholder at an extraordinary general meeting in 2022.

On 16 May 2022, the Group and the Ultimate Holding Company entered into the second supplemental agreement (the "**Supplemental Agreement II**"), pursuant to which, both parties agreed that, all the amount generated from the sales of designated car parking spaces will be received by the Group on behalf of subsidiaries of the Ultimate Holding Company and such amount will be directly applied as refund of the payments made until the payments are fully refunded. The Ultimate Holding Company will refund the above specified amount (after netting off the payment received on behalf by the Group so far) when the Group achieved the milestone and settle the remaining outstanding payments at the expiration of the Agreement. Such Supplemental Agreement II became effective upon approval by shareholders other than the controlling shareholder at an extraordinary general meeting in 2022.

During the year ended 31 December 2022, the Group has conducted certain sales activities under the aforementioned agreements. However, up to 31 December 2022, the Group did not achieve the first sales milestones, and the sales of designated car parking spaces was amounted to approximately RMB12,991,000 (2021: RMB 9,668,000). An amount of RMB5,087,000 (2021: NA) has been offset against the payments pursuant to the Supplemental Agreement II. During the year ended 31 December 2022, the Group generated the corresponding Pre-delivery and consulting service fee income of approximately RMB5,087,000 (2021: RMB8,303,000), which were included in Pre-delivery and consulting service fee income. 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 and approximately RMB 82,929,000 was provided as at 31 December 2022 (2021: RMB13,992,000).

Payments are reclassified from non-current to current assets as at 31 December 2022 the amounts will fall due within 12 months from the reporting date.

(c) Balance mainly represented the prepaid utility expenses and prepaid construction service fee to certain subcontractors of approximately RMB5,993,000 and RMB5,661,000 (2021: RMB3,336,000 and RMB7,770,000) respectively.

(d) Balance mainly represented deposits paid for utilities, construction projects and bidding of property management service projects of approximately RMB3,672,000, RMB893,000 and RMB8,322,000 (2021: RMB5,529,000, RMB217,000 and RMB12,882,000) respectively.

The directors of the Company assess the impairment of the deposits paid and approximately RMB1,262,000 (Note 6) was provided for the year ended 31 December 2022 (2021: RMB1,821,000).

(e) Other receivables were non-trade in nature, unsecured, interest-free and repayable on demand.

All the current portion of other receivables are expected to be recovered or recognised as expense within one year.

The directors of the Company assess the expected credit loss of the other receivables from related party and approximately RMB2,876,000 (Note 6) was provided for the year ended 31 December 2022 (2021: RMB Nil).

The directors of the Company assess the expected credit loss of the other receivables from third party approximately RMB3,003,000 (Note 6) was provided for the year ended 31 December 2022 (2021: reversal of RMB (150,000)).

(f) Balance mainly represented the unauthorised pledged bank deposits (Note 2.1 – Recovering loss from the Incident Transaction I) for the bank borrowings obtained by the Borrowers I and deducted by the banks in relation to the failure of repayment by the Borrowers I to the banks. During the year, the Ultimate Holding Company has confirmed that these balances were due from them and it will be responsible for settling the balances in cash or non-cash assets.

The directors of the Company assess the expected credit loss of the receivables related to unauthorized pledges and approximately RMB200,565,000 (Note 6) was provided for the year ended 31 December 2022.

(g) 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 and approximately RMB19,506,000 (Note 6) was provided for the year ended 31 December 2022 (2021: RMB7,869,000).

Upon the maturity date on 16 August 2023, the subsidiary of Ultimate Holding Company, namely Henan Xinyuan Real Estate was unable to repay the loan. On 31 October 2023, Henan Xinyuan Real Estate entered into an offsetting debt agreement with the Group, pursuant to which the 611 parking spaces of C2 and R3 of Qingdao Lingshanwan Longxi located in Qingdao, the PRC and all the rights and interests of these parking spaces owned by Qingdao HuiJu Zhihui City Industry Development Co., Ltd. ("**Qingdao HuiJu**"), a subsidiary of Henan Xinyuan Real Estate, were transferred to the Group as to offset the loan receivables. At the date of transfer, the total fair value of the parking spaces were amounted to approximately RMB45,402,000. Such fair value was estimated by Jones Lang LaSalle Corporate Appraisal and Consulting Limited, an independent professionally qualified valuers who hold recognised relevant professional qualifications and have recent experiences in the locations and segments of the properties valued.

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

	2022		2021	
	Third parties	**Related parties**	Third parties	Related parties
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
At the beginning of the year	**1,191**	**15,813**	1,341	–
Charge for the year *(Note 6)*	**3,003**	**272,387**	(150)	15,813
At the end of the year	**4,194**	**288,191**	1,191	15,813

11. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*		
– Related parties	**234,523**	127,855
– Third parties	**123,230**	134,312
	357,753	262,167
Less: allowance for impairment of trade receivables	**(162,245)**	(19,764)
	195,508	242,403
Bills receivable *(Note (b))*	**3,129**	15,749
	198,637	258,152

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 (2021: 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 (2021: 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 RMB3,129,000 (2021: RMB15,749,000). 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.

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**91,721**	214,638
1 to 2 years	**87,848**	30,887
2 to 3 years	**14,811**	9,208
3 to 4 years	**4,257**	3,419
Total	**198,637**	258,152

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

	2022		2021	
	Third parties	**Related parties**	Third parties	Related parties
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
At the beginning of year	**15,657**	**4,107**	13,671	–
Charge for the year *(Note 6)*	**28,657**	**113,824**	1,986	4,107
At the end of the year	**44,314**	**117,931**	15,657	4,107

12. CONTRACT ASSETS

	2022	2021
	RMB'000	*RMB'000*
Construction services		
– Related parties	**59,171**	39,023
– Third parties	**24,998**	26,577
	84,169	65,600
Less: allowance for impairment of contract assets	**(38,618)**	(3,495)
	45,551	62,105

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.

The change during the current year is mainly due to the net effect of balance reduced as a result of the change in the time frame for a right to consideration to become unconditional; and balance increased for the recognition of revenue, as disclosed below.

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**62,105**	23,681
Increase in contract assets as a result of recognising revenue during the year	**34,302**	69,547
Decrease in contract assets as a result of right to consideration become unconditional during the year	**(50,856)**	(31,123)
At 31 December	**45,551**	62,105

The movements in provision for impairment of contract assets are as follows:

	2022		2021	
	Third parties	**Related parties**	Third parties	Related parties
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
At the beginning of year	**838**	**2,657**	708	–
Charge for the year *(Note 6)*	**8,025**	**27,098**	130	2,657
At the end of the year	**8,863**	**29,755**	838	2,657

The expected timing of recovery or settlement for contract assets as at the reporting date is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**41,786**	54,187
1 to 2 years	**42,383**	11,413
Total	**84,169**	65,600

The Group classified these contract assets as current because the Group expects to realise them in its normal operating cycle.

13. FINANCIAL ASSETS AT FVTPL

	2022	2021
	RMB'000	*RMB'000*
Unlisted fund-linked note	**30,992**	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 included, but not limited to, listed equity and debt securities, structured products and other private investment fund.

The fund-linked note is redeemable after 1-year lock up period from the date of acquisition at the fair value of the fund-linked note 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 2022, fair value loss on financial assets at FVTPL of approximately RMB9,912,000 (2021: RMB549,000) (Note 6) was recognised in the profit or loss.

Subsequent to the year ended 31 December 2022, the Group reassessed the prevailing economy environment and submitted a redemption notice to the Issuer in August 2023 in accordance with the relevant terms to subscription agreements. The Issuer advised that, due to the fair value of the underlying investment assets was dropped to zero, the redemption value of the fund-linked note is considered as nil.

14. CASH AND BANK BALANCES

	2022	2021
	RMB'000	*RMB'000*
Pledged deposits		
– Time deposits pledged as security for bank financings to the Borrowers *(Note 2.1)*		
– Matured within 3 months	**135,050**	–
Time deposits	**–**	397,330
Less: Pledged deposits deducted by banks *(Note)*	**(135,046)**	–
	4	397,330
Cash and bank balances	**258,233**	321,719
	258,237	719,049

Note: For the reasons mentioned in Note 2.1, the Group provided deposit pledges in aggregate of RMB172,800,000, RMB94,530,000 and RMB135,050,000 to ZZ Bank WE, HX Bank NY and ZZ Bank WL (the "**Bankers**") respectively, as security for bank financing offered to the Borrowers I. The bank financing was fully utilised by the Borrowers I. However, as they failed to repay the amounts due to the Bankers, the Bankers deducted the Group's pledged deposits of (i) RMB263,801,000 during the year and RMB135,046,000 subsequent to 31 December 2022 for the defaulted bank financing.

As at 31 December 2022, the term deposits are deposits at bank with a maturity of ranging from 3 to 12 months (2021: 3 to 12 months) and carried interest at prevailing deposit rates ranging from 1.54% to 2.10% (2021: 1.54% to 2.10%) per annum.

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 2022, time deposits and cash and cash equivalents of the Group which is denominated in Renminbi amounted to approximately RMB175,320,000 (2021: RMB595,451,000). 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 RMB82,467,000 (2021: RMB123,519,000) and RMB447,000 (2021: RMB79,000) respectively.

15. TRADE PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables		
– Related parties	**673**	2,494
– Third parties	**111,812**	100,406
	112,485	102,900

The trade payables have a normal credit terms of 30 to 90 (2021: 30 to 90) days.

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**48,462**	71,096
1 to 2 years	**62,245**	29,782
2 to 3 years	**885**	1,238
Over 3 years	**893**	784
	112,485	102,900

16. SHARE CAPITAL

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

	2022	2021
	RMB'000	*RMB'000*
Authorised:		
38,000,000,000 shares of a par value of HK$0.00001 each	**380**	380

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

	Number of shares in issue	**Fully paid share capital**
		RMB'000
At 1 January 2021	549,500,000	5
Placing of new shares under general mandate *(Note)*	18,000,000	–*
At 31 December 2021, 1 January 2022 and 31 December 2022	567,500,000	5

Note: On 8 February 2021, an aggregate of 18,000,000 placing shares has been placed to six places 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is a comprehensive property management service provider with widespread influence and robust operation. We strive to be the leading intelligent operator of pan-property industry in China. In 2022, the Group fully implemented its strategic upgrade, service upgrade and organizational upgrade around its core orientation of capability upgrading and the three development dimensions of Xin-property, Xin-industry and Xin-technology, so as to carry out business layout.

On the basis of the Xin-service's 4.0 service system upgrade, Xin-property focused on ensuring the development quality of core operations and building a strong foundation for business development. At the same time, based on the "1+4+N" national development strategy layout, the Group has continued to further develop its business in key regions. As at 31 December 2022, the Group's property management services covered 48 cities in the PRC, with a new contracted GFA of 3.66 million sq.m. and a newly taken-over area of 3.25 million sq.m. in that year, representing a steady market expansion of the Company.

Xin-property focused on carrying out in-depth business layout in areas such as the full life cycle of property owners, comprehensive living scenarios in the community, the full process management of supporting equipment and facilities, and the upstream and downstream whole industry chain of the property. Combining internal and external resources, and capabilities strengths, it achieved a rapid breakthrough, by focusing on home living services, asset operation and stock assets renewal projects. The renewal of stock assets focused on the elevator additions and maintenance construction with funds business, which has developed a preliminary and post project integrated business model for stock assets renewal; in terms of home living services, in the cases of an ongoing pandemic in 2022, it has improved the business system of owners' home living services and launched group purchasing activities to guarantee supply during the pandemic, with online platform revenue increasing by 60% year-on-year; and asset operation focused on the renewal of owners' stock assets and the underwriting of parking spaces, innovating the 4S home services business model and developing asset sales channels.

On the basis of internal business empowerment, Xin-technology continued to develop external output capacity and industrial service capacity. Xinzhixiang Technology Co., Ltd.* (鑫智享科技有限公司) was formed, realizing its breakthrough to external services. The internal construction has completed the construction of digital platforms including smart parking and smart meter, the launching of an aggregate of 166 projects, and development of 10 systems such as the energy consumption system and the storage system; realised the construction of a five-in-one enterprise WeChat ecology, and completed the development and launching of 12 modules on the staff side and the owner's side and more than 200 items of functional optimization. Meanwhile, the Company's Xinzhixiang Technology Co., Ltd. has been certified as a National Science and Technology Enterprise and a Small and Medium-sized Science and Technology Enterprise in Henan Province, received "Science and Technology Enterprises Outstanding Innovation Award" in science and technology innovation competition, and obtained 14 software copyrights of the software issued by the National Copyright Administration, as well as has achieved a breakthrough in the external business by signing sales contracts of software externally, with a contract amount of RMB2.85 million.

In 2022, the Group was recognized as one of the 2022 Top 100 Property Service Companies and 2022 Top 10 Companies with High-End Property Services by Shanghai E-House China R&D Institute and CRIC Property Management; as one of the 2022 Top 100 Property Management Companies in China and 2022 China Property Services Enterprise of Brand Excellence by China Index Academy; and as one of 2022 Smart Property Leading Enterprise in China, one of China's Top 100 Property Management Companies in Terms of Brand Value in 2022, 2022 Featured Brand of China Property Management Service-Xin-services and 2022 China Residential Service Leading Enterprises by CRIC Property Management and CPMRI.

Meanwhile, the Group's employees across China actively participated in pandemic control and prevention work in 2022. During the joint efforts of pandemic prevention and treatment with the community, arrangements for daily nucleic acid tests, services for owners during home quarantine and the safeguarding of property owners' livelihoods during the lockdown, the leadership roles of CCP organizations and pioneers at all levels were given full play. A lot of heroic deeds and people emerged from the pandemic, which have honoured by the governments of all levels and won extensive commendation from the society, fully demonstrating the social responsibilities and social values of enterprises.

PROPERTY MANAGEMENT SERVICES

Adherence to quality development

The Group maintained a robust quality in growth strategy. In 2022, taking traditional model of comprehensive engagement with developers' properties as its core, the Group continued to optimize its business structure with newly contracted residential operation type of 2.36 million sq.m. and non-residential operation type of 1.30 million sq.m. throughout the year, 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.

While increasing scale expansion, the Group also continued to optimize the quality of projects under management, and proactively terminated service contracts for some joint ventures and projects that recorded sustained operating losses and low area effectiveness so as to improve overall operating efficiency. Throughout the year, revenue generated from property services increased by 11.3% year-on-year, revenue per square meter increased by 32.6% year-on-year, and internal operating efficiency was further optimized and improved.

As of 31 December 2022, we provided property management service and value-added service in 48 cities in the PRC, covering contracted GFA of approximately 50.71 million sq.m. for 249 contracted projects; and GFA under management of approximately 31.40 million sq.m. for 190 projects under management.

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

	Year ended 31 December			
	2022		2021	
	Contracted GFA	**GFA under management**	Contracted GFA	GFA under management
	'000 sq.m.	***'000 sq.m.***	*'000 sq.m.*	*'000 sq.m.*
At the beginning of the year	**63,036**	**37,410**	53,004	34,667
Addition[1]				
Xinyuan Real Estate Group[3]	**160**	**504**	1,847	985
Third party property developers[4]	**3,501**	**2,750**	8,428	1,937
Termination[2]	**15,992**	**9,265**	243	179
At the end of the year	**50,705**	**31,399**	63,036	37,410

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.

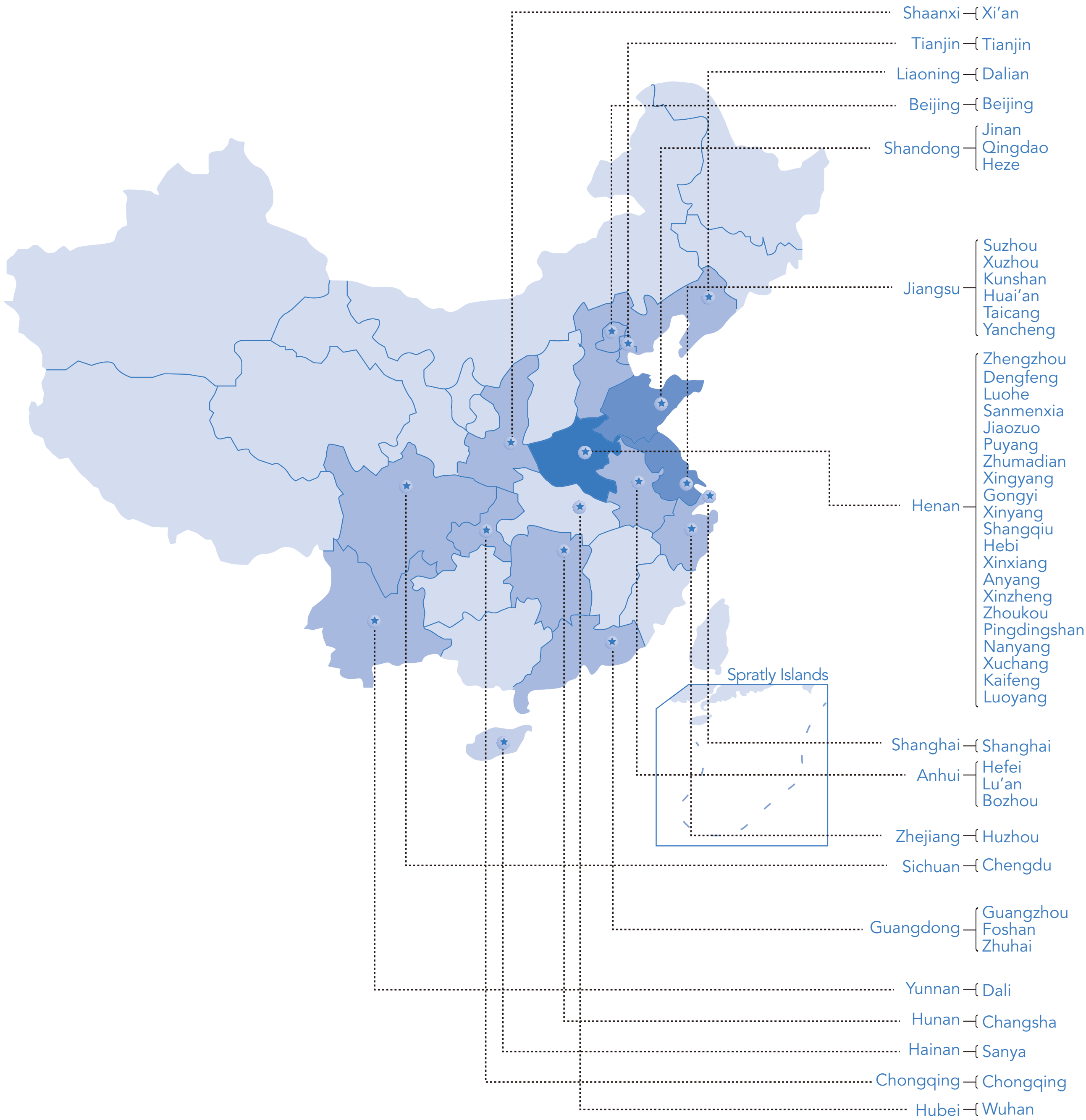
(2) Termination includes certain property management service contracts which we opted not to renew due to our reallocation of resources to contracts with higher profitability in order to optimise our property management portfolio.

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

(4) Refers to properties exclusively developed by third party property developers independent of Xinyuan Real Estate Group.

Our geographical coverage

In 2022, based on a "1+4+N" national layout, we conducted deep cultivation of the Central China, Bohai Economic Rim, Yangtze River Delta, Pearl River Delta and the Southwest China regions, and made key breakthroughs in the Central China region focusing on Henan, and the Yangtze River Delta focusing on Jiangsu. As of 31 December 2022, our geographical coverage has expanded from Zhengzhou to 48 cities across the PRC.



The following table sets out our GFA under management as at the dates indicated, and a breakdown of our total revenue from property management service by geographical region for the years ended 31 December 2022 and 2021:

	Year ended 31 December					
	2022			2021		
	GFA	**Revenue**	**Percentage share**	GFA	Revenue	Percentage share
	0'000 sq.m.	***RMB'000***	**%**	*0'000 sq.m.*	*RMB'000*	*%*
Central China[1]	**1,717**	**276,228**	**55**	1,687	231,019	52
Yangtze River Delta[2]	**360**	**116,763**	**24**	420	106,472	24
Greater Southwest[3]	**736**	**70,143**	**14**	1,226	76,500	17
Bohai Economic Rim[4]	**311**	**14,872**	**3**	401	12,463	3
Greater Bay Area[5]	**16**	**18,444**	**4**	7	19,577	4
Total	**3,140**	**496,450**	**100**	3,741	446,031	100

Notes:

(1) Includes cities located in Henan province.

(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, Hunan and Guangdong provinces.

Robust growth of scale

The Group has always maintained a robust and high quality growth strategy in expansion of scale, and has developed its own robust model of expansion of scale with comprehensive engagement as its core. In 2022, based on the traditional comprehensive engagement expansion, the Group strengthened cooperation with owners' committees, governments, enterprises and public institutions of existing projects through diversified cooperation models and relying on construction of properties with red spirit to achieve the expansion of comprehensive engagement from incrementing to stocking assets, as well as the extension from residential to non-residential operation type.

In terms of expansion methods, combined with the needs in scale development and market expansion, the Group has established an organizational structure for expansion characterized by "focus on headquarters' investment and development center with synergy effect among multiple regions". The cultivation of benchmark projects under management in Henan and Jiangsu where we have established in-depth presence, created regional service reputation and brand influence, thereby obtaining more cooperation opportunities. As of 31 December 2022, third parties accounted for 53% in terms of GFA under management and 57% in terms of contracted GFA of the Group.

As at 31 December 2022, GFA under management and percentage share of property management service revenue by type of property developer are as follows:

	Year ended 31 December					
	2022			2021		
	GFA	**Revenue**	**Percentage share**	GFA	Revenue	Percentage share
	0'000 sq.m.	***RMB'000***	***%***	*0'000 sq.m.*	*RMB'000*	*%*
Xinyuan Real Estate Group	**1,483**	**345,517**	**70**	1,428	294,165	66
Third party property developers	**1,657**	**150,933**	**30**	2,313	151,866	34
Total	**3,140**	**496,450**	**100**	3,741	446,031	100

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 2022, in the field of expansion of non-residential operation type, we won the bid of property services projects of Luohe Jingdong Logistics Park, Industrial Bank Xinyang Branch, Xinyang City Bookstore, Henan Vocational Institute of Arts and Yangshan Elementary School, and achieved diversified expansions of the business types, forming a maturer market-oriented development trend.

A breakdown of property management service revenue from developed properties by property types for the years ended 31 December 2022 and 2021:

	Year ended 31 December					
	2022			2021		
	GFA	**Revenue**	**Percentage share**	GFA	Revenue	Percentage share
	0'000 sq.m.	***RMB'000***	***%***	*0'000 sq.m.*	*RMB'000*	*%*
Residential	**2,233**	**399,616**	**80**	2,408	357,247	80
Non-residential	**907**	**96,834**	**20**	1,334	88,784	20
Total	**3,140**	**496,450**	**100**	3,741	446,031	100

Value-added services

In 2022, the Group established a community value-added services department, which conducted resource coordination, management coordination and business coordination for the Company's community value-added business. The revenues of some segments were affected to a certain extent, but our overall business development remained robust.

In terms of value-added services for property owners, we have developed a 4S home services business model based on home renewal, home maintenance and home value-adding. Centering on household living needs of property owners during the pandemic, we have enhanced the capability of Xiaoxin U-Pick's community living services, constructed the property owners' life service group, built the community living services scenarios such as online flash sales, group orders of property owners and live commerce, and introduced innovative measures in offering interior furnishing, delivery and charging services around the flaws and weak points in the community life of the property owners.

In terms of household services, we rely on Xinyi Better Life Professional Company* (鑫怡美好生活專業公司). We combined online and offline and integrated internal and external professional service resources to focus on two major aspects of household living services and professional maintenance services. Through organising seasonal activities and themed events, household services have increasingly gained recognition from property owners.

The following table sets out the breakdown of the revenue from community value-added services for the year ended 31 December 2022 and 2021:

Value-added services	Year ended 31 December **2022** *RMB'000*	**2022** *%*	2021 *RMB'000*	2021 *%*
Third party services revenue[1]	**17,167**	**16**	28,576	19
Space resources management[2]	**53,086**	**49**	49,306	33
Domestic living services[3]	**37,292**	**35**	70,510	48
Total	**107,545**	**100**	148,392	100

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 heating services).

Pre-delivery and consulting services

Leveraging on the Group's professional property management experience of 24 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 terms of specialized work construction, the Group has established an "EPC+CDI" smart neighbourhood construction model, 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 2022, the segment shrank due to the downturn in the overall real estate development trend, meanwhile the Group has been prudent in commencing any pre-delivery and consulting services process and increased the level of risk assessment.

Pre-delivery and consulting services	**Year ended 31 December**			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Xinyuan Real Estate Group	**71,107**	**86**	149,383	85
Third party property developers	**11,396**	**14**	26,370	15
Total	**82,503**	**100**	175,753	100

OUTLOOK

The Group's strategy for the next three to five years will continue to upgrade based on the three major development dimensions of Xin Property, Xin Industry and Xin Technology, and promote the continuous integration of property + technology. We create new scenarios for digitally empowered properties, continue to upgrade around the three major development curves of management services, scenarios services, and scenarios technology, and achieve rapid growth in the Company's operating efficiency and business scale.

I. Xin-property (Management services)

The basic property service module focuses on quality growth and is based on the three major IPs of "high cost-performance ratio, high satisfaction, high service experience". Centering on the development layout of "1+4+N", we focused on the five core regions of Central China, Bohai Economic Rim, Yangtze River Delta, Greater Bay Area and Southwest China to carry out in-depth business layout and cultivate regional presence in depth.

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 support of a red property brand, innovate diversified cooperation models on the basis of the existing the expansion of comprehensive engagement. On the basis of cooperation with developers, we will extend to the fields of city services, state-owned enterprise stock business, public construction of enterprises and institutions, and park cooperation, expand cooperation channels, and build an expanded multi-wheel drive model.

II. Xin-industry (Scenarios services)

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.

Xin-industry mainly focuses on empowering the community living service scenarios and makes in-depth layout of community vertical service fields around the three major aspects of “asset + space + people”.

In terms of asset operation management, we will focus our effort on the two core businesses of revitalization of stock assets and renovation work of stock properties. On the one hand, we achieve sustained premiums and realization of our own assets; on the other hand, we focus on the elevator additions in old communities and the renovation of public facilities and equipment to cultivate our own engineering management and operational capabilities.

In terms of operating spaces, we will increase the efficiency of revitalizing, integrating and utilizing space resources through the empowerment of digital technology, and continue to innovate business models on the basis of traditional space operations to improve the efficiency of resource utilization.

In term of human services, we will focus on the needs of owners in the full life cycle of community services and provide private customized services for different customer groups, with emphasis on community pension, family services, life services, retail, catering, charging and other areas, constructing community service ecology.

In terms of scenarios service, we will continue to incubate a wide variety of segmented services based on the owners’ assets, resources and multiple types of needs.

III. Xin-technology (Scenarios technology)

Xin-technology extends from internal empowerment to external empowerment, 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.

On the basis of traditional cost reduction and efficiency improvement, we focus on specific community scenarios. Through combination with technology, we discover new needs and scenarios by analyzing and refining insights after simplifying complicated data, and with the help of technology empowerment, we can meet needs and explore new revenue sources and business areas.

While facing the "digital new infrastructure" industrial ecosystem, we will expand our experience in large-scale property infrastructure operation and maintenance, IT operation and maintenance, and comprehensive property operation and management to the new infrastructure field. Based on digital twin platforms, IoT platform, robots and smart park hardware products, we will create innovative service platforms, products and one-stop solutions for smart operation and management towards the field of property communities, urban grids, public facilities, as well as office buildings, large halls and guesthouses and park services.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB686.5 million (corresponding period in 2021: approximately RMB770.2 million), representing a decrease of approximately 10.9% 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			
	2022		2021	
	Revenue	**Percentage**	Revenue	Percentage
	RMB'000	***%***	*RMB'000*	*%*
Property management services	**496,450**	**72.3**	446,031	57.9
Value-added services	**107,545**	**15.7**	148,392	19.3
Pre-delivery and consulting services	**82,503**	**12.0**	175,753	22.8
Total	**686,498**	**100.0**	770,176	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	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Property management services	**148,667**	**29.9**	104,260	23.4
Value-added services	**61,331**	**57.0**	102,162	68.8
Pre-delivery and consulting services	**19,322**	**23.4**	59,735	34.0
Total	**229,320**	**33.4**	266,157	34.6

The Group's gross profit for the year ended 31 December 2022 amounted to RMB229.3 million, representing a decrease of 13.9% over RMB266.2 million in 2021. Gross profit margin decreased to 33.4% from approximately 34.6% in 2021.

Gross profit margin of property management services was 29.9%, representing a growth of 6.5 percentage points as compared to 23.4% in 2021. The growth in gross profit margin for property management services was mainly due to (i) the increase in operation management efficiency; and (ii) effective cost control.

Gross profit margin of value-added services was 57.0%, representing a decrease of approximately 11.8 percentage points as compared to 68.8% in 2021, mainly due to the decrease in revenue from space operation business and the increase in labor cost arising from new business cultivation.

Gross profit margin of pre-delivery and consulting services was 23.4%, representing a decrease of approximately 10.6 percentage points as compared to 34.0% in 2021. The lower gross profit margin of 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, thereby reducing our gross profit margin.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2022 amounted to RMB69.9 million, representing a decrease of 4.2% as compared to RMB73.0 million in 2021, also representing 10.2% of revenue (2021: representing 9.5% of revenue). The decrease was mainly due to (i) the decrease in taxes driven by the decrease in revenue; and (ii) the decrease in share-based payment expenses.

Other income and gains

The Group's other income and gains for the year ended 31 December 2022 amounted to RMB27.8 million, representing an increase of 6.5% as compared to RMB26.1 million in the previous year. The increase was primarily attributable to an increase in foreign exchange gain in 2022.

Income tax expense

The Group's income tax expense for the year ended 31 December 2022 amounted to RMB36.9 million, representing a decrease of RMB14.5 million as compared to RMB51.4 million in the previous year. The decrease in income tax rate for the year ended 31 December 2022 was mainly attributable to the decrease of revenue in the current period.

Loss

The Group's net loss for the year ended 31 December 2022 amounted to RMB-334.1 million, primarily owing to increased provision of impairment of financial assets.

Loss attributable to the Company's shareholders for the year ended 31 December 2022 amounted to RMB-334.3 million, representing a decrease of RMB456.9 million as compared to RMB122.6 million in the corresponding period in the previous year. Basic earnings per share was RMB-58.90 cents.

Current assets, reserves and capital structure

The Group maintained a sound financial position during the year ended 31 December 2022. As at 31 December 2022, current assets amounted to RMB901.2 million, representing a decrease of 21.1% as compared to RMB1,141.8 million as at 31 December 2021.

As at 31 December 2022, the Group's total equity was RMB513.3 million, representing a decrease of RMB401.6 million or 43.9% as compared to RMB914.9 million as at 31 December 2021, mainly due to the increased provision for impairment on financial assets.

Property, plant and equipment

As at 31 December 2022, the Group's net property, plant and equipment amounted to RMB8.7 million, representing a decrease of 9.4% as compared to RMB9.6 million as at 31 December 2021, mainly due to the offsetting of provision for depreciation for the current year.

Other intangible assets

As at 31 December 2022, the book value of the Group's other intangible assets was RMB3.3 million, representing a growth of 50% as compared to RMB2.2 million as at 31 December 2021. 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 server invoicing system; (iv) FineReport software; and (v) cost management system.

Trade receivables

As at 31 December 2022, trade receivables amounted to RMB198.6 million, representing a decrease of 23.1% as compared to RMB258.2 million as at 31 December 2021, mainly due to the revenue decreased and the provision for bad debts in respect of account receivables by the Group.

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 2022, the Group's prepayments and other receivables was approximately RMB456.9 million, representing an increase of approximately RMB114.8 million as compared to approximately RMB342.1 million as at 31 December 2021. The increase was mainly due to the the increase in receivables from related parties.

Trade payables

As at 31 December 2022, trade and other payables amounted to RMB112.5 million, representing a growth of 9.3% as compared to RMB102.9 million as at 31 December 2021. 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 2022, the Group's other payables and accruals (other than contract liabilities) amounted to approximately RMB212.8 million, representing an decrease of approximately 14.8% as compared to approximately RMB249.9 million as at 31 December 2021. Such decrease was mainly attributable to during the year ended 31 December 2022 (i) the decrease in non-trade payables to related parties; (ii) the normal refund of deposits and temporary receipts from property owners; and (iii) the decrease of taxes payable.

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 2022, our contract liabilities was approximately RMB109.4 million, representing a decrease of 21.2% as compared to approximately RMB138.8 million as at 31 December 2021, which was mainly due to the slowdown in property fee prepayment activities as a result of the Group's focus on improving the services quality for property owners at the end of the current year.

Borrowings

As of 31 December 2022, 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 2022, gearing ratio was nil.

Pledged assets

As at 31 December 2022, the Group had no pledged assets.

Material acquisition

The Group had no material acquisition during the year ended 31 December 2022.

Material disposal

The Group had no material disposal of subsidiaries and associates during the year ended 31 December 2022.

Significant investment

As at 31 December 2022, the Group did not hold any significant investment.

Contingent liabilities

As at 31 December 2022, 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 minimize foreign exchange risk.

Employment and remuneration policy

As at 31 December 2022, the Group had approximately 1,543 employees (31 December 2021: approximately 1,741 employees). The Group adopts a remuneration policy similar to its peers in the industry. The remuneration payable to our employees is determined with reference to their duties and the prevailing local market rates. Employees are paid discretionary performance bonuses upon review as reward for their contribution. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Group has participated in different social welfare plans for its employees. In addition, the company 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 ended 31 December 2022.

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 23 June 2022, the Group utilised approximately RMB79.3 million of the Listing Net Proceeds, with approximately RMB117.9 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 *RMB million*	Actual use of Listing Net Proceeds from the Listing Date to 31 December 2021 *RMB million*	Unutilised Listing Net Proceeds up to 31 December 2021 *RMB million*	Actual use of Listing Net Proceeds from 1 January 2022 to 23 June 2022 *RMB million*	Unutilised Listing Net Proceeds up to 23 June 2022 *RMB million*	Expected timeline for the use of the Unutilized Listing Net Proceeds
To expand our property management services, seek strategic acquisition and investment opportunities	118.3	22.2	96.1	0.8	95.3	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	22.8	6.8	2.0	4.8	Expected to be fully utilised on or before 30 September 2023
To upgrade and develop our own information technology and smart systems	29.6	6.6	23	5.2	17.8	Expected to be fully utilised on or before 30 September 2023
Funding our working capital needs and other general corporate purposes	19.7	19.7	–	–	–	
Total	197.2	71.3	125.9	8.0	117.9	

Notes:

1. Approximately RMB8.2 million and RMB14.8 million were used, respectively, for the payment for (i) the fees in relation to the development of the scale of our property management services and marketing and promotion of our property management services; and (ii) the 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 2022, 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 RMB24.8 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 RMB11.8 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 mid-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.

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 23 June 2022, 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 follow:

Use of 2020 Placing Net Proceeds	Planned use of 2020 Placing Net Proceeds	Actual use of 2020 Placing Net Proceeds up to 31 December 2021	Unutilised amount of 2020 Placing Net Proceeds up to 31 December 2021	Actual use of 2020 Placing Net Proceeds from 1 January 2022 to 23 June 2022	Unutilised amount of 2020 Placing Net Proceeds up to 23 June 2022	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	

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 net proceeds from the Subscription are approximately HK$31.2 million (the "**Subscription Net Proceeds**"). The net price per 2021 Subscription Shares amounted to approximately HK$2.06. Up to 23 June 2022, (i) approximately RMB7.8 million of the Subscription Net Proceeds had been utilised in the manner in line with that were set out in the 2021 Placing and Subscription Announcements; and (ii) approximately RMB23.4 million of the Subscription Net Proceeds remained unutilised (the "**Unutilised Subscription Net Proceeds**"). Details of the use of the Subscription Net Proceeds were as follows:

Use of Subscription Net Proceeds	**Planned amount of Subscription Net Proceeds to be used**	**Actual use of Subscription Net Proceeds up to 31 December 2021**	**Unutilised amount of Subscription Net Proceeds up to 31 December 2021**	**Actual use of Subscription Net Proceeds from 1 January 2022 to 23 June 2022**	**Unutilised amount of Subscription Net Proceeds up to 23 June 2022**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Approximately 75% strategic investment in businesses or targets that are related to property management services	23.4	–	23.4	–	23.4
Approximately 25% for general working capital of the Group	7.8	7.8	–	–	–
Total	31.2	7.8	23.4	–	23.4

Change of Use of Proceeds

Reference is made to the announcement of the Company dated 23 June 2022. On 23 June 2022, the Board resolved to revise the use of the Unutilised IPO Net Proceeds, the Unutilised 2020 Placing Net Proceeds and the Unutilised Subscription Net Proceeds, which in aggregate amounted to approximately RMB244.8 million (the "**Total Unutilised Proceeds**"), in a combined manner as set out in the Company's announcement dated 23 June 2022 (the "**Revised Use of Total Unutilised Proceeds**"). Up to 31 December 2022, the Group utilised approximately RMB54.7 million of the Total Unutilised Proceeds pursuant to the Revised Use of Total Unutilised Proceeds. Details of the use of Total Unutilised Proceeds pursuant to the Revised Use of Total Unutilised Proceeds up to 31 December 2022 were as follows:

Revised Use of Total Unutilised Proceeds	Allocated Percentage of Total Unutilised Proceeds	Allocated Total Unutilised Proceeds as at 23 June 2022	Actual use of Total Unutilised Proceeds from 24 June 2022 to 31 December 2022	Unused amount of Total Unutilised Proceeds up to 31 December 2022	Expected timeline for the Use of Total Unutilised Proceeds
	%	*RMB million*	*RMB million*	*RMB million*	
To pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of the Group's property management, value-added services and property engineering businesses, which include acquiring or investing in companies engaged in businesses related to property management, value-added services or property engineering, or forming joint ventures with such companies, and investing in related industrial funds with business collaborative partners	30	73.4	–	73.4	30 September 2024

Revised Use of Total Unutilised Proceeds	Allocated Percentage of Total Unutilised Proceeds	Allocated Total Unutilised Proceeds as at 23 June 2022	Actual use of Total Unutilised Proceeds from 24 June 2022 to 31 December 2022	Unused amount of Total Unutilised Proceeds up to 31 December 2022	Expected timeline for the Use of Total Unutilised Proceeds
	%	*RMB million*	*RMB million*	*RMB million*	
To further develop the Group's value-added services, which include the development of value-added products and services related to service scenarios such as communities, commercial offices and urban management, as well as assets, the upgrading of software and hardware and the development of smart community and commercial facilities operation services, and the development of value-added services related to commercial operations such as office buildings and industrial parks	20	49.0	2.5	46.5	30 September 2024
To upgrade the Group's systems of digitisation and smart management, which include the purchase, upgrade and research and development of software, hardware and related services for building smart terminals and Internet of Things platforms, the construction and development of information sharing platforms and databases, the recruitment and development of professional and technical staff and information management teams, the investment in companies engaged in businesses related to technological industries, and the commencement of research and development for innovative applications related to the Group's business	30	73.4	3.2	70.2	30 September 2024

Revised Use of Total Unutilised Proceeds	Allocated Percentage of Total Unutilised Proceeds	Allocated Total Unutilised Proceeds as at 23 June 2022	Actual use of Total Unutilised Proceeds from 24 June 2022 to 31 December 2022	Unused amount of Total Unutilised Proceeds up to 31 December 2022	Expected timeline for the Use of Total Unutilised Proceeds
	%	*RMB million*	*RMB million*	*RMB million*	
Working capital and general corporate purpose	20	49.0	49.0	–	
Total	100.0	244.8	54.7	190.1	

As at 31 December 2022, the unused portion of the Total Unutilised Proceeds are placed at a licensed bank in the PRC. The Directors are not aware of, and do not anticipate any material delay or change in the use of proceeds from the Revised Use of Total Unutilised Proceeds, and will continue to assess the plans in relation to the planned allocation of the unused portion of the Total Unutilised Proceeds. 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.

EVENTS AFTER THE REPORTING PERIOD

Tripartite Agreement and Car Parking Space Exclusive Sales Cooperation Agreement

On 22 July 2022, Zhengzhou Shengdao entered into the a previous agreement, pursuant to which Sichuan Justbon agreed to assist Zhengzhou Shengdao to sell a total of 862 car parking spaces for a period commencing from 22 July 2022 until the sales of all car parking spaces are completed.

On 22 September 2023, Zhengzhou Shengdao, Sichuan Justbon and Xinyuan Science (an indirect wholly-owned subsidiary of the Company) entered into the Tripartite Agreement, pursuant to which (i) Zhengzhou Shengdao and Sichuan Justbon agreed to terminate the Previous Agreement; (ii) Zhengzhou Shengdao agreed to pay the Termination Fee to Sichuan Justbon; and (iii) Xinyuan Science agreed to cooperate with Zhengzhou Shengdao to sell the remaining 798 unsold car parking spaces and pay the Termination Fee to Sichuan Justbon on behalf of Zhengzhou Shengdao.

On 22 September 2023, Xinyuan Science and Zhengzhou Shengdao entered into the Car Parking Space Exclusive Sales Cooperation Agreement, pursuant to which Zhengzhou Shengdao agreed to designate Xinyuan Science as the exclusive sales partner of a total of 798 Designated Car Parking Spaces for the Cooperation Period and grant the right to Xinyuan Science for the implementation of the Exclusive Sales Cooperation. Pursuant to the Car Parking Space Exclusive Sales Cooperation Agreement, Xinyuan Science shall pay Zhengzhou Shengdao a refundable Earnest Money of RMB11,226,518 in instalments as the deposit.

Compensation Agreements in Respect of Arbitration

Xinyuan (China) has confirmed the use of these bank balances related to Incident Transaction I for Xinyuan (China)'s or its business parties' banking facilities at their written response to the Advisor. Based on that, the Company has filed a notice of arbitration ("**Arbitration**") with the Hong Kong International Arbitration Centre against Xinyuan (China) in respect of the Pledges, in which the Company seeks recovery of any loss and/or damage suffered by the Company with respect to the Pledges, including the total deposit principal, interest losses on the principal and cost and expenses incurred in the investigation and all related matters with aggregate amount of approximately RMB430,411,000. Upon the final and legally binding arbitral awarded in the Aribitration on 13 October 2023, Xinyuan (China) and the Group entered into several compensation agreements in accordance with the Arbitration conclusion.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: HK13.8 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The AGM is expected to be held on Wednesday, 8 May 2024. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Friday, 3 May 2024 to Wednesday, 8 May 2024, both days inclusive, during which the period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 6 May 2024.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. Throughout the year 2022, the Company has complied with the code provisions save for the following:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Despite deviating from such code provision of the CG Code, the Board believes that Mr. Shen Yuan-Ching is familiar with the Company's business operation and vesting the roles of both the chairman of the Board and chief executive officer of the Company in the same person can facilitate the execution of the Group's business strategies, boost effectiveness of its operation and improve the efficiency of overall strategic planning for the Company. Under the Board's supervision, it ensures that the Board remains appropriately structured with the balance of power to provide sufficient checks for protecting the interests of the Company and its shareholders.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix C3 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 2022.

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 2022.

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 audited consolidated financial statements for the year ended 31 December 2022.

SCOPE OF WORK OF MOORE CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2022, consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 and the related notes thereto as set out in this annual results announcement have been agreed by the Group's auditor, Moore CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore CPA Limited on this annual results announcement.

The below sections set out an extract of the report by Moore CPA Limited, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2022:

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the BASIS FOR DISCLAIMER OF OPINION section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

As disclosed in Note 2.1 to the consolidated financial statements, the board of directors discovered in November 2022 that two wholly-owned subsidiaries of the Company, entered into four agreements with certain banks in the People's Republic of China (the "**PRC**") to pledge the bank balances of the Group, of which approximately RMB267,330,000 were pledged during the year ended 31 December 2021 and RMB135,050,000 were pledged during the year ended 31 December 2022 (collectively the "**Pledges**"), to guarantee certain borrowings of Xinyuan (China) Real Estate Co., Ltd. ("**Xinyuan China**"), one of the subsidiaries of the ultimate holding company of the Company, Xinyuan Real Estate Co., Ltd. ("**Xinyuan Real Estate**"), and certain companies which are not part of the Group (collectively, the "**Borrowers I**") without the knowledge or consent of the board of directors of the Company at that point in time (the "**Incident Transaction I**"). As such, the Group did not record and disclose the relevant bank balances as pledged in the published consolidated statement of financial position as at 31 December 2021. In addition, the Group did not recognise any financial impact in respect of the financial guarantees issued from their initial inception.

The Borrowers I were unable to repay the bank borrowings upon maturity during and subsequent to the year ended 31 December 2022 resulting in the relevant bank balances have been enforced by the relevant banks. The Group incurred a loss on the principal amount of the bank balances under Incident Transaction I, amounting to approximately RMB263,801,000 during the year ended 31 December 2022 and RMB135,046,000 subsequent to the reporting date.

In response to this, the board of directors of the Company as of the date of this report (the "**Newly-Constituted Board**") established an independent investigation committee (the "**IIC**") in November 2022 which engaged an independent investigation advisor ("**Advisor**") to conduct an independent forensic investigation ("**Investigation**") to assist the IIC in addressing the Incident Transaction I.

As detailed in Note 2.1, under the section titled “Investigation” in these consolidated financial statements, the Group had entered into another twenty-eight deposits categorised as time deposits, call deposits, structured deposits and investment in financial products (collectively referred to as “**Time Deposits**”) during the period from 1 October 2019 to 31 December 2022 (“**Period Concerned**”). Out of these, twenty deposits were pledged to certain banks in favour of third parties outside the Group (the “**Borrowers II**”) (the “**Incident Transaction II**”). Such Time Deposits under Incident Transaction II were historic in nature (having taken place in the period from late September 2019 to August 2022) and have matured, and were not subject to any appropriation and enforcement by the relevant banks.

In other words, the Time Deposits under Incident Transaction II were safely returned to the Company and its relevant subsidiaries before 31 December 2022. The Group did not recognise any financial impact in respect of financial guarantees issued for Incident Transaction II from their initial inception and upon maturity of these financial guarantees during the Period Concerned.

The Newly-Constituted Board has advised that, as at the date of approval of these consolidated financial statements, certain personnel involved in the application and approval process of the Time Deposits under the Incident Transaction I and II (collectively, “**Involved Parties**”) had left the Group, they were unable to contact the Involved Parties who retained the essential records and supporting explanations relating to the Incident Transaction I and II after the Involved Parties’ departure. These records include but not limited to certain documentations and supporting explanations, such as pledged agreements, the Group’s credit risk assessments on Borrowers I and II (collectively referred as the “**Specific Records**”). Despite their best efforts to obtain and preserve the Specific Records, the Newly-Constituted Board were unable to locate these Specific Records relating to the Incident Transaction I and II and they have very limited knowledge about the details of Incident Transaction I and II. The Newly-Constituted Board were unable to access these Specific Records and ascertain whether they were initially missing or if they had been modified as a result of the Involved Parties’ departure.

Except for the pledged agreements relating to Incident Transaction I that were made available to us in November 2022 and the subsequent audit confirmation arranged to banks and Xinyuan (China) which were returned to us during our audit for the year ended 31 December 2022, there was also no other internal or external information was available to us during the course of audit for the year ended 31 December 2021, indicating that certain bank balances were being pledged as at 31 December 2021.

From our open-source background research and public research performed on the Borrowers and compared the former and current key personnel of the Group and identified that certain former key personnel were also the existing or former directors and senior management of certain Borrowers of Incident Transaction I and II.

However, as at the date of approval of these consolidated financial statements, the Involved Parties of the Group and Xinyuan (China) had resigned from their positions which we were unable to conduct interviews with them and obtain any information about the Incident Transaction I and II from them and the existing personnel of the Group including New-Constituted Board have very limited knowledge about the details of the Incident Transaction I and II, we were unable to obtain the Specific Records and sufficient explanation about the substance and other details of the Incident Transaction I and II.

As a result of the above matters, we were unable to obtain sufficient appropriate audit evidence to ascertain the followings:

(i) the financial impact on the opening balances from Incident Transaction I and II. International Financial Reporting Standard ("**IFRS**") 9 "Financial Instruments" requires the initial recognition of financial guarantees issued by the Group at fair value and measurement of the loss allowance thereon based on assessment of changes in credit risk of Borrowers I and II at each reporting date. No sufficient appropriate audit evidence relating to the credit risk of Borrowers I and II such as the original Group Management's credit risk assessments on Borrowers I and II, with the corresponding supporting documents and management's explanatory materials, was available to us to ascertain the initial recognition of financial guarantee contracts and the measurement of the loss allowance during the year ended 31 December 2021. As a result, the opening balances in respect of bank balances and financial guarantee contracts were not restated;

(ii) the financial impact on the consolidated profit or loss for the year ended 31 December 2022 and the corresponding comparative figures in respect of financial guarantees issued under Incident Transaction I and II. IFRS 9 requires the initial recognition of financial guarantees issued by the Group at fair value on initial recognition and measurement of the loss allowance thereon based on assessment of changes in credit risk of Borrowers II at each report date. The financial guarantees would be derecognised upon maturity. No sufficient appropriate audit evidence relating to the credit risk of Borrowers I and II such as the original Group Management's credit risk assessments on Borrowers I and II, with the corresponding supporting documents and management's explanatory materials, was available to us to ascertain the initial recognition of financial guarantee contracts, the measurement of the loss allowance and derecognition during the year ended 31 December 2022 and the corresponding comparative period; and

(iii) whether the loss allowance on the Incident Transaction I recognised in the consolidated profit or loss for the year ended 31 December 2022 is appropriate. The Group recorded a loss on Pledges of approximately RMB398,847,000 during the year ended 31 December 2022. No sufficient appropriate audit evidence was made available to us to ascertain to what extent the loss allowance that may be related to the corresponding comparative period.

Because of the above limitations, we were unable to make reasonable judgement on whether any of the loss allowance recognised by the Group for the year ended 31 December 2022 should have been recorded in the consolidated statement of profit or loss and other comprehensive income of the corresponding comparative periods, and we were also unable to determine whether any other adjustments might have been found necessary in respect of the Incident Transaction I and II and the elements making up 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 ended 31 December 2022 and the related disclosures.

In addition, due to the absence of sufficient appropriate supporting documents and more detailed explanations in relation to the accounting records in connection to the opening balances and comparative information made available to the Newly-Constituted Board from the former directors of the Group in respect of the Incident Transaction, we were unable to obtain sufficient appropriate audit evidence over the account balances as at 31 December 2021 and notes to consolidated financial statements of the Group for the year then ended. Any adjustments that might have been found necessary to the Group's consolidated statement of financial position as at 31 December 2021 and 1 January 2022 would have a consequential effect on the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2022 and the related disclosures.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company at www.xypm.hk and the Stock Exchange at www.hkexnews.hk. The 2022 annual report containing all the information required by Appendix D2 of the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

By order of the Board
Xinyuan Property Management Service (Cayman) Ltd.
SHEN Yuan-Ching
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 12 March 2024

As at the date of this announcement, the Board comprises Mr. SHEN Yuan-Ching, Mr. FENG Bo and Mr. WANG Yong as executive directors; Mr. TIAN Wenzhi as non-executive director; and Mr. LI Yifan, Mr. LAN Ye, and Mr. LING Chenkai as independent non-executive directors.

* *For identification purposes only*